

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE INVESTIGATION)
OF TIME-OF-USE PRICING FOR IDAHO) CASE NO. IPC-E-02-12
POWER RESIDENTIAL CUSTOMERS.)
) ORDER NO. 29362
)
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Due to extremely low water conditions and large purchased power costs, Idaho Power's residential rates increased approximately 39% over base rates between May 2001 and 2003. Over the last two years the Commission heard from many frustrated residential customers who did not have the information and options necessary to make informed choices relative to their use of energy. To address these concerns and investigate ways to reduce peak load for the benefit of all ratepayers, the Commission instigated this docket to evaluate the viability of residential time-of-use (TOU) metering.

Before the Commission can consider implementing TOU rate designs in the future, Idaho Power must first install the necessary metering infrastructure. Although automated meter reading allows the meter to be read remotely and thus reduces operating costs, the most beneficial rate designs (i.e., critical peak TOU¹) require advanced meter reading (AMR). As discussed below, advanced meter reading also has significant benefits beyond those offered by traditional remote meter reading.

Based upon the evidence in the record and in furtherance of the public interest, the Commission directs Idaho Power to collaboratively develop and submit a Phase One AMR Implementation Plan to replace current residential meters with advanced meters in selected service areas. The Plan shall be filed within 60 days of the service date of this Order. The Commission also directs Idaho Power to complete Phase One AMR installation by December 31, 2004 and file an AMR Phase One implementation status report no later than the end of 2005.

¹ Critical Peak TOU rates usually entail higher customer rates during periods of peak consumption or load. Higher peak rates provide an incentive for customers to lower their monthly bill by reducing electric consumption during periods of peak usage (i.e., heavy load hours during the months of July and August).

PROCEDURAL BACKGROUND

In Case Nos. IPC-E-02-2 and -3, the Commission directed Idaho Power and the Energy Efficiency Advisory Group (EEAG) to “evaluate and report to the Commission on the viability of a Time-of-Use residential metering program by September 12, 2002.” Order No. 29026 at 22. In compliance with this Order, Idaho Power submitted its “Report on Residential Time-of-Use Pricing” (Report) on September 12, 2002.

On February 21, 2003, the Commission declined to authorize residential TOU rates for Idaho Power customers. Order No. 29196. However, the Commission directed Idaho Power to begin replacing its existing manual read metering equipment as soon as possible with an AMR system. AMR allows the meter to be read remotely and thus reduces operational costs. Anticipating the replacement process could be complete by the end of 2004, the Commission ordered Idaho Power to submit an implementation plan no later than March 20, 2003. *Id.*

On March 12, 2003, Idaho Power filed three petitions in this docket: 1) a Petition to Stay that portion of Order No. 29196 requiring the Company to submit the Advanced Meter Implementation Plan by the March 20 deadline; 2) a Petition for Confirmation that Order No. 29196 is or is not a final Order; and 3) a Petition for Reconsideration. The Commission granted the Company’s Petition for Stay and denied the Petition for Reconsideration of AMR issues as premature in Order Nos. 29210 and 29226, respectively. However, the Commission clarified and amended the interlocutory portions of Order No. 29196 so that a more complete record could be established on AMR issues.

To allow for further collaborative proceedings, the Commission stayed the Company’s Advanced Meter Implementation Plan filing requirement until: (1) a multi-party implementation plan is endorsed by interested parties, (2) the Company unilaterally files its Implementation Plan, or (3) the Commission issues an Order revoking the Stay and sets a new filing date. Idaho Power updated and filed its AMR analysis on May 9, 2003 in anticipation of the advanced meter public workshop. The purpose of the workshop was to allow interested parties to offer comments on Idaho Power’s AMR analysis, proposed timeline to install the system, and possible methods to recover the cost of the meters and their installation.

PUBLIC WORKSHOP AND UPDATED AMR ANALYSIS

The advanced meter public workshop held on May 19, 2003 was attended by representatives of Idaho Power, Commission Staff, USCL Corporation, Distribution Control Systems Inc. (DSCI), Energy Strategies Group (ESG), Advocates for the West, Avista Corporation, ITRON, Landis+Gyr, Resource Associates International (RAI), and Pat Clifford.

