DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

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DON HOWELL

STEPHANIE MILLER

DAVID SCHUNKE

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WORKING FILE

FROM:SUSAN HAMLIN

ROSE SCHULTE

DATE:MAY 9, 1996

RE:IPC-E-96-6 - IDAHO POWER’S APPLICATION FOR APPROVAL OF A SPECIAL CONTRACT WITH THE CASCADE EAST SUBDIVISION LINE EXTENSION ASSOCIATION

On April 22, 1996, Idaho Power Company filed an Application for approval of variance to its Tariff No. 101, Rule H, providing for charges for the construction of distribution line installations or alterations,  pursuant to a special contract with the Cascade East Line Extension Association (CELEA; Association).  Idaho Power negotiated a special contract with CELEA in response to a complaint from Christine Bender, President of CELEA, concerning the availability of line extensions to subdivisions property. The Contract provides for a line extension to 17 lots located within the Cascade East I and II and Osprey Heights Subdivisions located in Valley County, Idaho and treats the Association as a subdivider for purposes of vested interested refund.

CELEA AGREEMENT

These subdivisions were originally platted without the developer being required to provide the primary electrical distribution system as a condition of plat approval by Valley County. Idaho Power claims that subdivision which are now submitted for plat approval is required to provide the primary distribution system as a condition of that approval.   Idaho Power’s Application requests a deviation from its filed Rule H approved on February 3, 1995, for distribution line extensions.  On April 18, 1996, Chris Bender, the president of the Association, filed a letter with the Commission seeking Commission approval of Idaho Power’s Application.

Idaho Power is proposing to treat CELEA as a subdivider under Rule H and members will pay the estimated $46,000 for the cost of installing three-fourths (3/4) mile of power line extension.  The expected down payment per each member and per lot contribution is estimated at $2,706 per member. An extension allowance of $2,000 or $1,500 under IPC’s Section 5.B.1.a will be available to each member after connecting to the line.  The subsequent applicants and nonmembers of the association will pay a vested interest according to the vested interest refund formula back to CELEA members and will be eligible for extension allowances when they hook up to the system within five (5) years.

ANALYSIS

The Company’s existing Rule H requires that undeveloped subdivisions (existing unserved subdivisions) use the individual applicant or additional applicant provisions for payment, extension allowances and refunds.  Using those provisions in this case would require seventeen (17) individual applications for service, a large line extension investment by the first applicant or several individual line extensions, multiple vested interests and refunds.  The other situation specifically addressed in the tariff deals with line extensions to new subdivisions.  Under these provisions, the developer of the subdivison pays 100% of the line extension costs and then receives a refund when each lot within the subdivison takes service.  Developers can also receive vested interest refunds when customers connect to offsight line extensions.

The agreement reached by the CELEA and Idaho Power utilizes tariff provisions for both the individual customer and subdivision developers to simplify the line extension requirements.  As a subdivision, CELEA will be considered a developer who pays 100% of the line extension costs to serve CELEA members.  As each of the 17 lots takes service, a refund will be provided to the Association.  Additionally, as in the case of a developer, CELEA will receive vested interest refunds from all other applicants connecting to its line extension.

As individual applicants, CELEA members will pay an equal portion of the line extension costs and receive a refund when each takes service. The refund will be based on the indivdual refund provisions of $2,000 for each customer with all electric and $1,500 for service without electric space and water heating.  Vested interest refunds received from other applicants will be spread equally among the CELEA members.  Finally, each member will be responsible for any other outstanding costs of bringing power to their lots.  Although not specifically stated in the Agreement, these costs could include additional line extensions and underground/overhead service cost differentials.

In order to evaluate the prudency of this Agreement, it is necessary to compare what customer line extension costs would be under existing tariffs to what costs would be under the Agreement.  However, given the large number of customers involved and the uncertainty regarding when and where customers will actually take service, an accurate comparison is impossible.  The complexity of the existing tariff when applied to this situation is the primary reason for the Agreement.  By incorporating a mix of existing tariff provisions, the Agreement encourages immediate participation of a large group of customers that equally share in the line extension costs.  The customers know that their costs will be up-front and have the opportunity to offset other costs through refunds.  The Company deals with only one entity rather than seventeen.

Staff’s Recommendation

Based on review of the Company’s Application, Staff recommends approval of the Line Extension Agreement between the Company and CELEA.  Although the Agreement utilizes an unusual mix of Rule H provisions for individual applicants and subdivision developers, Staff believes this is an unusual situation and does not believe that approval of the Agreement unduly discriminates against any CELEA members, past applicants nor present problems for future applicants.  The proposed Agreement simply streamlines line extension rules to the benefit of the Company, the CELEA members and other subsequent applicants.  Staff further believes that this solution could be applied in other similar situations where existing subdivisions are unserved.

The Company requests that if the Commission determines that notice is required in order to process this Application, that it be processed pursuant to Modified Procedure. The Association also seeks to have this matter processed in an expedited basis given the fact that the construction season has already begun and the desire to have electrical power to their houses. Staff recommends Modified Procedure for this Application with 14 days to file comments.

Commission Decision

1. Does the Commission wish to process this Application by Modified Procedure with 14 days notice?

2. Does the Commission wish to issue an Order approving Idaho Power’s Applica­tion for variance from the Company’s current line extension Rule H tariff pursuant to the  special contract with the Cascade East Subdivision Line Extension Association?

3.  Does the Commission have another suggestion?

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Susan Hamlin

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Rose Schulte

transfer file:cascade..wpd