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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO MODIFY ITS RULE H TARIFF RELATED TO THE GENERAL OVERHEAD RATE.	**CASE NO. IPC-E-12-03** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 32439 on January 18, 2012, in Case No. IPC-E-12-03, submits the following comments.

BACKGROUND

On December 29, 2011, Idaho Power Company filed its annual compliance filing to update charges and credits under Rule H, New Service Attachments and Distribution Line Installations or Alterations. The Company filed this as Tariff Advice No. 11-05 and requested approval by March 1, 2012, so the updates could be effective March 15, 2012.[1] After reviewing the filing, Staff recommended that the Commission process the tariff advice through the use of Modified

[1] The Company is requesting a 14-day implementation period to update computer systems and prepare new communication materials.

Procedure because it appeared that some of the changes go beyond the usual "updates" of charges and credits contemplated by Commission Order Nos. 30853 and 30955.

The Company proposes cost updates to the charges and credits outlined in Rule H, New Service Attachments and Distribution Line Installations or Alterations. This is the annual compliance filing to update Rule H charges and credits as required by Commission Order Nos. 30853 and 30955.

In addition, the Company is proposing to remove metering costs from the calculation of single-phase and three-phase allowances. The Company claims that metering costs are not charged on Rule H work orders and, therefore, such costs are not appropriate when calculating Company-funded allowances.

The Company is also proposing to add a new charge to the Other Charges section of Rule H. The Company claims that the new, flat charge (Overhead Service Attachment Charge for Non-Residence) would reduce overhead costs by eliminating the need for individual work orders each time a request is made for overhead service attachments for non-residences.

The Company is also proposing minor "housekeeping" edits to the tariff as contemplated by Commission Order Nos. 30853 and 30955.

STAFF ANALYSIS

Metering costs

Idaho Power proposes to exclude metering costs from the single phase and three phase allowances because they are not included in work order cost estimates. Metering costs include both the cost of the meter as well as the labor involved in installing the meter. Historically, no customers have been charged metering costs as part of an upfront work order cost. Instead, because all customers require meters and because meters within the same customer class are so similar, metering costs have been recovered through base rates charged to all customers. Consequently, Staff agrees with the Company that it is appropriate to exclude metering costs in computing single and three phase allowance amounts.

Staff recommends that the Company delete the phrase "Cost of new meter only" from the Maximum Allowance per Service for Residential Non-residences and replace it with "$0.00" to be consistent with the calculation of allowances for the other residential schedules.

Flat charge for Residential Non-residence overhead service attachments

The Company proposes to implement a flat charge for overhead services to non-residence structures. Currently, the charge is based on work order costs specific to each individual service attachment request. The Company claims that "costs associated with these service attachment requests rarely vary between customers, and therefore, a flat charge is appropriate" and this new charge will "reduce overhead costs for the Company." The Company did not provide support for either of these claims.

In order to determine the extent that costs do vary between customers, Staff requested the actual costs for each non-residence overhead service attachment completed in the past year. Due to difficulties in differentiating between overhead service attachments to residences and overhead service attachments to non-residences, the Company provided a random sample of ten work orders for overhead service attachments to non-residences. Staff's analysis is based on that random sample of ten and assumes that the sample provided is representative of all the overhead service attachments to non-residences completed in the past year.

The most expensive work order was roughly double the cost of the least expensive work order ($229.36 and $115.34, respectively). Had the proposed flat charge of $181 been in effect, then forty percent of customers would have paid more than their actual work order costs and sixty percent of customers would have paid less than their actual work order costs. In other words, forty percent of customers would have subsidized the attachment costs for the remaining sixty percent of customers.

Staff believes that these subsidies are not insignificant. Ten percent of customers would have *overpaid* by more than fifty percent of their actual work order costs while an additional ten percent would have *overpaid* by more than thirty percent. Conversely, ten percent of customers would have *underpaid* by more than twenty percent and an additional ten percent would have *underpaid* by more than fifteen percent of their actual work order costs. In dollar terms, the largest amount that would have been overpaid under a flat charge is $65 and the largest amount that would have been underpaid under a flat charge is $48.

The Company further claims that implementing a flat charge will reduce overhead costs for the Company as individual work orders will no longer need to be developed in these cases. In response to an audit request, the Company replied "The Company's general overheads will not be reduced as originally indicated."

Due to the large variation in the costs associated with service attachment requests between customers, Staff recommends that the Company continue charging customers their actual work order costs instead of implementing a flat charge.

Cost Updates

In responding to audit requests from the Staff, the Company found errors in four of the six distance charges for underground service attachments. The Company had calculated the charges for 125 feet of cable instead of 100 feet of cable as specified in the tariff. Thus, the Company proposed charges that were in excess of the properly calculated charges. The difference between the proposed and corrected charges ranged from $5.29 to $44.03, in dollar terms, or 1.3% to 12.0%, in percentage terms.

These four charges represent a non-significant percentage (25 percent) of the proposed cost updates. Staff recommends that the Company be directed to resubmit its proposal with the correct charges.

For the most part, the proposed increases in charges reflect increases in the cost of materials, most notably conduit and 1/0 cable. In fact, if the cost of materials had not risen, then none of the charges would have increased by more than 1 percent.

Engineering charges do not include materials – they consist of wages, the cost of providing benefits, and general overhead. Both wages and the cost of providing benefits increased, wages increased by 2 percent and the cost of providing benefits increased by 8 percent. An increase in the cost of providing health care benefits drove the increase in providing benefits. These increases were mitigated by the small decrease in general overhead.

Line Installation and Service Attachment Allowances decreased due to the exclusion of metering costs. Excluding metering costs led to decreases in both labor and material costs. There *were* significant increases in the cost of other materials associated with the allowances, most notably, the cost of switches for the three phase service increased by more than 50 percent because the Company changed from installing porcelain switches to installing silicone switches. However, these increases were dwarfed by the decreases due to the exclusion of meters.

Other Edits

In addition to small language edits, the Company proposed the following changes to the tariff language:

1. Correcting the definition of Terminal Facilities to indicate that underground service wire is not included;
2. Adding in a new defined term, Connected Load, to clarify the calculation of Vested Interest Charges.

The Company also proposed to add Schedule 3 to the preamble of Rule H. Schedule 3 covers master metered mobile home park residential service and should have been included in Rule H previously as work done for this schedule would fall under Rule H.

Staff does not oppose these changes.

RECOMMENDATIONS

Staff recommends that the Commission approve Idaho Power Company's proposal to remove metering costs from the single and three phase allowance amounts and to delete the phrase "Cost of new meter only" from the Maximum Allowance per Service for Residential Non-residences and replace it with "$0.00."

Staff recommends that the Commission deny Idaho Power Company's proposal to add a new charge, Overhead Service Attachment Charge for Non-Residence, to the Other Charges section of Rule H.

Staff recommends that the Company be directed to resubmit its proposal regarding cost updates to the charges and credits outlined in Rule H, New Service Attachments and Distribution Line Installations or Alterations with the correct charges.

Staff recommends that the Commission approve the language changes to the tariff.

Respectfully submitted this 8TH day of February 2012.

Kristine A. Sasser

Kristine A. Sasser
Deputy Attorney General

Technical Staff: Cathleen McHugh

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 8TH DAY OF FEBRUARY 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-12-03, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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