Idaho Power's presentation discussed the criteria it used for choosing AMR technology and the costs associated with different technologies. The Company proposed implementing powerline AMR technology over a four-year period (2004-2007) at a cost of \$86.5 million. Under this scenario, Idaho Power predicted that AMR expenses would exceed those of the "manual read" system until 2010 and that ratepayers would break even in 21 years. In short, Idaho Power stated that AMR was not a prudent investment at this time. However, the Company intended to continue monitoring developments and conducting periodic assessments to determine the appropriate time for deployment. Over time, the Company predicted that AMR would become more cost-effective as employee costs increase and AMR costs decrease.

Participants asked the Company numerous questions on issues that included the incremental costs of advanced metering options, load projections, implementation schedules, equipment life, salvage value of old meters and customer benefits. Because Staff had technical questions requiring complex Company analysis, the participants agreed that any parties with additional questions could submit them to Idaho Power for a written response. Staff asked and the Company answered several rounds of questions after the workshop.

COMMENTS

Following the public workshop, the Commission established comment deadlines in Order No. 29291. In particular, the Commission sought responses to the following questions:

1. Should the Commission direct the Company to implement AMR on its system?
2. How can advanced metering technology enable Idaho Power Company and ratepayers to make the most of future "smart grid" transmission and distribution technology?
3. As part of a wise investment, what features or technology should the Company employ?
4. Under what timeframe should the Company implement AMR?

5. How should the Company recover the costs associated with AMR?

As of September 15, 2003, the Commission had received comments from 16 individuals and 5 organizations, including Idaho Power and Staff.

Individual Comments: Of the 16 individual comments, 14 were from Idaho Power customers. The comments can be broken down as follows: five were in favor of AMR, seven were opposed to AMR, two were undecided, and two believed AMR could be beneficial if implementation were delayed three to five years.

Those customers supporting AMR implementation cited its accuracy and cost-saving potential. Two comments noted that AMR would eliminate the need for meter readers to “trudge” through their yards. One supporter noted that after 10 years of AMR analysis, Idaho Power should develop TOU rates and subsequent rate/service fee adjustments for inclusion in their fall 2003 general rate case filing. Although a Twin Falls resident generally supported AMR, he wrote that Idaho Power’s unique service territory would require a mix of technologies and implementation timelines and that the Company should not be ordered to implement system wide.

Opponents of AMR implementation, two of which were not Idaho Power customers, cited a number of concerns and opposed increasing rates to pay for such a venture. Commenters questioned the cost-effectiveness of AMR, potential obsolescence of AMR technology, lost meter reading jobs, and meter security. One customer believed that additional trials were needed at a minimum. Another was concerned that the service life of a meter may be less than the AMR equipment’s break-even point. An Idaho City customer noted that AMR may lead to TOU-pricing, which would not work for residential and small business customers who do not have the opportunity to shift their power usage to different times of the day.

Two customers did not indicate their preference regarding AMR implementation. One Emmett commenter noted, “if AMR is better, it should be cheaper to read.” A Boise resident indicated that the Company must show that AMR contributes to efficiency improvements within the Company Account Management Processes that will translate into reduced rates and/or increased profit. Moreover, the deployment timeframe should occur at a rate that does not negatively impact ratepayers or shareholders.

Rather than require immediate implementation, two other customers recommended the Commission order Idaho Power to implement AMR in three to five years. These

commenters believed that implementation would become more feasible as costs decrease and the technology becomes more familiar.

USCL Corporation Comments: USCL Corporation, a Sacramento, California manufacturer of electronic utility meters and AMR systems, filed joint comments with Mr. Patrick Clifford, an Idaho Power ratepayer. Their comments noted that the cost figures presented by Idaho Power at the May 19 workshop may have been inaccurate because they were based on older technology. Furthermore, they believe the deployment cost figures “may be overstated and the payback period for ROI recovery unduly prolonged.” USCL Comments at 1-2. To allow TOU implementation now or in the future, USCL argued that AMR meters should be able to support TOU rates with up to 96 daily records of 15-minute interval data stored for 35 days. Finally, USCL’s comments noted that any communicating meter installed by Idaho Power should be able to communicate to a customer display of real-time pricing information. This optional device should be voluntarily purchased by the customer and supported by a wireless communication methodology.

