

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. IPC-E-19-02
OF IDAHO POWER COMPANY TO)	
INCREASE THE SUBSTATION)	
ALLOWANCE IN SCHEDULE 19, LARGE)	ORDER NO. 34277
POWER SERVICE)	
)	

On or about December 28, 2018, Idaho Power Company filed Tariff Advice No. 18-04. The Company's Tariff Advice proposed to increase the substation allowance amount in Schedule 19, Large Power Service, by 12.7% to \$72,559/megawatt (MW), with the proposed changes to take effect February 1, 2019.

At the Commission's January 22, 2019 meeting, the Commission's Staff questioned whether the Tariff Advice proposed only "minor changes to existing schedules," as allowed by Commission Rule 134.01 (IDAPA 31.01.01.134.01). Staff recommended the Commission allow further investigation by treating the Company's Tariff Advice as an Application, suspending the proposed effective date, and processing the case by Modified Procedure.

On January 24, 2019, the Commission issued a Notice of Application and Notice of Modified Procedure. The Commission deemed the Tariff Advice to be an Application, suspended the proposed effective date for 30 days and five months per *Idaho Code* § 61-622, and set comment and reply deadlines. Order No. 34236. The Industrial Customers of Idaho Power subsequently intervened. Commission Staff then filed comments, and the Company filed a reply. No other comments were received.

Having reviewed the record, including the Application, comments, and reply, the Commission enters this Order allowing the Company to increase the substation allowance by 7.8% to \$69,397/MW.

THE APPLICATION

Under Company Schedule 19, if a customer asks for service that requires the Company to add or upgrade transformer capacity in substation facilities, the customer must initially pay the associated costs but is eligible for a one-time substation allowance based on the customer's subsequent sustained usage of capacity. Commission Order Nos. 32893 and 32914 require the Company to update the substation allowance each year.

With this Application, the Company asked to update Schedule 19 to set the substation allowance as required by Order Nos. 32893 and 32914. The Company explained the maximum substation allowance currently is determined by multiplying the customer's actual increase in load by \$64,386/MW, with the substation allowance not to exceed the actual cost of the substation facilities. With its Application, the Company proposes to increase the \$/MW multiplier by \$8,173 to \$72,559, reflecting a 12.7% increase.

The Company primarily attributed the increased substation allowance to increased material costs, including an 18% increase in the cost of a 30 mega volt amp (MVA) transformer and a 24% increase of a 4-unit metalclad. The Company noted the overall increase in material costs was offset by a decrease in the general overhead rate from 11.48% to 9.81%.

STAFF COMMENTS

To assess the reasonableness of the Company's proposed allowance amount, Staff reviewed: (1) the calculation method; (2) changes in direct material cost; and (3) an audit of the overhead rate. Based on its review, Staff determined the Company's calculation method complied with Commission orders and that the overhead rate was accurate. Staff Comments at 2. However, Staff believed the Company's proposed allowance of \$72,559/MW overestimated transformer costs. In particular, Staff explained that the Company's estimate that a 30MVA transformer would increase in cost by 18% was unreasonable given the estimation method used. After reviewing the inflation rate of actual Company purchases of similar transformers, Staff expressed the Company would more likely pay only 5% more for a 30MVA transformer than the amount the Commission approved in last year's filing. Staff otherwise noted the other direct material costs in the Company's proposal either reflected a reasonable rate of inflation or had a sound basis for the proposed increase. Staff thus recommended the Commission approve a substation allowance increase of 7.8% to \$69,397/MW, instead of 12.7% to \$72,559/MW as proposed by the Company. *Id.* Staff also recommended that the Company and Staff meet before the next annual filing to discuss potential changes to the materials used to calculate the substation allowance. *Id.* at 3.

COMPANY REPLY

In its reply, the Company explained it had not recently purchased a 30MVA transformer and so relied on a budgetary estimate as a proxy in lieu of a firm quote or recent purchase price. While the Company believes its method of relying on a budgetary estimate resulted in a reasonable proposed allowance that is reasonable, the Company stated it does not oppose the

Staffs recommended allowance of \$69,397/MW. Company Reply at 2. The Company also committed to work with Staff before next year's update to address concerns associated with the source of cost estimate data. *Id.*

DISCUSSION AND FINDINGS

The Company is an electrical corporation and public utility as defined in *Idaho Code* §§ 61-119, 61-129. The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code, including *Idaho Code* § 61-501.

The Commission has reviewed the Company's Application, the Staff's comments, and the Company's reply. Based on our review of the record, we find the Company's method for calculating the allowance complied with the Commission's prior orders. However, we find it reasonable and just to base estimated transformer costs on other actual, similar transformer costs rather than a budgetary proxy. Consequently, we find it reasonable to allow the Company to increase its Schedule 19 substation allowance by 7.8% to \$69,397/MW.

We appreciate the Company's willingness to work with Staff before next year's substation allowance update to discuss potential changes to the materials used to calculate the allowance.

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ORDER

IT IS HEREBY ORDERED that the Company increase its Schedule 19 substation allowance to \$69,397/MW, with the changes to take effect April 1, 2019. The Company shall promptly file conforming tariffs.

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 19th day of March, 2019.


PAUL KJELLANDER, PRESIDENT


KRISTINE RAPER, COMMISSIONER


ERIC ANDERSON, COMMISSIONER

ATTEST:


Diane M. Hanian
Commission Secretary

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