BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY TO IMPLEMENT A SCHEDULE 19 SUBSTATION ALLOWANCE AND TRANSMISSION VESTED INTEREST (TARIFF ADVICE NO. 13-08)	))))))	**CASE NO. IPC-E-14-01** **ORDER NO. 32982**

On December 23, 2013, Idaho Power Company filed Tariff Advice No. 13-08, identified as the Company's first annual filing to update the substation allowance and vested interest provisions under Schedule 19, Large Power Service. The Commission in Case No. IPC-E-13-09 approved a petition by Glanbia Foods, Inc. for an allowance against construction costs for upgrades it requested to Idaho Power's transmission and substation facilities. The new tariff implements a substation allowance and vested interest provision for Schedule 19 customers as required by Commission Order Nos. 32893 and 32914 in Case No. IPC-E-13-09.

The filing contains three new tariff sheets that include sections to (1) define terms used in the allowance and vested interest sections; (2) describe the substation allowance and outline when a customer will qualify to receive an allowance, the maximum possible allowance, and how a customer will receive a refund; and (3) describe the transmission vested interest section explaining when a customer will qualify to receive a vested interest and how vested interest charges will be calculated. Idaho Power proposed a February 1, 2014 effective date.

The Commission determined the proposed tariff was too complex to be treated as a simple tariff advice, and on January 7, 2014, issued a Notice of Application and Notice of Modified Procedure establishing a comment period regarding Idaho Power's proposed tariff. Staff and the Industrial Customers of Idaho Power filed written comments on January 28, 2014. Idaho Power filed reply comments on February 5, 2014.

STAFF COMMENTS

Staff noted the proposed additions to Schedule 19 are closely patterned after Idaho Power's Rule H. Rule H governs distribution line installations, and the new additions to Schedule 19 govern transmission line installations. The defined terms added to Schedule 19 mirror comparable terms in Rule H.

Substation Allowances and Refunds

Staff analyzed the new Schedule 19 for consistency with the Commission's decision in Case No. IPC-E-13-09. In that case, the Commission determined Glanbia is entitled to an allowance of $65,734 per MW multiplied by the 19 MW Glanbia planned to obtain through the new facilities it is constructing. The amount of the allowance was based on the estimated cost per MVA of a standard set of 30 MVA transformation facilities. Staff stated that Idaho Power followed the same procedure to compute a proposed allowance amount of $64,580 for Schedule 19. The Company used an updated station overhead rate to determine the Schedule 19 allowance amount. The Company states its calculation of overhead is similar to the method used to calculate the Company's general distribution overhead rate that is updated annually in the Company's Rule H New Service Attachments and Distribution Line Installations compliance filing. Staff reviewed the calculations of the proposed Schedule 19 allowance amount, including the updated overhead rate, and stated they are accurate and consistent with Orders in the Glanbia case.

In the Glanbia case, the Commission also directed the parties to devise an allowance to ensure large investments made by Idaho Power in new facilities do not become stranded, creating a cost risk to Idaho Power's other customers if the customer later goes out of business. In Order No. 32893, the Commission approved a methodology to credit the allowance against the customer's bill over a five-year period; the customer would annually receive a portion of the allowance based on the amount of load increase that actually materialized each year. Idaho Power proposed the same refunding methodology developed in the Glanbia case for the Schedule 19 tariff. Staff stated the methodology is fair and reasonable to both Idaho Power and the customer, and achieves the Commission's objective of relieving other customers of risk.

Transmission Vested Interest

The transmission vested interest section explains when a customer's project qualifies for a vested interest and how vested interest charges will be calculated. The language in this section was adapted from similar language in Rule H. Staff noted two material differences from Rule H; one restricts the vested interests for transmission to situations in which the customer is served by a radial feed, the second removes a distance ratio from the vested interest calculation. Staff believes these changes are necessary for administrative simplicity and to avoid complex and perhaps inaccurate determinations of how costs should be shared among subsequent transmission and/or distribution customers.

