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LISA D. NORDSTROM
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November 18, 2011

VIA HAND DELIVERY

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

Re: Case No. IPC-E-11-24
***IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY
FOR AUTHORITY TO MODIFY ITS RULE H TARIFF RELATED TO THE
GENERAL OVERHEAD RATE FOR NEW SERVICE ATTACHMENTS AND
DISTRIBUTION LINE INSTALLATIONS OR ALTERATIONS***

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Application in the above matter.

In addition, enclosed are an original and eight (8) copies of the testimony of Scott D. Sparks filed in support of the Application. One copy of Mr. Sparks' testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Sparks' testimony is enclosed for the Reporter.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

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UTILITIES COMMISSION

Attorneys for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-11-24
AUTHORITY TO MODIFY ITS RULE H)
TARIFF RELATED TO THE GENERAL) APPLICATION
OVERHEAD RATE FOR NEW SERVICE)
ATTACHMENTS AND DISTRIBUTION LINE)
INSTALLATIONS OR ALTERATIONS.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), pursuant to Idaho Code §§ 61-502 and 61-507 and Rules of Procedure 052, 121, and 123, hereby applies to the Idaho Public Utilities Commission ("Commission") for authority to modify the general overhead rate it charges in the Company's Rule H tariff governing New Service Attachments and Distribution Line Installations or Alterations ("Rule H"). The Company requests that the effective date of the updated charge coincide with the March 15, 2012, effective date of the Company's annual update of its Rule H charges and credits.

In support of this Application, Idaho Power represents as follows:

I. BACKGROUND

1. The Company last filed an application for major changes to its Rule H tariff in 2008, Case No. IPC-E-08-22. The purpose of the application was to shift more of the cost burden for new service attachments and distribution line installations or alterations from general ratepayers to those customers requesting construction of these services. As part of that application, the Company proposed to remove the 1.5 percent cap on recovery of general overhead costs related to Rule H work orders.

2. Overhead costs are pooled costs that are incurred in support of the Company's construction process, but would be very difficult to directly associate to a particular construction job. These costs are accumulated and allocated back to construction jobs based on a cost allocation methodology described in the Direct Testimony of Senior Regulatory Analyst Scott D. Sparks that accompanies this Application.

3. In July 2009, the Commission partially approved the Company's application in Order No. 30853 and later reaffirmed its decision under reconsideration in November 2009 (Order No. 30955) with all approved changes taking effect on December 1, 2009. Although the Commission did not approve removal of the cap on recovery of general overhead costs, it did agree that "customers requesting Rule H line extensions should bear the overhead costs of those extensions." Order No. 30853 at 11. The Commission indicated that "the appropriate calculations and adjustments are best made during the Company's next general rate case to ensure the rates are set based on costs that do not include that portion of construction overhead belonging to Rule H work orders." *Id.* Until then, the Commission instructed Idaho Power to use the existing general overhead rate of 1.5 percent. *Id.*

4. As described on pages 30 through 41 of the Direct Testimony of Scott D. Sparks filed in general rate Case No. IPC-E-11-08, Idaho Power requested the Commission increase the general overhead rate for Rule H services from 1.5 percent to 22 percent. In paragraph 10 of the settlement stipulation filed on September 23, 2011, Idaho Power agreed to initiate a separate proceeding to increase overhead amounts paid by persons or entities requesting services on the Company's Rule H line extension tariff. This Application fulfills that portion of the settlement stipulation and is intended to facilitate further investigation and participation.

II. PROPOSED RECOVERY OF GENERAL OVERHEADS

5. Consistent with its objectives in Case No. IPC-E-08-22, the Company proposes to remove the 1.5 percent limitation for recovery of general overhead costs in the "Work Order Cost" definition of Rule H in an effort to shift more of the cost burden for new service attachments and distribution line installations or alterations from general ratepayers to customers requesting construction for these services. This proposed change is reflected in the proposed and legislative versions of the Rule H tariff, which have been included as Attachment Nos. 1 and 2, respectively, to the Application. By removing the 1.5 percent limitation for recovery of general overhead costs and instead recovering the Company's full construction overheads under Rule H, the Company will receive larger contributions in aid of construction ("CIAC") to offset the costs of providing these construction services. This will ultimately reduce the Company's revenue requirement for general ratepayers and reduce additional upward pressure on rates.

6. Idaho Power's general overhead rate was capped at 1.5 percent in 1997 and has not been updated in the subsequent 14 years. When Case No. IPC-E-95-18

was filed in 1995, Idaho Power charged 17 percent. The Company's current general overhead rate for construction related to new service attachments and distribution line installations is 22 percent. Construction engineering costs are charged directly to each work order and are not included in the general overhead rate.

