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 IDAHO PUBLIC  
 UTILITIES COMMISSIO.

Attorneys for Avimor, LLC

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION OF	)	Case No. IPC-E-06-23
IDAHO POWER COMPANY FOR APPROVAL OF	)	
AN AGREEMENT BETWEEN AVIMOR, LLC	)	
AND IDAHO POWER TO PROVIDE ELECTRIC	)	REPLY COMMENTS OF
TRANSMISSION AND SUBSTATION	)	AVIMOR, LLC
FACILITIES TO THE AVIMOR MULTI-USE	)	
DEVELOPMENT	)	
_____	)	

COMES NOW Avimor, LLC, an Idaho limited liability company, by and through its attorneys of record, Batt & Fisher, LLP, pursuant to Commission Order No. 30270, and files its Reply Comments in response to the Idaho Public Utilities Commission Staff's ("Staff") written comments filed on December 15, 2006.

**Introduction**

On August 17, 2006, Idaho Power Company ("IPCo" or the "Utility") and Avimor, LLC ("Avimor" or the "Company") entered into an agreement whereby the Utility would provide electric transmission and substation facilities (the "Agreement") to the Avimor multi-use development (the "Project") in exchange for the Company's

payment of the costs of design and construction of the same with the opportunity to be refunded these expenses at a later date.

In its Comments, Staff asserted that amendments to the Agreement were needed to protect IPCo and ratepayers from the “speculative” nature of the Project and from the “substantial and unnecessary upward pressure on rates” it would cause if approved as submitted. *Staff Comments* at pp. 2 & 5.

In its Reply Comments, Avimor proposes an alternative to the Agreement and Staff’s recommendations. Avimor’s proposal (the “Proposal”) still requires the Company to pay IPCo for the design and construction costs for utility infrastructure (the “Facilities”) with the opportunity to receive refunds of the payments based on the amount of customer connections and/or metered demand that results from the Project. A requirement Staff claims insulates IPCo from risk and caps any upward pressure on rates. Avimor’s Proposal also addresses the concerns raised in Staff’s Comments through: 1) a refund mechanism that will reduce IPCo’s potential per customer investment by roughly thirty-eight percent (38%); 2) increasing the number of customer connections or metered demand required for Avimor to receive a full refund of the payment(s) it makes to IPCo; 3) elimination of the lump sum payment provision contained in the Agreement in Section 4.2(b) at page 7, paragraph 3; and 4) accepting a refund period of 20 years.

Avimor also requests that the Commission approve two other amendments to the Agreement. The first is to authorize IPCo to require any other non-Avimor connections to the Facilities to pay a lump sum to the Utility, prior to the connection, based on the estimated amount of customer hook-ups or metered demand, which payment would then be passed through to Avimor. The second is to allow interest to accrue on the \$4,300,000

in refundable payments that the Company could receive if it were able to connect 1,103 customers or 11,030 kW of metered demand to the Facilities within 20 years.

Based on the foregoing and the discussion below, Avimor asserts that its Proposal is just and reasonable and should be approved and incorporated into the Agreement for the following reasons: 1) the minimal impact it will have on customer rates; 2) recognition of the risks taken on by Avimor and the benefits they provide to IPCo and its customers; 3) the Commission's treatment of a previous special agreement; and 4) the conservation/energy efficiency features of the Project that will be beneficial to Avimor homeowners and businesses, IPCo and the general body of ratepayers.

### **Legal Framework**

The Commission exercises limited jurisdiction and has no authority other than that expressly granted to it by the legislature. *Washington Water Power Co., v. Kootenai Environmental Alliance*, 99 Idaho 875, 591 P.2d 122 (1979). As a result, nothing is presumed in favor of its jurisdiction. *United States v. Utah Power & Light Co.*, 98 Idaho 665, 570 P.2d 1353 (1977). If the provisions of the statutes pertaining to the Commission are not met and compliance is not had with them, no jurisdiction exists. *Washington Water Power*, 99 Idaho at 879, 591 P.2d at 126.

