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IDAHO PUBLIC UTILITIES COMMISSION

DONOVAN E. WALKER
Lead Counsel
dwalker@idahopower.com

October 20, 2011

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-04-04
Idaho Power Company v. City of Eagle, Idaho – Report on Conversion of
Underground Facilities in City of Eagle

Dear Ms. Jewell:

Enclosed please find a copy of a Report on Conversion of Underground Facilities
in City of Eagle. Please file the enclosed Report in the above-indicated case file.

Sincerely,

Donovan E. Walker

DEW:csb
Enclosure
cc: Donald L. Howell, II, IPUC (w/encl.)

COPY



**IDAHO
POWER**

An IDACORP Company

IDAHO POWER COMPANY
P.O. BOX 70
BOISE, IDAHO 83707

Mr. Donald L. Howell
Lead Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720

October 5, 2011

Re: Report on Conversion of Underground Facilities in City of Eagle
Case No. IPC-E-04-04

Dear Mr. Howell:

On November 19, 2004, the Idaho Public Utilities Commission ("Commission") issued Order No. 29634 in the above referenced case, approving a Settlement Stipulation between Idaho Power Company ("Company") and the City of Eagle ("City") regarding the Company's plans to install a new 138 kV transmission line within the Eagle city limits. The Settlement Stipulation identified an approved route for the transmission line and specified the types of power pole structures to be used for the line. The Settlement Stipulation also provided for the burial of certain distribution line facilities within the City, to be funded through an increase in Idaho Power's franchise fee payments to the City from 1% to 3% through December 31, 2010. The City, by Ordinance No. 514 passed and approved on May 10, 2005, instituted the 3% franchise fee to be collected and expended in accordance with the Settlement Stipulation, to remain in place until December 31, 2010. This letter provides a summary of the distribution undergrounding work performed by the Company under the Settlement Stipulation, and also addresses the balance of franchise fees remaining in the City's power line relocation fund.

Two significant power line burial projects were completed in Eagle with the franchise fee funding provided through the Settlement Stipulation. The first project was designated in the Settlement Stipulation and involved the burial of the overhead distribution line located along the east side of Eagle Road. This power line burial allowed the Company to decrease the height of the new transmission line being installed along the east side of Eagle Road, and reduced the number of wires and cables attached to the new line. The Eagle Road relocation project was completed in 2005 at an actual cost of \$269,378. This amount was paid by the City from its quarterly franchise fee revenues.

The second power line burial project conducted with franchise fee revenues under the Settlement Stipulation involved undergrounding an existing distribution line located on the north side of Floating Feather Road, between Eagle Road and Edgewood Lane. This project was identified in connection with an Ada County Highway District road widening project along Floating Feather Road. The road widening project required the relocation of the Company's overhead distribution line, and the City took the opportunity to have the line buried at a reduced cost, since the line was already being moved. The Floating Feather Road relocation project was completed in 2008 at an actual cost of \$670,241. This amount was also paid by the City from its quarterly franchise fee revenues.

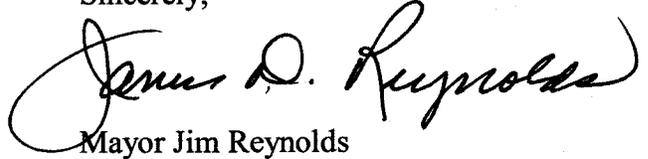
Attached as Exhibit A is a spreadsheet showing the franchise fee payments from the Company to the City each quarter from 2005 through 2010. The first column shows the total 3% franchise fee paid to the City each quarter and the second column shows the 2% franchise fee earmarked for power line burial projects under the Settlement Stipulation. The third and fourth columns show how the 2% franchise fee was applied each quarter to pay the cost of the power line burial projects, including interest. The Eagle franchise fee was returned to the original 1% level effective January 1, 2011, as contemplated in the Settlement Stipulation.

