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IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	CASE NO. IPC-E-02-12
INVESTIGATION OF TIME-OF-USE)	
PRICING FOR IDAHO POWER)	IDAHO POWER COMPANY'S
RESIDENTIAL CUSTOMERS.)	REPLY COMMENTS
_____)	

BACKGROUND

To put all of the comments in the proper context, the Commission needs to consider the history of this case beginning with the Commission's Order No. 29226 dated April 15, 2003. In that order the Commission directed Idaho Power to update its automated meter reading (AMR) analysis and file a report with the updated analysis no later than Friday, May 9, 2003. Order No. 29226 specified that the analysis should contemplate the use of a two-way advanced metering system with both automated meter reading and time-of-use capability. The Commission also directed the Company

to include in the report the functionality of the selected AMR system, a timetable for implementation of an AMR system that targets areas that would receive the most benefit and a cost analysis of the AMR system including the achievable cost savings. In addition, Order No. 29226 scheduled a public workshop for Wednesday, May 19, 2003, to allow interested parties the opportunity to offer input on the Company's updated AMR analysis.

On March 20, 2003, prior to the issuance of Order No. 29226, the Commission held a public meeting to discuss AMR issues with the Company and interested parties prior to ruling on the Company's March 12, 2003 Petition for Reconsideration. At the conclusion of that public meeting, the Commission directed Idaho Power and Commission Staff to hold a scoping meeting to identify the specific AMR capabilities to be included in the Company's updated analysis. At the scoping meeting Staff and Idaho Power agreed that the Company's updated analysis would focus on only a "plain vanilla" system that would simply replace the Company's existing meter reading function with the addition of the ability to read and store hourly meter usage information. Although both Staff and the Company agreed that AMR may have other features or capabilities that might have value, it was determined that none of these features or capabilities were to be included in the analysis.

The Company timely filed its updated analysis with the Commission on May 9, 2003. On May 19, 2003 the Company participated in the AMR public workshop. Subsequent to the workshop, the Company responded to numerous questions from both Staff and other interested parties. At Staff's request the Company expended hundreds of hours and prepared over a dozen different analyses, including numerous

scenarios in which revised assumptions provided by Staff were utilized, in an attempt to identify any potential area or combination of areas within our service territory where the installation of a “plain vanilla” AMR system had the potential to be economically beneficial. None of the analyses showed automated meter reading to be an economic alternative to the Company’s existing meter reading process at this time.

REPLY TO COMMENTS

All of the comments urging the Commission to require Idaho Power to install AMR on a broad scale rely on the potential benefits of AMR beyond the reduced costs of meter reading to support their case. There is a good reason for this reliance. AMR cannot be justified based solely on reduced meter reading costs. Both Staff and DRAM acknowledge this difficulty. The Company recognizes that other capabilities enabled by AMR, such as outage and theft detection, demand response, and load control, have the potential to provide a benefit to both customers and the Company if they result in *improved* systems or processes and *reduced* costs. Idaho Power currently has systems or processes in place to address most if not all of the identified operational capabilities. Among the systems currently in place at Idaho Power are:

- An “active” outage monitoring system in the form of “sentry” meters at critical points on our distribution system (a power line carrier based AMR system would provide only “passive” outage monitoring and restoration confirmation)
- An ISO 9000 based meter quality program that results in:
 - low overall meter reading costs through activity based management

- early detection of energy theft through an effective meter sealing policy and an effective policy of close follow up of customers whose service is terminated due to non-payment
- a meter read rate of 98.8% of all installed meters, both active and inactive, including meters for irrigation customers out of season and seasonal use cabins during the winter months
- a meter reading accuracy rate of 99.8%
- an in-service meter accuracy performance rate of 99.9% due to effective meter maintenance programs
- A fully installed and operating advanced metering system for 325 large power, intertie, and cogen customers.

Due to the effectiveness of its existing operations, the Company believes the potential for AMR to provide operational savings, other than in the actual meter reading function, is minimal. Since the savings in meter reading O&M costs provided by an AMR system would account for only about 50% of the total cost of AMR installation, significant benefits from demand response, load management, and time-of-use pricing programs would be necessary in order to fully support the significant cost of implementing an AMR system.

Staff's and DRAM's comments refer to Kootenai Electric and the fact that the northern Idaho cooperative expects to see a reduction in its costs almost immediately as a result of installing the same power line carrier (PLC) technology analyzed by Idaho Power. Through discussions with Kootenai Electric, it is Idaho

Power's understanding that the average overall meter reading cost for Kootenai is currently 20% higher than Idaho Power's current average cost. In addition, it is the Company's understanding that Kootenai was in the third year of a ten-year project to change out its entire meter population due to performance issues related to its existing meters when it decided to shift to an AMR implementation. If Idaho Power's average cost to read a meter were higher and if the Company were planning to replace its existing meters with or without the installation of AMR, the business case for implementing AMR on Idaho Power's system would change dramatically.

Staff commented that the 50% of total metering-related costs remaining after AMR implementation seemed high, especially when compared to information provided by other utilities. Idaho Power does not have access to the specific information Staff refers to regarding the costs incurred by other utilities. However, Idaho Power's low average read cost per meter results in an overall low cost for the meter reading function. In its analysis, the Company removed 100% of the cost associated with manual meter reading. The 50% of total metering-related costs remaining after AMR implementation is associated with meter installations, collections, system support, meter maintenance, and service connects and disconnects.