The Commission has jurisdiction over utility rate-making matters. *Idaho Code* § 61-502 *et seq.* However, in exercising authority over rates, the Commission is forbidden to allow preferential treatment, advantage, prejudice or disadvantage between ratepayers. *Idaho Code* § 61-315; *Idaho State Homebuilders v. Washington Water Power Co.*, 107 Idaho 415, 690 P.2d 350 (1984); *Building Contractors Assn. of Southwestern Idaho, Inc., v. Idaho Public Utilities Commission*, 128 Idaho 534, 916 P.2d 1259 (1996).

## Procedural Background and Facts

### Avimor, LLC

Initially Avimor's Project will be an 830 acre, 685 residential unit community (+/- 10% based on actual development applications) with 75,000 square feet of commercial and retail space.<sup>1</sup> In approving the Project, the Ada County Board of Commissioners ("Commissioners") found that:

[T]he tax base anticipated at build-out is expected to cover the costs of essential public services and government functions needed to support the project.

*Board of Ada County Commissioners, Findings of Fact, Conclusions of Law and Order, 05-001-PC Report 5, at p. 10.* The Commissioner's also found:

[T]he proposal sets forth sufficient and adequate mitigation for the identified economic impacts beyond normally expected incremental impacts on municipalities and other agencies and districts. . . . [T]he proposed zoning ordinance text amendment will not result in an adverse impact on the delivery of services because all potential economic impacts have been identified and mitigated[.] . . . Therefore, in the overall scheme of things, any potential impacts the Avimor development may have would be miniscule when compared to the publicly funded impacts and sprawl development currently taking place in the City of Eagle and Boise City areas of City Impact.

*Id.* at p. 23 & 25 (emphasis added).

Consistent with mitigating economic impacts, Avimor's Project has been designed to conserve energy and water for the benefit of its residents, the Utility and the general body of ratepayers. Central to this is that at least 585 all residential units within the Project to be built by Avimor will meet or exceed Northwest Energy Star Standards, that is, they will be 30% more energy efficient than residential construction built to state

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<sup>1</sup> 498 acres of the Project will be devoted to open space.

code standards. Avimor will also strongly encourage other builders working in the Project to build residential units that meet Northwest Energy Star Standards.

In addition, although not directly related to energy conservation, Avimor's Project will have a state of the art wastewater treatment plant that will convert 300,000 gallons of wastewater daily into water clean enough for reuse.<sup>2</sup> The treated wastewater will be used to irrigate play fields, parks and other common areas in the Project, a practice that will both conserve valuable drinking water and reduce water costs for Avimor homeowners and businesses.

#### The Application and Agreement

On September 27, 2006, IPCo filed an Application requesting Commission approval of its Agreement with Avimor. The facilities proposed to be built pursuant to the Agreement are: 1) 3.4 miles of 138 kV transmission line, and 2) a substation with initial capacity of 10 MVA (collectively the "Facilities").

The Agreement requires Avimor to advance the cost for the design and construction of the Facilities to IPCo in three installments totaling \$4,300,000. The Company made the first installment of \$2,150,000 to IPCo on or about June 23, 2006 and is ready to make the second installment of \$1,075,000 to IPCo when construction of the Facilities begins. Finally, within 10 calendar days of written certification from IPCo that construction of the Facilities is completed, Avimor will pay the final installment of \$1,075,000 to the Utility.

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<sup>2</sup> This facility can be expanded to convert 1,000,000 gallons of wastewater daily into usable effluent. SunCor Development Company ("SunCor"), the parent of Avimor, has used water conservation features in other developments. Its master-planned community in New Mexico, Rancho Viejo, was the first in that state to reuse effluent for irrigating common areas. SunCor is also working with New Mexico on an aquifer recharge pilot program, from which that state will develop new regulations. In Utah, SunCor's Coral Canyon development was awarded Envision Utah's Governor's Merit Award in 2002, in part because of its water conservation program.

