

Date last updated: 2/7/2020

2020 DIDF RFO Project Cost & Deferral Value

1. Project Cost

The capital cost is based on the unit cost for typical projects and the exact project costs at the specific location may vary. The cost for the Alpaugh New Feeder is \$3.6 million in 2019 dollars.

2. Deferral Value

The distribution deferral value represents the net present value of deferring the annual revenue requirement associated with the tradition distribution investment for 7 years. The revenue requirement recovers the capital cost of the new feeder (\$3.6 million), plus associated O&M and overheads, such as taxes and depreciation. The deferral value is calculated using the Real Economic Carrying Charge (RECC) methodology as described in PG&E's Demo B final report, section 8.2. The date in which the net present value is calculated for the RFO evaluation is August 1, 2020.

- i. The deferral value for this project is \$2,925,132
- ii. The inputs used in calculating the deferral value are the following:
 - Capital upgrade unit cost: \$3,600,000
 - Revenue Requirement Multiplier: 138.38% for primary feeders
 - Discount Rate: 7.12%
 - Equipment inflation: 2.5%
 - O&M Inflation Rate: 2.5%
 - Annual O&M of deferred upgrade as a % of upgrade cost: 7.48% for new primary feeder
 - Book life of capital asset: 46 years
 - Deferral time frame: 7 years

Additional Information:

- The planned investment for a new feeder at Alpaugh Substation can be deferred through procurement of capacity at the distribution deferral opportunity location, Corcoran.
- California IDER and DRP Working Groups: <https://drpwg.org/archive-ica-and-lnba-working-group/>