

DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSIONER HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: MICHAEL ELDRED
DAYN HARDIE

DATE: FEBRUARY 20, 2024

RE: IDAHO POWER'S ANNUAL COMPLIANCE FILING TO UPDATE CHARGES, CREDITS, AND GENERAL OVERHEADS UNDER RULE H, NEW SERVICE ATTACHMENTS AND DISTRIBUTION LINE INSTALLATIONS OR ALTERATIONS; TARIFF ADVICE NO. IPC-TAE-23-02

BACKGROUND

On December 26, 2023, Idaho Power ("Company") filed Tariff Advice No. IPC-TAE-23-02 with the Commission proposing to update charges and allowances to its Rule H tariff, *New Service Attachments and Distribution Line Installations or Alterations*. The Company is required to make this annual compliance filing to update the Rule H charges and credits by way of Commission Order Nos. 30853 and 30955. The Company is also required to update the general overhead rate used within the Rule H tariff through Commission Order No. 32472. The filing requests the Commission approve the update by March 1, 2024, to facilitate implementation of the Rule H tariff revisions to meet an effective date of March 15, 2024.

STAFF ANALYSIS

Staff reviewed the following items related to the Company's Rule H compliance filing: (1) the adjustment to the overhead rates applied to work order costs; (2) the updated costs for standard service attachment charges; (3) the revised line installation and attachment allowances; and (4) the updated rate charged for engineering services. The cost estimation method used to update these charges and credits is the same as used in prior annual filings. Overall, the proposed

increases to Rule H charges and credits were driven by material costs, labor costs, and the general overhead rate. These increases were partly offset by a reduction in vehicle costs.

Overhead Rates

General overhead expenses are capital costs that cannot be directly assigned to a specific asset or individual project. The Company provided the calculation of the Rule H overhead rate for November 2022 through October 2023 in Response to Audit Request No. 1. The proposed general overhead rate for the 12 months ending October 31, 2023, is 10.69 percent which is an increase from the current authorized rate of 10.64 percent. Staff reviewed the method and inputs used to determine the overhead rate and agrees that the Company's calculation is accurate.

Standard Charges

Standard charges are established for the installation of underground services, temporary service attachments, and return trip services. The installation of underground services includes both base and distance charges. As mentioned above, increased material costs, labor costs, and the general overhead rate, along with reductions in the vehicle costs resulted in charges that range from a reduction of 7 percent to an increase of 16 percent.

The primary contributors to the increases were labor and certain material costs. Staff reviewed the largest cost items – 4/0 and 350 conductors – and found the cost increases were justified. These cost increases were due to increased demand and not being able to procure these conductors from typical suppliers. This resulted in higher per-unit costs than prices that may have been obtained from an alternative supplier. See Response to Staff Audit Request No. 4.

Staff reviewed all changes to vehicle, labor, and material costs used to develop the standard charges and believes the Company's proposed amounts are reasonable.

Allowances

Service attachment allowances are provided to customers to compensate for distribution costs the Company recovers through base retail rates. Customers receive the allowance as a credit against the cost to install new line and terminal facilities. By periodically adjusting the allowance to reflect recent costs, the inflationary pressure on the project cost is offset by the inflationary pressure on the allowance, keeping the impact to customers relatively consistent.

The proposed allowances for single-phase and three-phase installations increased by 13 percent and 14 percent, respectively. The increases were driven by increases in labor rates and material costs, all of which are consistent with their respective inflation rates. Staff reviewed the material cost invoices and found the cost increases were justified. *See* Response to Staff Audit Request No. 3. Therefore, Staff believes the proposed allowance increases are reasonable.

Engineering Services

Engineering costs for line installations and alterations have increased from \$87.05 per hour to \$93.48 per hour. The increase is driven by a 6 percent rise in engineering wages and a 10.5 percent rise in the benefit rate. The increased electrical engineering wages are in line with the statewide averages for electrical engineers,¹ and the increase in benefits are in line with annual inflation rates. For these reasons, Staff believes that the increase in Engineering Services rate is reasonable.

STAFF RECOMMENDATION

Staff recommends the Commission approve the Company's proposed general overhead rate of 10.69 percent and changes to the Rule H charges and allowances reflected in the Company's December 26, 2023, filing. Staff recommends an effective date of March 15, 2024.

COMMISSION DECISION

Does the Commission wish to approve the Company's proposed updates to the general overhead rate and the Rule H charges and allowances as filed with an effective date of March 15, 2024?



Michael Eldred

¹ According to the U.S. Bureau of Labor Statistics, the Company's electrical engineering wages are 93% to 95% of the state average for 2021 and 2022.