Provided Avimor makes the installment payments and performs its other obligations under the Agreement, the Company would be eligible to receive refunds from IPCo at a rate of \$4,300 per permanent residential connection, or \$430 per kilowatt (“kW”) for non-residential loads based on the kva rating of the distribution transformers serving each non-residential account. If within 10 years Avimor were to connect: 685 permanent residential service connections, or 6,850 kW of metered demand, whichever occurs first, IPCo would refund the remaining refundable balance of installment payments.<sup>3</sup> If at the end of the 10 year period the metered demand is less than 6,850 kW, or fewer than 685 permanent residential electrical services have connected to the Facilities, Avimor would forfeit any remaining balance of the payments to IPCo. Such forfeited amounts would never be included in the Utility’s rates.

Staff Comments

In its Comments, Staff agreed that Avimor should advance the cost for the design and construction of the Facilities. As stated previously, Staff believed this would protect IPCo and its ratepayers. *Comments* at p. 2. However, Staff alleged the per customer investment for building and connecting customers to the Facilities was too high as compared to similar costs currently in IPCo rates. Thus, Staff contends if the Agreement were approved, as is, it would cause substantial upward pressure on rates for all of IPCo’s customers. *Id.* at p. 5.

To address its concerns, Staff recommended that the Agreement’s refund provisions be amended to require Avimor to connect 4,300 customers to the Facilities before it could receive a full refund of the \$4,300,000 in payments it will make to IPCo. Staff further recommended extending the refund period from 10 to 20 years. Staff

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<sup>3</sup> Avimor calculates the lump sum refund it would receive to be \$1,354,500.

claimed if its recommendations were adopted, upward pressure on rates would be capped, but not eliminated.

## REPLY COMMENTS

### Negligible Rate Impact

Avimor is sensitive to cost issues, a primary reason it agreed to advance the funds for the design and construction of the Facilities with the opportunity for refund at a later date. Notwithstanding this assumption of risk which will mitigate rate impacts, Staff asserts Commission approval of the Agreement will cause substantial upward pressure on rates. *Comments* at p. 5. As will be discussed herein, Commission approval of the original Agreement or Avimor's Proposal will cause negligible impacts on IPCo customer rates.

Under the original Agreement, Avimor's payments to IPCo essentially amount to an interest free loan which the Utility will repay incrementally as the Company connects customers to the Facilities. *Agreement* at Section 4.2(b), p. 7, ¶ 3 (refund amounts will not include interest). Those amounts not refunded will be kept by IPCo and not impact customer rates. Avimor's willingness to undertake this risk that protects IPCo and ratepayers at its own expense should not be discounted.

Second, if Avimor meets its obligations under the Agreement, it will only receive refunds when residential, commercial and retail buildings, the wastewater treatment plant and other infrastructure improvements are connected to the Facilities. As the foregoing will be built and connected to the Facilities over a period of years, any refunds will be added to IPCo's rate base over an extended period of time. Avimor's Proposal extends

the projected amount of time necessary to recover a full refund by a minimum of 3 years longer than that anticipated through the Agreement.<sup>4</sup>

Third, any rate base additions resulting from refunds will not be included in customer rates until IPCo receives authorization from the Commission to do so. While Avimor has no control over the timing of IPCo's rate cases, the Utility generally does not file them annually. As such, it is likely that any upward pressure on rates would be spread out over general rate case filings, thus mitigating impacts on customers. An example of this is the Hidden Springs Planned Community ("Hidden Springs"). In 1998, the developer of Hidden Springs paid the cost for utility infrastructure improvements with the opportunity to receive refunds. IPCo refunded the full amount to the developer and these costs were not included in rates until over 5 years after they had been refunded. *See* Order No. 29505, IPC-E-03-13.

