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IDAHO PUBLIC
UTILITIES COMMISSION

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)
OVERHEAD RATE FOR NEW SERVICE)
ATTACHMENTS AND DISTRIBUTION LINE)
INSTALLATIONS OR ALTERATIONS.)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

SCOTT D. SPARKS

1 Q. Please state your name and business address.

2 A. My name is Scott D. Sparks and my business
3 address is 1221 West Idaho Street, Boise, Idaho.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Idaho Power Company ("Idaho
6 Power" or "Company") as a Senior Regulatory Analyst in the
7 Regulatory Affairs Department.

8 Q. Please describe your educational background.

9 A. In May of 1989, I received a Bachelor of
10 Business Administration degree in Business Management from
11 Boise State University. I have also completed post-
12 graduate econometrics courses and attended the electric
13 utility ratemaking course offered through New Mexico State
14 University's Center for Public Utilities as well as various
15 advanced ratemaking courses presented by the Edison
16 Electric Institute.

17 Q. Please describe your work experience with
18 Idaho Power.

19 A. I was employed by the Company in 1985 as a
20 part-time mail clerk and have held positions as Meter
21 Reader, Customer Service Representative, Economic Analyst,
22 Human Resource/Compensation Analyst, Regulatory Analyst,
23 and Resource Planning Analyst.

24 In January of 1991, after two years in the Customer
25 Service Department, I was offered and I accepted a position

1 in the Company's Energy Services Department. My
2 responsibilities over six years in the department varied
3 from conservation program evaluation, special studies, load
4 forecasting, and load research. In 1995, I was asked to
5 temporarily transfer to the Human Resources Department to
6 assist with implementation of the Company's reorganization,
7 benefit, and compensation plans.

8 In 1998, I applied for and accepted a position in
9 the Regulatory Affairs Department where I was responsible
10 for reviving the Company's resource planning and integrated
11 resource planning processes. As part of reorganization, I
12 was reassigned to the Power Supply Planning Department in
13 2001 where I acted as the lead analyst for the Integrated
14 Resource Plan. In July 2003, I left the Company to pursue
15 self-employment in the real estate and construction
16 sectors. I returned to the Company as a Senior Regulatory
17 Analyst in the Regulatory Affairs Department in June 2008.

18 Q. What is the purpose of your testimony?

19 A. The purpose of my testimony is to describe the
20 Company's proposal to remove the 1.5 percent limitation for
21 recovery of general overhead costs in the "Work Order Cost"
22 definition in the Rule H tariff governing New Service
23 Attachments and Distribution Line Installations or
24 Alterations ("Rule"). In making this request, the Company
25 is proposing to shift more of the cost burden for new

1 service attachments and distribution line installations or
2 alterations from general ratepayers to those customers
3 requesting construction for these services.

4 Q. Has the Company previously proposed to remove
5 the limitation for recovery of general overheads under Rule
6 H?

7 A. Yes, this proposal was previously requested in
8 Case No. IPC-E-08-22 in an effort to recover general
9 overhead costs related to new service attachments and
10 distribution line installations. In Order No. 30853, the
11 Idaho Public Utilities Commission ("Commission") agreed
12 that "customers requesting Rule H line extensions should
13 bear the overhead costs of those line extensions"; however,
14 the "appropriate calculations and adjustments are best made
15 during the Company's next general rate case to ensure that
16 rates are set based on costs that do not include the
17 portion of construction overhead belonging to Rule H work
18 orders" (page 11). In compliance with the Commission's
19 directive, the Company again submitted this proposal as
20 part of the Company's most recent general rate case, Case
21 No. IPC-E-11-08. Through settlement discussions and the
22 resulting stipulation ("Stipulation") filed October 7,
23 2011, the signing parties agreed that Idaho Power would
24 initiate a separate, subsequent proceeding to address
25 "increasing overhead amounts paid by persons or entities

1 requesting services under the Company's Rule H line
2 extension tariff" (Stipulation, paragraph 10(a)). The
3 Application that accompanies this testimony represents the
4 Company's fulfillment of that portion of the Stipulation
5 agreement.

6 Q. If the 1.5 percent limitation for recovery of
7 general overhead costs is removed from the "Work Order
8 Cost" definition of Rule H, at what level is the Company
9 proposing to recover general overheads?

10 A. The Company is proposing to recover all actual
11 general overheads costs related to construction under Rule
12 H.

13 Q. What is the current general overhead rate for
14 new service attachments and distribution line installations
15 under Rule H?

16 A. The Company's current general overhead rate
17 for construction related to new service attachments and
18 distribution line installations is 22.00 percent.

19 Q. Is this the overhead rate the Company is
20 proposing to include on all Rule H work orders?

21 A. The Company is proposing to implement the most
22 current general overhead rate for Rule H work orders at the
23 time an update is approved and effective. Currently, the
24 general overhead rate for Rule H work orders is 22.00
25 percent. If that rate is not updated before a change is

1 approved, then that would be the rate the Company would
2 implement. If the rate is updated before a change is
3 approved, then the Company's proposal is to implement the
4 updated rate.