7. The Company is proposing to recover all actual general overheads costs related to construction under Rule H from the party requesting the construction service. If the Company updates its general overhead rate before a change is approved, the Company requests the Commission approve the most current general overhead rate for Rule H work orders at the time an update is approved and effective. Going forward, Idaho Power proposes to update its general overheads rate for construction under Rule H each time accounting adjustments (increases or decreases) are made to balance the Company's general overhead account. These updates would be automatically reflected in the Company's work order processing and accounting systems. In addition, the Company proposes to file its effective general overhead rates in all future annual Rule H updates of charges and credits to allow the Commission the opportunity to scrutinize the effective rate charged on Rule H work orders.

8. The Company requests that the removal of the general overhead cap be approved by March 1, 2012, and become effective on March 15, 2012, to coincide with the effective date of the Company's annual update of its Rule H charges and credits. Simultaneous implementation of these Rule H rate changes will reduce administration time and costs associated with updating and testing computer systems.

III. MODIFIED PROCEDURE

9. Idaho Power believes that a hearing is not necessary to consider the issues presented herein, and respectfully requests that this Application be processed

under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201 *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present the Direct Testimony of Senior Regulatory Analyst Scott D. Sparks that accompanies this Application.

IV. COMMUNICATIONS AND SERVICE OF PLEADINGS

10. Communications and service of pleadings with reference to this Application should be sent to the following:

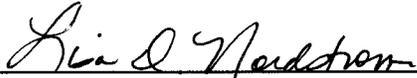
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V. REQUEST FOR RELIEF

11. Idaho Power respectfully requests that the Commission issue an Order (1) authorizing that this matter may be processed by Modified Procedure and (2) approving the removal of the Rule H work order general overhead cap by March 1, 2012, to become effective on March 15, 2012, with the Company's annual update of its Rule H charges and credits.

DATED at Boise, Idaho this 18th day of November 2011.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 18th day of November 2011 I served a true and correct copy of the within and foregoing APPLICATION upon the following named parties by the method indicated below, and addressed to the following:

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Lisa D. Nordstrom

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-11-24

IDAHO POWER COMPANY

ATTACHMENT NO. 1

PROPOSED TARIFF

RULE H
NEW SERVICE ATTACHMENTS
AND DISTRIBUTION LINE
INSTALLATIONS OR
ALTERATIONS
(Continued)

1. **Definitions (Continued)**

Unusual Conditions are construction conditions not normally encountered, but which the Company may encounter during construction which impose additional, project-specific costs. These conditions may include, but are not limited to: frost, landscape replacement, road compaction, pavement replacement, chip-sealing, rock digging/trenching, boring, nonstandard facilities or construction practices, and other than available voltage requirements

Costs associated with unusual conditions are separately stated and are subject to refund if not encountered. If unusual conditions are not encountered, the Company will issue the appropriate refund within 90 days of completion of the project

Upgrade is a request by a customer to increase capacity and/or size of Company-owned distribution facilities. Upgrades are eligible for Vested Interest Refunds.

Vested Interest is the right to a refund that an Applicant or Additional Applicant holds in a specific section of distribution facilities when Additional Applicants attach to that section of distribution facilities.

Vested Interest Charge is an amount collected from an Additional Applicant for refund to a Vested Interest Holder.

Vested Interest Holder is an entity that has paid a refundable Line Installation Charge to the Company for a Line Installation. A Vested Interest Holder may also be an entity that has paid a refundable charge to the Company under the provisions of a prior rule or schedule.

Vested Interest Refund is a refund payment to an existing Vested Interest Holder resulting from a Vested Interest Charge to an Additional Applicant.

Vested Interest Portion is that part of the Company's distribution system in which a Vested Interest is held.

Work Order Cost is a cost estimate performed by the Company for a specific request for service by an Applicant or Additional Applicant. The Work Order Cost will include general overheads related to the management of construction.

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-11-24**

IDAHO POWER COMPANY

**ATTACHMENT NO. 2
TARIFF IN LEGISLATIVE FORMAT**

RULE H
NEW SERVICE ATTACHMENTS
AND DISTRIBUTION LINE
INSTALLATIONS OR
ALTERATIONS
(Continued)

1. **Definitions (Continued)**

Unusual Conditions are construction conditions not normally encountered, but which the Company may encounter during construction which impose additional, project-specific costs. These conditions may include, but are not limited to: frost, landscape replacement, road compaction, pavement replacement, chip-sealing, rock digging/trenching, boring, nonstandard facilities or construction practices, and other than available voltage requirements

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Vested Interest Refund is a refund payment to an existing Vested Interest Holder resulting from a Vested Interest Charge to an Additional Applicant.

Vested Interest Portion is that part of the Company's distribution system in which a Vested Interest is held.

Work Order Cost is a cost estimate performed by the Company for a specific request for service by an Applicant or Additional Applicant. The Work Order Cost will include general overheads limited to 1.5 percent. ~~General overheads in excess of 1.5 percent will be funded by the Company related to the management of construction.~~