Finally, the Project's overall impact on IPCo's entire customer base if the payments are refunded to Avimor is very small. If the Commission were to accept the original Agreement, which Avimor is not proposing, Avimor were to receive a full refund of the payments **and** IPCo were to file a general rate case every year where the Commission authorized inclusion of the cost of the refund payments to the Utility into rates, the impact on customer rates would be 0.01% per year for 10 years, creating an overall impact of 0.1% when the full cost of the Facilities was authorized to be included in rates. After the recovery of all refunds and their inclusion in rates, any additional

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<sup>4</sup> Avimor's Proposal also would allow the Company to receive refunds based on Equivalent Dwelling Units ("EDUs") which means that each unit of construction that is equivalent to one home in electrical usage will also cause a refund to be paid to Avimor. Each home will be counted as one EDU, while commercial property will be counted as EDUs based on the kva rating of the distribution transformers serving each non-residential account. For example, all street lighting will be counted as 2 EDUs and when the elementary school is built in 7-8 years it will use the equivalent of 43 homes and have an EDU of 43.



customers in that area would connect to the system at little or no cost for IPCo and its ratepayers. In fact, additional connections may provide downward pressure on rates because the transmission and distribution substation equipment would already be paid for. Under Avimor's Proposal, the negligible rate impacts of the Agreement will be further mitigated.

#### Similar Projects, Rate Treatment and Discrimination

Although the cost for these Facilities is higher than the average cost for similar facilities currently in IPCo's rates, the allowance of such costs is not without basis.

According to IPCo, Avimor's Agreement is similar to the Utility's agreement with Hidden Springs. In 1998, Hidden Springs needed distribution substation equipment to serve the approximately 300 homes. To obtain these facilities, Hidden Springs entered into an agreement with IPCo where Hidden Springs agreed to pay the entire cost for the design and construction of the facilities with the opportunity to receive refunds from the Utility as customers connected to them. According to IPCo, the per customer investment for this distribution substation equipment was approximately \$2,333 per customer.<sup>5</sup> Hidden Springs was eventually refunded all the payments it made to IPCo, but the cost of these refunds to the Utility was not included in rates until 2004. *See* Order No. 29505, Case No. IPC-E-03-13.<sup>6</sup> It is safe to assume that if the Hidden Springs facilities were built today, the electrical distribution substation costs would be more expensive than in

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<sup>5</sup> Idaho Power response to Avimor Request No. 4: "The approximate cost of the Hidden Springs substation construction project was \$700,000. At an estimated average electrical load of ten average kilowatts, the three megawatt station would serve about 300 homes (provided there was no non-residential load served). Under these assumptions, the cost per home of that project was \$2,333."

<sup>6</sup> Email from Tim Tatum, Idaho Power Company Analyst, dated March 20, 2007, "[u]nder the agreement between Hidden Springs and Idaho Power, Hidden Springs was required to pay the full construction cost of the substation over two payments, both issued in 1998. As the subdivision phases were completed, Hidden Springs ultimately received full reimbursement of its original financial contribution. The total cost of the Hidden Springs substation was subsequently included into rate base for the purpose of determining customer rates."

1998.<sup>7</sup> A report done in 2007 by the Associated General Contractors of America generally supports the above proposition that construction costs, including those that would impact IPCo, have increased. *See Exhibit A.*

The Avimor Facilities costs, like those of Hidden Springs, include a cost for distribution substation equipment. Unlike Hidden Springs, the Facilities associated with Avimor include a cost for transmission equipment.<sup>8</sup> Using Staff's per customer investment figure, the cost for distribution equipment would be \$3,066 per connection, and for transmission equipment it would be \$3,211 per connection, for a total per customer investment of \$6,277.