Landis+Gyr Inc. Comments: Landis+Gyr, a Swiss meter and AMR system manufacturer with North American operations based in Lafayette, Indiana, stated that AMR should be implemented if it makes economic sense and provides value to Idaho Power’s customers. Given the power price fluctuations experience in the last few years, Landis+Gyr noted that many believe that 2-way AMR systems can be justified solely based on their demand response benefits during critical peak periods. “Smart grid” systems can easily analyze many types of information (load usage, outages, peak usage, etc.) in real-time over secured Internet connections at nearly all endpoints on the distribution system. Smart grid systems can also make faster decisions during critical periods.

Due to the diverse geography of Idaho Power’s service territory, Landis+Gyr believes it makes sense to implement a radio frequency solution in more densely populated urban areas and a Power Line Carrier (PLC) solution like the Company’s proposed DCSI technology in rural areas. Landis+Gyr Comments at 1. Although Idaho Power’s four-year deployment plan targets high-cost meter-reading areas first, Landis+Gyr noted that initial deployments in urban areas would provide the most impact from a demand response prospective. *Id.* at 2. The pending federal energy bill will allow accelerated depreciation of the AMR meters from 15 years to 3 years. A monthly charge could also be added to customer bills to offset AMR system costs and

additional revenues generated by monthly fees from the sale of optional enhanced services (e.g., home monitoring/security).

DRAM Comments: The Demand Response and Advanced Metering Coalition (DRAM) is a policy organization comprised of utilities, public interest groups, metering and communications companies and demand response providers. Members of the DRAM Coalition include Landis+Gyr, SchlumbergerSema, eMeter, and DCSI/TWACS – the latter being the manufacturer of the Company’s proposed PLC technology. The Coalition agreed that the Company has correctly determined the appropriate technology for its advanced metering system. DRAM contends that when all of the benefits are considered against correct, appropriate and up-to-date costs, advanced metering is a prudent and proper investment by Idaho utilities on behalf of their customers. If the Commission allows the Company to implement an advanced metering system in the remote areas, DRAM is confident that the Company can achieve a much better payback than 21 years. DRAM Comments at 12.

DRAM noted that many of the non-billing and customer services capabilities that an advanced metering system provides are functions that help create a “smart grid.” These functions include an outage management system, meter information collection for long-term planning and daily operations decision-making, improved distribution system planning and optimized improvements, load control capabilities to create a full demand response program, and collection of voltage data to ensure property distribution system operation.

DRAM stated that AMR investment costs should be recovered, subject to cost verification, as a prudent and appropriate investment in a utility’s core infrastructure that will provide both future and current benefits to the utility and its customers. DRAM believes Idaho Power is in the best position to make a specific cost recovery recommendation and refrained from doing so. Based on the number of units expected to be deployed in the first year and the specific characteristics of that part of the Company’s service territory, DRAM thought the cost indicated in the May 9, 2003 AMR Report for the first year may be high. *Id.* at 8.

DRAM also found the Company’s assessment and quantification of advanced metering benefits in the Report to be insufficient because the Company only included cost savings from the meter reading function. By comparing a cost for an advanced metering system that is not “plain vanilla” to the sole benefit that comes with a “plain vanilla,” i.e., basic automated meter reading, DRAM noted that the 2003 AMR Report may have created an apples

to oranges situation. DRAM believes the Commission should review and discuss both the cost and benefit data with the Company to remedy this situation before making a decision.

With regard to the potential risk of obsolescence, DRAM stated that the key with a metering system is to choose a technology that provides the immediate functionality desired but which also allows additional functionality to be employed or added later. It should be a platform that can accommodate future technology developments and not require complete replacement to meet future requirements. DRAM could not discern from the Company's Report what increased functionality is necessary before the Company believes it can begin deployment. *Id.* at 11.

Accordingly, DRAM recommended the Commission's Order No. 29210 staying Order No. 29126 be lifted and, as previously directed, the Company should file a four-year implementation plan for deployment beginning April 2004. *Id.* at 12. The deployment should be in several phases with the first phase comprised of the Company's rural and operationally isolated residential ratepayers.

Staff Comments: Staff continues to believe that AMR is an option that should not be easily dismissed or unnecessarily delayed given the future capacity deficit forecasted by Idaho Power. Idaho Power's transmission constraints limit the Company's options in meeting peak demand to either constructing additional peaking generation or reducing peak demand.