5 Q. How often does the Company update its general
6 overheads rate for Rule H construction?

7 A. General overhead rates for Rule H construction
8 are evaluated monthly and updated as needed to balance the
9 Company's general overhead account. In recent years, the
10 frequency of updates has varied from zero to five per year.

11 Q. If Idaho Power was allowed to charge its
12 actual general overhead rate for Rule H construction, would
13 all updates to general overheads be reflected in Rule H
14 work orders?

15 A. Yes. If approved, any accounting adjustments
16 (increases or decreases) to general overhead rates would be
17 automatically reflected in the Company's work order
18 processing and accounting systems.

19 Q. Please describe how the Company derives its
20 general overhead rate for construction and how it derived
21 the current 22 percent general overhead rate for Rule H.

22 A. The Company's current general overhead rate
23 for Rule H is the same as the Company's general overhead
24 rate for distribution construction. To calculate this
25 overhead rate, the Company divides the Budgeted

1 Construction Overheads for distribution by the Budgeted
2 Capital Spending for distribution. The result is a
3 projected overhead rate for distribution construction.

4 The table below outlines how the current general
5 overhead rate for distribution construction and the current
6 general overhead rate for Rule H are calculated.

OVERHEAD RATE CALCULATION	
2011 Customer Operations	\$35,005,341
2011 Delivery and Engineering Operations	\$19,275,815
2011 Budgeted Distribution Capital Spending	\$54,281,156
2011 Budgeted Distribution Overheads	\$11,232,805
Administrative Overheads	\$1,131,357
Overheads Remaining from Previous Calculation	(\$329,844)
2011 Budgeted Distribution Construction Overheads	\$12,034,317
Distribution General Overhead Rate	22%

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8 Q. Why is the current and effective cap of 1.5
9 percent on general overhead costs so low when compared to
10 the actual general overhead rate?

11 A. The current cap on general overheads is
12 misaligned for a couple of reasons. First, the cap was
13 originally established in Case No. IPC-E-95-18 and expenses
14 have changed greatly since 1995. Also, as explained to me
15 by Idaho Power management, the Commission capped the
16 general overhead rate in Case No. IPC-E-95-18 at 1.5
17 percent to avoid double collection of engineering charges.

1 Q. Are engineering fees included in the proposed
2 collection rate for general overheads?

3 A. No. Engineering fees are currently charged
4 directly to work orders and are not included in the
5 Company's determination of general overheads.

6 Q. Please provide a detailed explanation of how
7 general overhead costs are determined.

8 A. Overhead costs are pooled costs that are
9 incurred in support of the Company's construction process,
10 but would be very difficult to directly associate to a
11 particular construction job. These costs are accumulated
12 and allocated back to construction jobs based on a cost
13 allocation methodology. It is Idaho Power's policy, per 18
14 CFR Part 101 Electric Plant Instructions (4) (2007), to
15 apply overheads to construction work orders.

16 As outlined in 18 CFR Part 101 Electric Plant
17 Instructions (4) (2007), the pay and expenses of the general
18 officers, administrative workers, engineering supervisors,
19 and other engineering services applicable to construction
20 work can be charged to construction work orders. As a
21 result, some construction-related employees that support
22 Rule H type projects charge a portion of their wages and
23 other expenses to overheads (FERC Account 107). Each cost
24 center that is involved in the construction process has a
25 separate overhead work order that employees charge to for

1 general support tasks that benefit both operations and
2 construction processes. These work orders are allocated
3 based on yearly studies of the actual split between direct
4 operations and maintenance and direct capital work
5 performed by the cost center. The amount of overheads are
6 recorded monthly and reviewed periodically throughout each
7 year by the Company's Finance Department to assure that
8 only reasonable and prudent costs are charged to the
9 accounts. Through the use of these overhead work orders,
10 the Company determines the amount each cost center has
11 contributed to overheads.

12 The Company accumulates the budgeted overheads,
13 groups them by contributing functional area, and divides
14 them by the budgeted construction projects during the same
15 period, by work order type to determine the overhead rate.
16 The Company has a separate overhead rate for Co-Generation,
17 Stations, Transmission Lines, and Distribution Lines. The
18 Distribution Line rate applies to the Rule H work orders.

19 Q. Please explain how general overheads are
20 recovered.

21 A. The Company applies general overheads to
22 construction work orders as defined in 18 CFR Part 101
23 Electric Plant Instructions (4) (2007). Overhead costs are
24 applied back to actual construction jobs based on the
25 methodology described previously.

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2 When capital work orders are completed, the overhead
3 charges that have been allocated to those work orders are
4 closed to the individual plant accounts based on the
5 property units on the work order. At this point the
6 overheads become part of Idaho Power's rate base and would
7 be recovered through base rates.

8 Q. By allowing the Company to collect a greater
9 portion of its true overhead costs from customers
10 requesting construction services under Rule H, will Idaho
11 Power's base rates decrease?