Avimor's Agreement is essentially the same as the Hidden Springs agreement and as such should be accorded similar treatment. Based on IPCo's response to Avimor's request for information, *see* footnote 6 above, the \$2,333 per customer investment for Hidden Springs appears to have been included in rates. *See* Order No. 29505, IPC-E-03-13. Avimor should at least, at a minimum, also be authorized by the Commission to recover \$2,300 per customer connection for distribution substation equipment. If the Commission instead chooses to follow Staff's recommendation, such a decision would be discriminatory towards Avimor, a customer of IPCo, and further, possibly amount to a violation of the Equal Protection Clause of the United States Constitution.<sup>9</sup> *See Idaho Code* § 61-315; *Idaho State Homebuilders v. Washington Water Power Co.*, 107 Idaho 415, 690 P.2d 350 (1984); *Building Contractors Assn. of Southwestern Idaho, Inc., v. Idaho Public Utilities Commission*, 128 Idaho 534, 916 P.2d 1259 (1996). Based on the

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<sup>7</sup> Using a CPI increase in costs of 3% per year this cost would have been more than \$3,000 in 2007.

<sup>8</sup> Hidden Springs did not include any transmission costs because the distribution substation was located directly beneath a 138 kV line.

<sup>9</sup> Avimor is a customer of IPCo due to the Agreement and the fact that it will own various properties that will connect to the Facilities.

foregoing, Avimor asserts that it should be allowed to receive a refund of at least \$2,300 per connected customer for distribution substation equipment, just as the Hidden Springs developer did.

Aside from the above, Avimor believes that the Staff is making unfair or possibly inaccurate comparisons between the per customer investment for the Facilities it has calculated versus what it alleges: 1) is the same cost embedded in IPCo's rates; or 2) an average cost that it calculates from data in the Utility's last two rate cases. First, Staff states that the cost for the Facilities is much higher than the \$350 currently embedded in rates. Avimor asserts that it is patently unfair to the Company for Staff to compare the per customer investment for the Facilities to this number as it is significantly depreciated and includes all connections prior to 2003. Next, Staff asserts that the \$1,000 average per customer investment it calculates from the Utility's most recent rate cases is much lower than the per customer investment resulting from the Agreement. Although Staff's later figure provides a more reasonable comparison, the average per customer investment for a connection has likely increased as it was calculated from data included in IPCo's 2003 and 2005 rate cases. *See generally* Report from the Associated General Contractors of America (increasing construction costs). Thus, it is more equitable to Avimor to compare its costs against similar projects, or at least against a more updated IPCo average per customer investment figure.<sup>10</sup>

Another issue is that when Staff uses an average of \$1,000 for transmission and distribution costs per customer, it automatically implies that there are some customer connections which cost more and were later authorized to be included in IPCo's rates. In

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<sup>10</sup> Avimor asked IPCo for a more updated average cost figure and the Company responded generally that it does not track such data until it is preparing to file a rate case.

this case, Staff is not proposing that all costs for per customer connection above \$1000 be denied, rather it is only recommending such treatment for Avimor. This is unfair to the Company as little justification has been shown to treat this Agreement differently than other projects which have had a higher per customer investment than \$1,000. Further, just because the costs are higher than an average does not mean that they are not prudent. The customers in Avimor, including the Company who will own some of the commercial property and the water treatment plant, have a right to be served by IPCo at rates that are consistent with their rate class. Accordingly, the potential per customer investment that arises from Avimor's Proposal should be deemed prudent by the Commission.

Finally, it is important to understand that virtually all new equipment IPCo purchases will cause at least some upward pressure on rates because it is more expensive than older, partially depreciated equipment. Under Staff's rationale, if IPCo needs equipment that is more expensive than older, depreciated equipment already in rates, the Utility should only be allowed to recover up to the average amount already in rates. That would be an unreasonable and unfair position for the Commission to take. IPCo would not be able to recover its costs and would be hard-pressed to make the appropriate investments to keep its system functioning properly.

Energy Efficient Development is beneficial to IPCo and its Customers

Staff has not discussed the fact that Avimor's Project is designed and will be built with energy conservation in mind. The Commission should consider the positive impacts of the Company's energy efficient development when it makes its findings in this matter.

