

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: AUGUST 29, 2008

SUBJECT: IDAHO POWER'S APPLICATION FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY AUTHORIZING THE
INSTALLATION OF AMI TECHNOLOGY THROUGHOUT ITS
SERVICE TERRITORY; CASE NO. IPC-E-08-16

On August 5, 2008, Idaho Power Company ("Idaho Power" or "Company") submitted an Application for a Certificate of Public Convenience and Necessity ("CPCN"), pursuant to *Idaho Code* §§ 61-502A, 61-503, 61-525, 61-526, RP 052, and RP 112, "to install Advanced Metering Infrastructure ("AMI") technology throughout its service territory, granting authorization to accelerate the depreciation of the existing metering infrastructure, and including the corresponding operation and maintenance benefits as they occur." Application at 1. The Company requested that its Application be processed through Modified Procedure. IDAPA 31.01.01.201-.204.

THE APPLICATION

Idaho Power's CPCN Application states that the Company plans to implement AMI technology throughout its service territory over a three-year period commencing in 2009. *See* Application at 5. The Company will utilize a phased implementation approach of the AMI technology, beginning with its Capital Region (including the Boise, Kuna, Meridian, Eagle communities) in 2009, Canyon and Payette Regions (including the Nampa, Caldwell, Payette and Ontario communities) in 2010 and its Southern and Eastern Regions (including the Twin Falls, Hailey, Jerome, Pocatello and Salmon communities) in 2011. *Id.* Installation of the new meters will generally progress along established meter reading routes until completion. *Id.*

As support for its Application, Idaho Power cites numerous Commission Orders instructing the Company to implement AMI “as soon as possible.” Order No. 29196 at 10; *see* also Order Nos. 28894, 29026, 29362 and 30102. The Company believes that AMI offers numerous long-term benefits to its customers. Idaho Power points to the obvious advantages of reduced operational costs associated with meter reading, as well as future anticipated benefits referenced by the Commission in a prior Order discussing the issue:

AMR would improve meter reading accuracy, eliminate the need for Idaho Power to gain access to customer property for monthly meter reads, and allow Idaho Power to develop new services in the future. An AMR system would improve outage monitoring, theft detection, and employee safety. AMR's capacity for remote connects and disconnects would also save customer time and employee labor. From a billing perspective, AMR would result in fewer estimated bills, less rebilling, flexible billing schedules, account aggregating, and flexible rate designs.

Order No. 29196 at 10. Idaho Power adds that the AMI technology it has selected is “fully capable of enabling the various other functionalities anticipated by the Commission, and mentioned above, as well as other ‘smart-grid’ operations into the future.” Application at 6. Customers will begin to see better outage management capabilities immediately but the full benefits associated with hourly data collection will require some additional time to allow for “additional back office systems and rate structures” to be put in place. *Id.*

Idaho Power states that it has already selected vendors and executed contracts for the purchase of the necessary hardware, software and labor for AMI installation. *Id.* at 7-8. The project will require multiple vendors (4) due to the lack of a single-source vendor offering all of the requisite products and services necessary for AMI installation. *Id.*

Idaho Power does not request a rate increase in conjunction with its Application. In addition to a CPCN permitting the installation of AMI technology throughout its service territory, Idaho Power requests the following:

. . . that, in the ordinary course of events, Idaho Power can expect to rate base the prudent capital costs of deploying AMI as it is placed in service, accelerate the depreciation of the existing metering infrastructure replaced by AMI over the three-year deployment, and include the operation and maintenance benefits in the accounting methodology.

Id.

The Company claims that it has arrived at a “good faith estimate” of the total capital cost of the three-year AMI installation project. *Id.* at 9. The estimate of the total capital cost for the project is listed in the Application as \$70.9 million plus “certain additional costs that the Company knows it will incur but cannot quantify with precision at this time.” *Id.* The capital cost does not include the accelerated depreciation of the existing metering infrastructure or the operation and maintenance benefits associated with the deployment of the new AMI technology. *Id.*

The Company’s Application states that its current estimate is subject to revision “for documented, legally-required equipment changes and material changes in assumed escalation or growth rates not foreseen at the time of this Application.” *Id.* Idaho Power commits to absorbing any “extra” capital cost above the “adjusted Commitment Estimate” and including in its rate base only the amount actually incurred up to this “adjusted Commitment Estimate.” *Id.*

In anticipation of project commencement in January 2009, Idaho Power has made certain equipment and material purchases totaling \$1.2 million and states that it will be required to make additional purchases of approximately \$5 million in September and October 2008. *Id.* at 10.

Idaho Power requests that its Application be processed in an expedited manner through Modified Procedure. The Company filed testimony from employees John R. Gale, Courtney Waites and Marc Heintzelman concurrent with its Application filing. *Id.*

PETITION FOR INTERVENTION

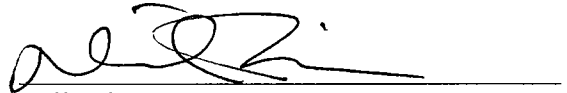
Kroger operates “10 grocery stores and other facilities in the state of Idaho.” Petition at 2. Kroger purchases more than 30 million kWh of electricity from Idaho Power and states that if Idaho Power’s Application is granted then its cost for electric service “could be substantially impacted.” *Id.* The Company states that it intends to “present evidence related to rate design and revenue allocation.” *Id.*

STAFF RECOMMENDATION

Staff has reviewed Idaho Power’s Application and attached testimony and recommends that it be processed through Modified Procedure with a 90-day comment period.

COMMISSION DECISION

Does the Commission wish to process Idaho Power's Application for a CPCN authorizing the Company to install AMI technology throughout its service territory through Modified Procedure with a corresponding 90-day comment period?



Neil Price
Deputy Attorney General

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