Staff concurred with the Company in its selection of power line carrier as the most appropriate AMR technology, at least in a significant portion of its service territory. Staff Comments at 7. PLC is well suited for rural mountainous service areas and utilizes facilities well understood by the Company. Staff noted that a number of investor-owned utilities have installed AMR systems without any increase in rates and 38% of public cooperatives have implemented some type of AMR, including Kootenai Electric here in Idaho. Kootenai is installing the same PLC technology that Idaho Power is considering and expects to see a reduction in its costs of serving 18,000 customers almost immediately after completing installation of the AMR system. *Id.* at 8.

In speaking to other utilities, Staff also found that the business case for AMR was not usually made on the basis of meter reading cost alone. Although each utility weighed the value of the various features differently, it was the combined benefit of multiple functions (including load management) that made AMR's business case work. While these functions stop short of what is often envisioned with a "smart grid" (controlling customer appliances and even customer

generation), AMR technology provides the basis for building smart grid capability. It also offers a variety of functions including automated meter reading, theft detection, accuracy improvement, improved outage monitoring, flexible billing schedules, account aggregation, improved customer service, and capability for TOU or critical peak pricing. It is Staff's understanding that the AMR system Idaho Power evaluated in its analysis also has these capabilities.

Additionally, Staff noted that the federal government allows significant tax benefits for certain kinds of equipment installed before January 1, 2005. These benefits include an accelerated depreciation allowance equal to 50% of the purchase price that can be taken the first year. This accelerated depreciation allows the Company to write the asset off faster and gain the tax benefit sooner.

When explaining its recommendation, Staff agreed that, based on savings from meter reading alone, system wide AMR implementation to all customers is not initially cost-effective. The Company's analysis assumes that AMR is implemented system wide using a single AMR technology and that the benefits are limited to savings achieved by eliminating costs associated with manual meter reading. In that scenario, the AMR system would have a higher revenue requirement than standard meters for the first 6 years and would not reach a break-even point for 21 years. Consequently, AMR installation would require a \$9 million rate increase (or about 1.5% for a four-year period), essentially reflecting the time required to amortize the old meters. *Id.* at 6. When reviewing the Company's analysis, Staff changed a number of assumptions that when taken together reduced the break-even point from 21 years to 15 years. As projected by the TOU study, a substantial savings of \$12 million annually could also be realized through AMR critical-peak TOU pricing thereby avoiding the need for new generation resources. *Id.* at 7. Staff noted that the Company's updated analysis did not include benefits provided by other AMR functions.

Therefore, Staff recommended an initial limited roll out of PLC automated meter reading units in the most cost-effective areas followed by an opportunity for the Company to evaluate, monitor, and re-assess implementation of the selected AMR technology to the rest of the system. Staff supported the Company's selection of Emmett, Salmon, Hailey, McCall and Mountain Home as the most cost-effective areas. Staff recommended that the Company submit a plan detailing the initial implementation, including: 1) the area to be metered, 2) the technology and its capability, and 3) the schedule for completing the first phase. The Company's plan

should also include details of how the monitoring and assessment would be accomplished, the time frame for that assessment, and when a decision might be made regarding implementation to the remaining system. *Id.* at 9.

Idaho Power Reply Comments: Idaho Power reiterated that AMR cannot be justified based solely on reduced meter reading costs. The Company recognized 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. However, Idaho Power noted that it currently has systems or processes in place to address most if not all of the identified operational capabilities. Reply Comments at 3.

Due to the effectiveness of its current operations, the Company believes minimal potential exists for AMR to provide operational savings other than in the actual meter reading function. Because 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, Idaho Power believes 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. *Id.* at 4.

The Company also responded to Staff and DRAM's comments regarding Kootenai Electric's expected cost savings from installing PLC technology. 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, Kootenai was in the third year of a ten-year project to change out its entire existing meter population due to performance issues when it decided to implement AMR. If the Company's average cost to read a meter were higher and if it were planning to replace its existing meters with or without the installation of AMR, Idaho Power believes the business case for implementing AMR on Idaho Power's system would change dramatically. *Id.* at 4-5.

The Company acknowledged 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 stated that it 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. *Id.* at 5-6.

The Company believes that in time both automated and advanced meter reading may become the common standard for most utilities. 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). *Id.* at 6. Although the initial purchase price of these meters is slightly higher than the price of the current residential meters, these new meters will not need to be replaced in order to implement AMR assuming the technology is still compatible. As the Company's current stock of commercial meters is eliminated and where prices are comparable to 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-compatible meters for new commercial customer installations could begin as early as late fall. *Id.* This purchase strategy will ultimately lower the total cost of implementing AMR in the future.