The conservation of energy through demand response/demand-side management ("DSM") and energy efficiency programs is becoming part of federal and state energy

policy as shown by the Energy Policy Act of 2005 (the “Act”) and its predecessors.<sup>11</sup>

Through the Act, the federal government provides incentives for: 1) the construction of energy efficient homes; and 2) making existing homes more energy efficient.

The Commission has similarly encouraged the utilities it regulates to engage in DSM and energy efficiency programs, stating:

This Commission continues to support the pursuit by PacifiCorp of cost effective DSM and energy efficiency programs. We find that cost effective DSM provides benefits to non-participants by reducing the overall cost of serving new load. It also benefits all Idaho customers by reducing Idaho allocation of system power supply costs.

Order 29952 at p. 2. *See also* Order No. 28189 at p. 21 (“Believing many DSM programs involving conservation, efficiency improvements and/or load shaping may sometimes be the least cost resource, we expect that the Company will have seriously exhausted and signed up all available cost-effective DSM prior to building a utility-owned supply-side resource[.]”); Order No. 30281, IPC-E-6-24 (Commission states that DSM/energy efficiency programs continue to be among the most cost-effective resources available to IPCo); and, Order No. 29726 at p. 10, IPC-E-04-18.

Although beneficial, one difficulty with DSM and energy-efficiency programs is that they may affect a utility’s ability to recover its fixed costs. However, through the approval of tariff riders and a decoupling mechanism to mitigate the financial disincentives for a utility to engage in DSM and energy efficiency programs, the Commission is attempting to eliminate these disincentives. For example, in the Commission’s Final Order accepting IPCo’s 2006 IRP it stated:

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<sup>11</sup> The Act required the Federal Energy Regulatory Commission to make an assessment of demand response and advanced metering and how these matters can result in energy conservation and become part of utility resource planning. *Assessment of Demand Response and Advanced Metering Staff Report*, Docket No. AD06-2-000 (August 2006).

The Commission recently approved a fixed cost adjustment mechanism designed to provide the Company financial neutrality to deviations in sales, such as lost sales due to DSM efforts. See Case No. IPC-E-04-15. The goals of the fixed cost adjustment are to remove the inherent disincentive to investing in demand-side measures and facilitate the Company's efforts to expand its DSM offerings.

Order No. 30281, Case No. IPC-E-06-24 at p. 12. On the same day it approved this decoupling mechanism, the Commission also approved a pilot program that should encourage the construction of energy-efficient homes. Order No. 30268, Case No. IPC-E-06-32. The Commission approved program provides incentive payments or penalties to IPCo for meeting or not meeting specified participation goals in the Energy Star Homes Northwest program. Order No. 30268 at p. 2. The Commission noted that on average, homes constructed to the Energy Star Standard will save an estimated 2,078 kilowatt hours annually, or 30 percent greater energy efficiency than existing Idaho residential building codes. *Id.*

Avimor's Project will meet or exceed the Energy Star standards for the 585 residential units that it will build and will encourage other builders building homes in the Project to do the same. Avimor believes its Project represents the very type of building the Commission seeks to promote. Avimor believes that if Commission adopted Staff's refund recommendations, such an action would contradict the conservation policy it is seeking to promote in the proceedings mentioned above. Accordingly, instead of adopting Staff's approach, Avimor presents its Proposal which, if adopted, will mitigate rate impacts and encourage further Energy Star development.

## AVIMOR PROPOSED ALTERNATE RECOVERY METHODOLOGY

Based on the foregoing arguments Avimor offers the following Proposal.

First, Avimor proposes an amendment to the refund provisions of the Agreement to allow the Company to receive refunds of \$3,900.00 per customer (including EDUs). And to require it to connect 1,103 customers or 11,030 kW of metered demand to receive a full refund of its payments made to IPCo for the Facilities. The Proposal also removes the lump sum payment provision contained in the original Agreement at Section 4.2(b), p. 7, ¶ 3 (on connecting 685 customers or connecting metered demand of 6,850 kW, IPCo will refund the remaining refundable balance to Avimor.)