Column E of the spreadsheet shows the current balance remaining in the franchise fee undergrounding fund of \$255,568.35. This amount represents the 2% franchise fee payments received by the City that have not been applied to power line burial projects. The City and Company have discussed possible uses of the remaining \$255,568.35 for undergrounding projects in Eagle, but have not identified worthwhile projects that could be funded at this level. In the absence of such projects, the City has indicated a desire to transfer the \$255,568.35 balance to its general account to fund ongoing city services. Idaho Power is supportive of this proposal since two significant power line burial projects have already been completed with the franchise fee funds, and there is no additional burial project identified for the remaining funds.

Because the Settlement Stipulation approved by the Commission specifically states that the temporary increase in the franchise fee be used to pay the cost of burying the distribution line on Eagle Road, and to defray the cost of burying additional Idaho Power distribution lines within the City, Idaho Power and the City of Eagle are requesting acknowledgment from the Commission for the City's proposed transfer of the remaining \$ 255,568.35 of franchise fees to the City's general account. Since the Commission approved the Settlement Stipulation and the franchise fee arrangement contained therein, the Company and City believe it would be appropriate to receive the Commission's acknowledgement of the proposed disposition of the remaining franchise fee funds.

Please feel free to contact Blake Watson, Community Relations Representative of Idaho Power, at 388-2413, or Sharon Bergmann, Eagle City Clerk, at 939-6813, if you have any questions relating to the power line burial projects and franchise fee payments described above.

Sincerely,

A handwritten signature in black ink that reads "James D. Reynolds". The signature is fluid and cursive, with a large initial "J" and "R".

Mayor Jim Reynolds
City of Eagle

A handwritten signature in black ink that reads "Warren Kline". The signature is cursive and somewhat stylized.

Warren Kline
Vice President of
Customer Operations
Idaho Power Company

EXHIBIT A

	<u>Franchise Fees</u> <u>collected</u>	<u>Cash collected for</u> <u>construction funding</u>	<u>CIAC/Prepaid</u> <u>Construction</u>	<u>Interest</u>	<u>City of Eagle</u> <u>reserve</u>
Q1 2005	55,203.64	36,804.27	31,672.89	5,131.38	
Q2 2005	49,423.53	32,950.67	27,741.14	5,209.53	
Q3 2005	86,755.48	57,839.88	53,545.74	4,294.14	
Q4 2005	59,658.87	39,774.57	38,750.92	1,023.65	
Q1 2006	66,842.72	44,564.04	42,095.87	2,468.17	
Q2 2006	59,394.66	39,598.42	37,914.82	1,683.60	
Q3 2006	82,905.42	55,273.04	54,254.69	1,018.35	
Q4 2006	55,578.37	37,054.10	36,839.21	214.89	
Q1 2007	59,478.16	39,654.09	39,654.09	0.00	
Q2 2007	54,854.38	36,571.42	-93,090.69	0.00	129,662.11
Q3 2007	98,638.32	0.00	0.00	0.00	65,762.17
Q4 2007	64,515.77	0.00	0.00	0.00	43,012.66
Q1 2008	0.00	238,436.94	0.00	0.00	-238,436.94
Q1 2008	70,500.19	47,002.48	40,013.04	6,989.44	
Q2 2008	65,561.84	43,710.08	39,225.99	4,484.09	
Q3 2008	111,030.33	74,023.92	70,536.94	3,486.98	
Q4 2008	75,348.27	50,234.69	48,741.24	1,493.45	
Q1 2009	81,250.04	54,169.40	54,169.40	0.00	
Q2 2009	75,243.23	50,164.66	50,164.66	0.00	
Q3 2009	125,646.96	83,768.83	83,768.83	0.00	
Q4 2009	88,809.10	59,209.03	59,209.03	0.00	
Q1 2010	88,039.38	58,695.85	-14,024.99	0.00	72,720.84
Q2 2010	75,777.95	0.00	0.00	0.00	50,521.16
Q3 2010	115,667.35	0.00	0.00	0.00	77,115.42
Q4 2010	82,812.24	0.00	0.00	0.00	55,210.92
12/31/10 balance					<u>255,568.35</u>