

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER RAPER  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE

**FROM:** MICHAEL W. MORRISON  
KATHY STOCKTON

**DATE:** MARCH 24, 2015

**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. 15-02

### BACKGROUND

On March 11, 2015, Idaho Power ("Company") filed a tariff advice with the Commission proposing updates to the charges, credits, and general overhead rate outlined in Rule H, New Service Attachments and Distribution Installations or Alterations. This is the sixth annual compliance filing to update Rule H charges and credits as required by Idaho Public Utilities Commission Order Nos. 30853 and 30955. The Company also requests to update its general overhead rate as required by Order No. 32472. The Company also proposes to update the method used to compute the overhead rate applied to engineering charges. The Company proposes that the updates be approved by April 13, 2015 with an effective date of April 27, 2015.

Commission Order No. 30853 requires the Company to submit its updated Rule H charges and credits no later than January 1 of each year. The Company had submitted updates to Rule H in Tariff Advice No. 14-04 on December 23, 2014, but after identifying errors in several proposed charges/allowances, withdrew that filing on February 24, 2015.

### STAFF ANALYSIS

Staff reviewed the Company's cost estimation methodology, and found it to conform with that adopted in IPC-E-08-22 (Rule H Modification and Reconsideration), Idaho Power's most recent major line extension case.

Staff notes 10 and 11 percent increases, respectively, in charges for 3-inch and 2-inch pole risers. These increases were driven, primarily, by inclusion of material and labor charges for compatible units that had been erroneously omitted in previous years' filings. Staff agrees that these charges are appropriate.

The Company determined that in previous years' filings, some material and labor costs had been incorrectly applied both to base and distance charges. Excluding these costs from this year's distance charge helped offset increased labor costs and a 13 percent increase in average conductor price. Distance charges applied to Company-installed Underground Service Attachments increased between three and four percent, while distance charges applied to Customer-installed Underground Service Attachments decreased between two and six percent.

A five percent increase in the overhead Temporary Service Attachment charge is attributable to the increased costs of #2 Aluminum Triplex conductor.

Staff also notes a 10 percent decrease in the line installation and service attachment allowances for residential (Schedules 1, 3, 4, and 5) and non-residential single phase (Schedules 7, 9, and 24) service. This decrease is due, almost entirely, to a \$249.54 decrease in the cost of the 25 kVA transformer used to compute these allowances. An eight percent increase in the non-residential three phase allowance is due, primarily, to a \$348.15 increase in the cost of the 15 kVA transformer used to compute the allowance.

There was a small increase, from 17.49 percent to 17.60 percent, in the general overhead rate used to calculate charges and allowances. Staff determined that the method used to compute the new rate conforms to the methodology used in IPC-E-11-24 and approved in Order No. 32472.

Staff learned that the Company's method for computing the general overhead rate applied to engineering charges differs from that used to compute all other Rule H general overhead rates. Namely, the overhead rate applied to engineering charges is computed monthly, while that applied to other Rule H charges and allowances is computed annually. This has resulted in considerable variation in the engineering overhead rate: Since 2012, the engineering overhead rate has ranged from 10.75 percent to 22.00 percent, while the overhead rate applied to other Rule H charges has ranged from 17.49 percent to 19.75 percent. Under the existing methodology, this year's engineering overhead rate would be 15.75 percent, versus a 17.60 percent rate applied to all other Rule H charges and allowances.

Idaho Power proposes that the current monthly method for computing the engineering overhead rate be discontinued, and that the general rate applied to other Rule H charges and allowances be used. Thus, the 17.60 percent general overhead rate would be used to compute the overhead for engineering services. The increased general overhead rate, along with increased labor and benefits rates, contributed to a six percent increase in charges for engineering services, from \$63 to \$67 per hour. Staff believes the proposed method for computing engineering overhead rates to be reasonable. Staff concurs with the Company's proposal.

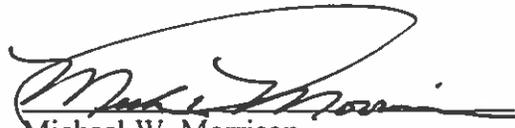
The Company has indicated that it will take two weeks to modify its computer systems, prepared documentation, and train personnel, and requests an effective date of April 27, 2015.

### STAFF RECOMMENDATIONS

The Company's methodology for computing charges and allowances for new service attachments and distribution line installations is consistent with that approved by the Commission in Order Nos. 30853, 30955, and 32472. Staff also believes the Company's proposal to compute the general overhead rates applied to engineering charges is reasonable. Staff therefore recommends that the Company's proposed Rule H updates be approved with an effective date of April 27, 2015.

### COMMISSION DECISION

Does the Commission wish to approve the Company's proposed Rule H updates to with an effective date of April 27, 2015?

  
Michael W. Morrison

  
Kathy Stockton