The proposed \$3,900.00 per connecting customer refund is based on the following:

- \$2,300.00 – Distribution substation equipment. Avimor requests a per customer connection refund amount similar to the amount already in rates, and thus just and reasonable, from Hidden Springs even though this number converted into today's dollars would equal more than \$3,000.00. *See* footnote 7.
- \$1,600.00 – Transmission equipment. This represents 1/2 of the investment in transmission equipment per EDU that was originally requested for recovery.

While the Developer maintains that the entire amount should be recovered, it is willing to stretch out the recovery time based on a lower refund amount (including removal of any lump-sum provision) to mitigate any rate impacts.

As stated previously, Avimor estimates that at a refund rate of \$3,900.00, it will recover all the payments in 8 to 12 years, depending of course, on market conditions.<sup>12</sup>

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<sup>12</sup> If the original Agreement were approved Avimor's believes that based on the same forecasted market conditions that it would recover all payments made to IPCo less than 5 years.

Avimor does not have any objection to extending the refund period to 20 years as proposed by Staff. However, if this period is extended, Avimor requests that the Commission allow the accrual of interest on the deferred refunds at a rate that is equivalent to a long-term market index. The accrued interest will offset the invested funds frozen at IPCo and allow Avimor to continue to proceed as planned. Interest is not unreasonable considering that Avimor is willing to extend its recovery of the payments from a period estimated to be less than 5 years to 8 to 12 years. The Commission has allowed interest to be collected on other deferred costs for Idaho Power,<sup>13</sup> and whenever a deferral period is extended, interest should be allowed to be collected. If after 20 years the Company has not recovered the \$4,300,000 in payments and interest associated with that investment, it will forfeit those amounts to IPCo and not seek further recovery. If such forfeiture occurs, any such amount will not be included in customer rates.

Avimor also requests that the Commission allow the Company to recover refunds based on the estimated EDUs that may use the Facilities from any development not a part of the Avimor Project. Avimor believes Staff has no objection to this.

### **CONCLUSION AND SUMMARY**

Based on the foregoing, Avimor asserts that its Proposal addresses Staff's concerns regarding rate impacts as it reduces what is already a negligible impact and still encourages the building of energy efficient homes. In summary, Avimor makes the following proposals and changes to its Agreement with Idaho Power, which it respectfully requests that the Commission approve:

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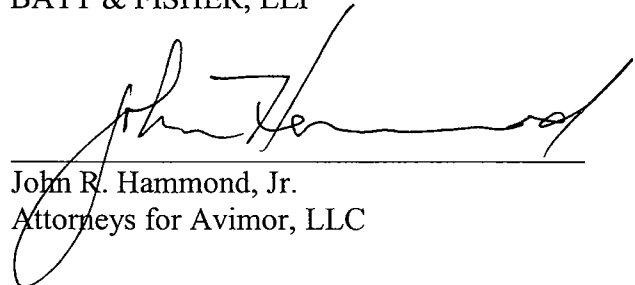
<sup>13</sup> See cases IPC-E-01-41, Order No. 28975 – Deferral of extraordinary security costs following 09-11-2001, IPC-E-03-13, Order No. 29601 – Deferral of income tax expense, Case No. IPC-E-04-09, Order No. 29600 – Deferral of a customer credit stemming from the settlement of multiple issues.



1. Reduction of the refund per customer connection or EDU to be received by Avimor from \$6,277 (including the lump-sum provision) to \$3,900 (without the lump-sum provision);
2. The requirement that Avimor connect 1,103 customers or EDUs (including non-Avimor connections) or metered demand of 11,030 kW prior to it receiving a full refund of the \$4,300,000 in payments it will make to IPCo.
3. An extended refund period of 20 years;
4. Accrual of interest on the unrefunded balance of the payments at a rate equivalent to a long-term market rate for a secure investment. The accrued interest will be paid to Avimor after all the refunds have been collected or will be forfeited in its entirety if Avimor does not connect 1,103 customers or metered demand of 11,030 kW;
5. IPCo requiring any other non-Avimor connections to the Facilities to pay a lump sum to the Utility, prior to the connection, based on the estimated number of customer hook-ups or metered demand which would then be passed through to Avimor; and,
6. For such further relief as the Commission finds just and reasonable.