Based on the Company's analysis of 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. *Id.* at 6-7. 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 9 years following implementation and not until year 28 would a total payback occur. *Id.* at 7.

Idaho Power recognized, 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 suggested a limited implementation in which various features enabled by AMR technology could be fully tested and evaluated. If the Commission so desires, the Company suggests an AMR implementation in the Emmett operating area. *Id.* Idaho Power believes its geographic location, number of customers, and 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. *Id.* at 8. The Company also suggested that the hourly usage of each customer in the Emmett area for the summer of 2004 be collected for use as a baseline to evaluate the impact of any demand response load management or TOU pricing options subsequently implemented.

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. *Id.* The Company anticipates \$125,000 in meter reading O&M savings in the first full year after AMR implementation in the Emmett area. *Id.* at 8-9. The Company believes 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.

COMMISSION DISCUSSION AND FINDINGS

In Order No. 29196 as modified by Order No. 29226, we stated that AMR should be implemented as soon as possible and encouraged the Company to work collaboratively with interested parties to develop an advanced meter implementation plan that will best benefit Idaho Power ratepayers. In directing the Company to develop the plan, we cited annual savings in meter reading costs as well as benefits associated with TOU pricing, improved meter reading accuracy, improved outage monitoring, improved theft detection, increased opportunities for improved billing, and new service development. Order No. 29196 at 10. In Order No. 29291, we sought comments from the parties regarding whether the Company should be directed to implement AMR on its system in light of Idaho Power’s updated analysis showing AMR is not financially cost-effective. We also requested comments on how to make the most of the “smart grid” technology, what AMR features should be employed, under what time frame AMR should be implemented and on how AMR costs should be recovered. Order No. 29291 at 2-3.

While Staff did not necessarily agree with the Company’s updated AMR analysis, it concedes the difficulty in justifying AMR based on reduced meter reading costs alone. Staff also acknowledged concerns regarding the rapid change in AMR technology and the potential risk of technological obsolescence. Finally, Staff recognized the uncertainties associated with functional costs and benefits of AMR. Staff’s solution to these concerns is a limited phased-in

implementation of PLC AMR technology in five service areas (Emmett, Salmon, Hailey, McCall and Mountain Home) and re-evaluation before further implementation. Although their comments did not specify areas for limited AMR implementation, DRAM also recognized that “metering deployments often occur over a period of years and such an approach makes sense in this case.” DRAM Comments at 4.

The Company stated that AMR does not appear to be financially cost-effective on either a full or limited implementation basis. However, it does intend to purchase PLC AMR capable meters for all new residential meters starting in September 2003. The Company also intends to purchase, if the price is right, PLC AMR capable meters for new commercial customers. Finally, in recognition that the Commission may wish to move forward with AMR implementation from a policy perspective, the Company suggests using the Emmett operating area for a trial demonstration.

After careful evaluation of all comments filed in this case, we continue to find that AMR technology can empower customers to make informed decisions regarding their energy consumption and should be implemented as soon as possible. DRAM correctly noted that absent AMR, meter reading costs will be unnecessarily high and customers will still receive only minimal data about their consumption without the ability to manage their usage according to time-varying prices. Moreover, Idaho Power will be unable to optimize its operations and performance without the enhanced data and functionality AMR could provide. In short, the potential benefits of advanced metering available to ratepayers and the Company are too great to delay AMR implementation indefinitely. However, we also recognize that significant questions and uncertainty remain regarding the proper technology, installation costs, functionality and actual cost savings that may be realistically achieved.

Consequently, we find the phased-in implementation with evaluation approach proposed by Staff to be reasonable. We also find merit in some attributes of the Company’s suggested Emmett AMR implementation such as the proposed implementation timelines, acquisition of baseline data, and evaluation of advanced metering opportunities. To that end, we wish to continue the collaborative approach established in Order No. 29196 and direct the parties to develop a specific Phase One Implementation Plan that will achieve AMR installation in selected service areas by the end of 2004.