12 A. Yes, over time. The more actual general
13 overhead costs Idaho Power is allowed to recover from
14 customers requesting construction services under Rule H,
15 the greater the reduction in the Company's rate base. Over
16 time, the additional collection of these costs will be
17 reflected in future revenue requirement calculations, which
18 will be lower than they otherwise would have been absent
19 this change.

20 Q. If approved, when does the Company propose to
21 remove the 1.5 percent cap on recovery of general
22 overheads?

23 A. The Company requests an approval date of March
24 1, 2012, with an effective date of March 15, 2012, to
25 coincide with the implementation period of the Company's

1 annual update of all charges and credits under Rule H.
2 Simultaneous implementation of these Rule H rate changes
3 will reduce administration time and costs associated with
4 updating and testing computer systems.

5 Q. If approved, how does the Company propose to
6 provide the Commission the opportunity to scrutinize the
7 effective general overhead rate that is automatically
8 reflected in the Company's work order processing and
9 accounting systems?

10 A. The Company proposes to file its effective
11 general overhead rate in all future annual Rule H updates
12 of charges and credits to provide the Commission the
13 opportunity to scrutinize the rate charged on Rule H work
14 orders.

15 Q. Does this complete your testimony?

16 A. Yes, it does.

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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 DIRECT TESTIMONY OF SCOTT D. SPARKS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

Donald L. Howell, II
Karl T. Klein
Deputy Attorneys General
Idaho Public Utilities Commission
472 West Washington (83702)
P.O. Box 83720
Boise, Idaho 83720-0074

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email Don.Howell@puc.idaho.gov
Karl.Klein@puc.idaho.gov

Industrial Customers of Idaho Power

Peter J. Richardson
Gregory M. Adams
RICHARDSON & O'LEARY, PLLC
515 North 27th Street (83702)
P.O. Box 7218
Boise, Idaho 83707

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email peter@richardsonandoleary.com
greg@richardsonandoleary.com

Dr. Don Reading
Ben Johnson Associates, Inc.
6070 Hill Road
Boise, Idaho 83703

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email dr@benjohnsonassociates.com

Idaho Irrigation Pumpers Association, Inc.

Eric L. Olsen
RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED
201 East Center
P.O. Box 1391
Pocatello, Idaho 83204-1391

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email elo@racinelaw.net

Anthony Yankel
29814 Lake Road
Bay Village, Ohio 44140

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email tony@yankel.net

The Kroger Co.

Kurt J. Boehm
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email kboehm@BKLawfirm.com
jrh@battfisher.com

Kevin Higgins
Energy Strategies, LLC
215 South State Street, Suite 200
Salt Lake City, Utah 84111

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email khiggins@energystrat.com

Micron Technology, Inc.

Mary V. York
HOLLAND & HART, LLP
101 South Capital Boulevard, Suite 1400
Boise, Idaho 83702

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email myork@hollandhart.com
tnelson@hollandhart.com
madavidson@hollandhart.com
fschmidt@hollandhart.com
lnbuchanan@hollandhart.com

Richard E. Malmgren
Senior Assistant General Counsel
Micron Technology, Inc.
800 South Federal Way
Boise, Idaho 83716

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email remalmgren@micron.com

The United States Department of Energy

Arthur Perry Bruder, Attorney-Advisor
United States Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email Arthur.bruder@hq.doe.gov
Steven.porter@hq.doe.gov

Dwight D. Etheridge
Exeter Associates, Inc.
10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email detheridge@exeterassociates.com

**Community Action Partnership
Association of Idaho**
Brad M. Purdy
Attorney at Law
2019 North 17th Street
Boise, Idaho 83702

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email bmpurdy@hotmail.com

Idaho Conservation League
Benjamin J. Otto
Idaho Conservation League
710 North Sixth Street (83702)
P.O. Box 844
Boise, Idaho 83701

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email botto@idahoconservation.org

Snake River Alliance
Ken Miller
Snake River Alliance
P.O. Box 1731
Boise, Idaho 83701

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email kmiller@snakeriveralliance.org

NW Energy Coalition
Nancy Hirsh, Policy Director
NW Energy Coalition
811 First Avenue, Suite 305
Seattle, Washington 98104

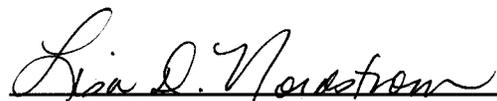
Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email nancy@nwenergy.org

Hoku Materials, Inc.
Dean J. Miller
McDEVITT & MILLER LLP
420 East Bannock (83702)
P.O. Box 2564
Boise, Idaho 83701

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email joe@mcdevitt-miller.com
heather@mcdevitt-miller.com

Scott Paul, CEO
Hoku Materials, Inc.
One Hoku Way
Pocatello, Idaho 83204

Hand Delivered
 U.S. Mail
 Overnight Mail
 FAX
 Email spaul@hokucorp.com



Lisa D. Nordstrom