ICIP COMMENTS AND IDAHO POWER'S REPLY COMMENTS

ICIP's comments address specific terms in Idaho Power's proposed Schedule 19 tariff. ICIP noted some distinctions between the proposed Schedule 19 and the Rule H line extension tariff. For example, the Rule H tariff provides for a discount on construction costs at the front-end of the construction, while Schedule 19 spreads a construction allowance over a five-year period. ICIP believes this distinction creates an inequity, but believes it "can be ameliorated somewhat by having the unrefunded portion of the allowance accrue interest from the date of receipt." ICIP Comments, p. 2. Another distinction is that Rule H provides for allowances and vested interest rights for primary level customers, while Schedule 19 provides vested interest rights only to a customer who installs transmission voltage level facilities. Noting there are Schedule 19 customers who take service at the primary voltage level, ICIP recommended the vested interest rights for a Schedule 19 customer should extend to customers of all voltage levels.

Finally, ICIP noted that Idaho Power identified an allowance associated with a "change in load from the previous year as measured in megawatts." ICIP believes the language should be clear that the allowance relates only to an *increase* in load, and that if a customer experiences a decrease in load it is not obligated to pay Idaho Power based on the allowance formula.

Idaho Power in its reply comments addressed the specific concerns raised by ICIP. First, Idaho Power noted that the new Schedule 19 does not replace the line extension terms of Rule H, so Schedule 19 does not limit or change how an industrial customer's request for installation of distribution facilities is treated under Rule H. ICIP's concern that it is discriminatory for Schedule 19 to provide allowances to transmission level industrial customers and not also to primary level industrial customers is unfounded because Schedule 19's terms are not limited to transmission level customers. Instead, its terms govern transmission and/or substation *facilities*, while Rule H provides allowances and vested interests for distribution facilities. Idaho Power Reply Comments, pp. 2-3.

Idaho Power also responded to ICIP's suggestion that the Company pay interest on the unrefunded portion of the allowance. Idaho Power pointed out it is not holding funds with an opportunity to earn interest or a return when it gives an allowance. Instead, the funds have been spent for the construction of the requested plant and equipment. Idaho Power argues "it is not appropriate to pay interest because the Company is not holding cash, but rather will have used those funds to complete the construction of the requested facilities and the resulting impact to rate base is zero until the refunds are issued." Idaho Power Reply Comments, p. 4.

Finally, Idaho Power addressed ICIP's concern that by referencing a "change" rather than an "increase" in the customer's electric usage, it could mean the customer might be obligated to pay Idaho Power in the event its consumption decreases. Idaho Power noted that "the result of the formula is added to the prior year's allowance to determine the refund to the customer, if the Company did not use the word 'change', it would suggest the customer could continue to receive a refund based on the usage established during the first year of service, regardless of whether or not that load was maintained." Idaho Power Reply Comments, p. 5. The formula is an adjustment to the allowance received in the prior year and is not a standalone determination of the annual allowance amount, so an allowance paid one year may be smaller than the allowance paid in the prior year if a customer's usage goes down. *Id.* The allowance formula merely spreads the allowance recovery over five years based on the customer's usage, and prevents over-recovery of the refund amount in each year of the five-year recovery period. In no event would the customer owe Idaho Power if usage is less than anticipated; the customer's allowance recovery would simply be reduced.

Based on the record presented, the Commission approves the proposed additions to Idaho Power's Schedule 19 tariff, effective the issuance date of this final Order. The Commission finds the terms of the new Schedule 19 are just and reasonable, and fairly incorporate the terms for a construction allowance and vested interest as approved by the Commission in Case No. IPC-E-13-09. The Commission approves the tariff without the modifications suggested by ICIP. ICIP's concerns are adequately resolved by the existing terms of the Rule H tariff and by proper application of the allowance methodology approved in this case.

ORDER

IT IS HEREBY ORDERED that Idaho Power's Schedule 19, Large Power Service, is approved, effective on the issuance of this Order No. 32982.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 25th day of February 2014.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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