The Company acknowledges that other utilities, as suggested by the comments of Landis+Gyr, have chosen to offer their customers optional enhanced services such as home monitoring or home security services as a means of recouping their investment in an AMR system. While these services may have the potential to help justify an investment in AMR, the Company has no appetite at this time to diversify into the home monitoring or home security business nor does it desire to have its

customers make a substantial investment in the hope that it can sell the ability to provide these advanced services to others.

MOVING FORWARD

The Company believes that in time both automated meter reading and advanced meter reading may become the common standard for most utilities. In order to be knowledgeable about the technology and how it might be utilized on our system, the Company tested AMR in our 1998 Idaho City Pilot. Because of that pilot, Idaho Power knows the power line carrier technology works on our system. In addition, beginning this September, all new residential meters Idaho Power purchases will be able to be retrofitted with PLC AMR by inserting a module into the meter (Idaho Power does not plan to purchase the AMR module at this time). Although the initial purchase price of these meters is slightly higher than the price of the current meters purchased for residential customers, these new meters will not need to be replaced in order to implement AMR, assuming the technology is still compatible. Also, as the Company's current stock of commercial meters is eliminated, and where prices are comparable to the current meters, the Company will begin to purchase commercial meters that could be retrofitted with PLC AMR by inserting an AMR module. The Company anticipates the installation of AMR capable meters for new commercial customer installations could begin as early as late fall. This purchase strategy will ultimately lower the total cost of implementing AMR in the future.

Based on the Company's analysis of both its entire service territory and various operating areas, it does not appear to be cost-effective from a financial

perspective to implement AMR at this time. The best-case alternative scenario analyzed, and referred to by Staff in its comments, identified a consolidated area consisting of five separate operating areas. Even under this best-case scenario, the revenue requirement would be higher than under the existing condition for the first nine years following implementation and not until year 28 would a total payback occur.

Idaho Power recognizes, however, that the Commission may wish the Company to move forward with AMR implementation for purposes of public policy. Should the Commission desire Idaho Power to move forward with AMR implementation at this time, the Company suggests a limited implementation in which various features enabled by AMR technology could be fully tested and evaluated. Such an implementation would allow for the “live” demonstration of these capabilities and their actual value to Idaho Power compared to our current systems and processes. If the Commission so desires, the Company suggests an AMR implementation in the Emmett operating area. The Emmett area offers a cross-section of customers with usage patterns very similar to the overall customer base and usage pattern for the Company’s service territory as a whole. The following tables illustrate the homogeneity of the Emmett operating area to the Company’s service territory as a whole.

Customer Classes

<u>Area</u>	Number and Percent of Customers							
	<u>Residential</u>		<u>Small Comm.</u>		<u>Lg. Comm.</u>		<u>Irrigation</u>	
Emmett	9,124	84%	1,067	10%	378	3%	373	3%
Company	350,214	84%	34,950	8%	17,907	4%	16,993	4%

Residential Customer Monthly kWh Usage – Winter (January 2003)

<u>Area</u>	<u>< 600 kWh</u>	<u>601-1000</u>	<u>1001-1500</u>	<u>1501-2000</u>	<u>>2000 kWh</u>
Emmett	31%	20%	17%	13%	20%
Company	33%	24%	17%	10%	16%

Residential Customer Monthly kWh Usage – Summer (July 2003)

<u>Area</u>	<u>< 600 kWh</u>	<u>601-1000</u>	<u>1001-1500</u>	<u>1501-2000</u>	<u>≥2000 kWh</u>
Emmett	32%	18%	22%	14%	14%
Company	29%	22%	23%	14%	12%

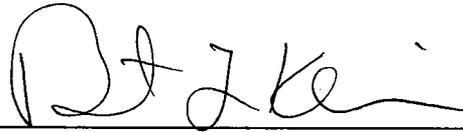
The geographic location and number of customers in the Emmett area as well as its similarity to the Company as a whole make Emmett a model area for evaluating the advanced features of an AMR system. Should the Commission direct Idaho Power to proceed with AMR implementation in the Emmett area, the Company would need approximately six months lead time for equipment acquisition and at least two months for “plain vanilla” equipment installation. The Company then suggests that the hourly usage of each customer in the Emmett area for the summer of 2004 be obtained to be used as a baseline for evaluating the impact of any demand response, load management, or time-of-use pricing options subsequently implemented. After the initial baseline information is collected, a determination of the additional equipment needed to implement and evaluate advanced features could be made.

Based on the Company’s current analysis, the initial cost to implement the “plain vanilla” AMR system capable of capturing and storing hourly usage data in the Emmett operating area is approximately \$1.8 million for the metering, transformer, and station equipment and \$1.5 million for the software and equipment needed to interface hourly data into our customer billing system. The anticipated meter reading O&M

savings in the first full year after AMR implementation in the Emmett area is approximately \$125,000. An implementation in which enhanced AMR features could be fully tested would provide useful data in determining whether these features, which will increase the total cost of the AMR installation, offer enough value to support an economic business case for AMR.

If it is the Commission's desire that Idaho Power move forward with the limited implementation in Emmett as described, the Company would commit to work with Staff and other interested parties to determine the enhancements to be implemented and evaluated.

Dated at Boise, Idaho, this 5th day of September, 2003.

A handwritten signature in black ink, appearing to read 'B L Kline', written over a horizontal line.

BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 5th day of September, 2003, I served a true and correct copy of the within and foregoing IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Lisa Nordstrom	<u> x </u>	Hand Delivered
Deputy Attorney General	<u> </u>	U.S. Mail
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William M. Eddie	<u> </u>	Hand Delivered
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Dan Delurey, Executive Director	<u> </u>	Hand Delivered
Demand Response and Advanced	<u> x </u>	U.S. Mail
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