DATED This 2<sup>nd</sup> day of April, 2007.

BATT & FISHER, LLP



John R. Hammond, Jr.  
Attorneys for Avimor, LLC

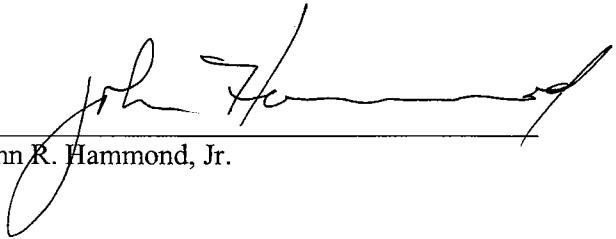
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY That on this 2<sup>nd</sup> day of April, 2007, I served the foregoing upon all parties of record in this proceeding as indicated below:

Jean Jewell [ ] Certified Mail  
IDAHO PUBLIC UTILITIES COMMISSION [ ] First Class Mail  
472 W. Washington Street [x] Hand Delivery  
P. O. Box 83720 [ ] Facsimile  
Boise, Idaho 83720-5983  
[jjewel@puc.state.id.us](mailto:jjewel@puc.state.id.us)

Monica B. Moen [ ] Certified Mail  
IDAHO POWER COMPANY [x] First Class Mail  
P. O. Box 70 [ ] Hand Delivery  
Boise, Idaho 83707-0070 [ ] Facsimile  
[mmoen@idahopower.com](mailto:mmoen@idahopower.com)

Weldon Stutzman [ ] Certified Mail  
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John R. Hammond, Jr.

**EXHIBIT A**

# AGC's CONSTRUCTION INFLATION ALERT

REPORTED BY AGC CHIEF ECONOMIST KEN SIMONSON



March 2007

*Building Your Quality of Life*

## Construction Materials Costs: Lull between the Storms

From early 2004 to mid-2006, the construction industry was plagued by runaway materials cost increases. Many of these price increases have slowed or even reversed course modestly in recent months. Unfortunately, it seems likely that the current calm is only a lull between storms and not a return to the inflation-free period of 2001-2003. By the end of 2007, materials costs could be rising again at a 6-to-8 percent rate, with wages rising at a 5 percent pace.

This report documents what has happened to materials costs in three recent periods (2001-2003, 2004-mid-2006, and late 2006-early 2007). It provides a short-term and long-term examination of the expected volatility for construction inputs including crude oil, metal and concrete, and outlines implications for future costs for building, highway and other heavy construction. For the first time, the *Construction Inflation Alert* looks at the impact of the construction industry on job growth, and presents an analysis of construction wages that suggests pay is accelerating.

For readers interested in greater detail, there are two appendices. Appendix A enables readers to compare materials cost increases and consumer price changes over different intervals, by means of two tables that show the monthly value from 1997 through early 2007 of the producer price index (PPI) for construction materials and components and the consumer price index (CPI). Appendix B lists the five industries whose output contributes the most to PPIs for construction as a whole and for several specific types of construction.

## Measuring Construction Costs

The Bureau of Labor Statistics (BLS) tracks the cost of construction materials and components (items such as diesel fuel that are consumed during construction) each month by getting reports from producers of their selling prices for precisely specified items. BLS turns the prices from multiple producers of a given item into a single index number, the PPI for that item. BLS also calculates PPIs for groups of items, such as

*The Construction Inflation Alert is the fourth in a series of continuing economic reports educating contractors and owners on construction materials prices.*

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