To guide the parties in developing the Phase One AMR Implementation Plan, the Commission wishes to make clear that we do not believe AMR implementation in the Emmett area alone is sufficient to adequately resolve the uncertainties previously identified by the parties. We are also concerned that such a small implementation area may make it difficult to identify statistical abnormalities or emerging consumption trends. On the other hand, we believe that installation in all five of the areas proposed by Staff is not necessary for the demonstration. Instead, we suggest a combination of two or three service areas that will incorporate a larger, more diverse customer group and geographic scope.

While we find merit in the overall homogeneity of the Phase One customer group to the Company service territory as a whole, we are also interested in areas with higher customer growth. The Company's plan to acquire AMR capable meters for new residential and commercial customers makes sense and we expect the Company to pursue this strategy regardless of the Phase One AMR configuration. In addition, we believe that a diverse geographic area will provide valuable insight into operational cost savings, opportunities for outage detection, and the testing of PLC technology with enhanced features.

Other specific aspects of the Company's proposal that should be incorporated in the first phase of AMR implementation include: installation of critical peak TOU-capable equipment, collection and evaluation of baseline consumption data, and the identification and installation of equipment to fully test enhanced AMR features. These enhanced features should include outage and theft detection, demand response, and load control options. This approach is consistent with Staff's belief that the limited implementation would allow the Company to test and integrate PLC technology, evaluate costs and benefits of various functions including TOU pricing, and develop a business case for full implementation. Thus, Phase One of the AMR Implementation Plan will be larger and measure significantly more than the PLC technology tested in the 1998 Idaho City pilot program.

Finally, we are frustrated with what appears to be the shifting position of the Company with respect to AMR implementation. Although the Company expressed its intent to seek budget approval for the capital necessary to begin AMR implementation in 2004 in its reply comments filed January 17, 2003, Idaho Power now states that AMR is not financially cost-effective and should not be implemented at this time at any level. Given this change in position, we are concerned about the Company's ability and willingness to efficiently implement Phase

One of an AMR program and fairly evaluate the results. Any plan that is ultimately developed and implemented must provide meaningful information on all aspects of AMR technology including installation costs, operational savings, and functional benefits in order to shape future strategies. To the extent the Company makes a sincere effort to efficiently and effectively install and evaluate this technology, the Commission will allow the Company to fully recover all reasonably incurred project costs.

In Order No. 29210 issued March 19, 2003, the Commission stayed a directive requiring Idaho Power to file an advanced metering implementation plan pending further proceedings. Having concluded that the Company should implement the first phase of AMR installation, it is appropriate to lift the stay. Consistent with our findings above, the Commission modifies the directive in Order No. 29196 to conform to the filing directives in this Order. *Idaho Code* § 61-624.

In light of the foregoing discussion and findings, the Commission directs Idaho Power to collaboratively develop and submit a Phase One AMR Implementation Plan to replace current residential meters with advanced meters in selected service areas within 60 days of the service date of this Order. The Commission also directs Idaho Power to complete Phase One AMR installation by December 31, 2004 and file an AMR Phase One implementation status report no later than the end of 2005. Upon review of the status report detailing costs and benefits resulting from this limited AMR installation, the Commission will determine if the benefits of AMR justify its implementation beyond the areas covered in Phase One.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, an electric utility, and the issues presented in this case pursuant to Title 61 of the Idaho Code, specifically *Idaho Code* §§ 61-302, 61-336, 61-501, 61-503 and 61-624.

ORDER

IT IS HEREBY ORDERED that Idaho Power Company collaboratively develop and submit a Phase One AMR Implementation Plan to replace current residential meters with advanced meters in selected service areas within 60 days of the service date of this Order as described in detail above.

IT IS FURTHER ORDERED that Idaho Power complete Phase One AMR installation by December 31, 2004 and file an AMR Phase One implementation status report by the end of 2005.

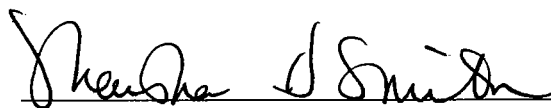
IT IS FURTHER ORDERED that the stay of Order No. 29196 that required Idaho Power Company to file an advanced metering implementation plan is lifted and modified by the filing and content requirements set forth in this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-02-12 may petition for reconsideration within twenty-one days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-02-12. Within seven days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 24th day of October 2003.



PAUL KJELLANDER, PRESIDENT

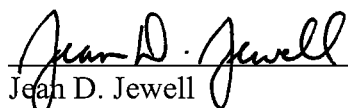


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary
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