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May 13, 2010

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-10-06
**ADVANCED METERING INFRASTRUCTURE ("AMI") INVESTMENT IN
RATE BASE**

Dear Ms. Jewell:

Enclosed for filing please find an original and seven (7) copies of Idaho Power Company's Reply Comments in the above matter.

Very truly yours,

Donovan E. Walker

DEW:csb
Enclosures

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Attorney for Idaho Power Company

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Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR) CASE NO. IPC-E-10-06
AUTHORITY TO INCREASE ITS RATES)
DUE TO THE INCLUSION OF ADVANCED) IDAHO POWER COMPANY'S
METERING INFRASTRUCTURE ("AMI")) REPLY COMMENTS
INVESTMENT IN RATE BASE.)
_____)

Idaho Power Company ("Idaho Power" or "Company") submits the following
Comments in response to the Comments filed by the Commission Staff on May 6, 2010.

I. INTRODUCTION

Commission Staff and the Commission have long been supportive of the
Company's efforts to deploy Advanced Metering Infrastructure ("AMI") throughout its
service territory, recognizing the benefits of reduced meter reading expenses and
providing a solid platform for other energy efficiency pricing structures. Likewise, Staff,
in its Comments, supports the Company's request to increase its rates effective June 1,

2010, due to the inclusion of AMI investment in rate base. The Company is appreciative of Staff's recommendation.

However, Staff has recommended a proposed increase of \$1,926,523, which is \$431,562 less than that requested by the Company. Staff's recommendation is the result of its belief that the Company's calculation of the revenue deficiency understates the Operation and Maintenance ("O&M") benefits and efficiencies attributable to the AMI investment. The difference between the Company's quantification of the O&M benefits used in the revenue deficiency calculation for the 2010 test year and Staff's quantification of the O&M benefits appears to be due to an initial mischaracterization on the Company's part of incremental savings and cumulative savings which led to a misunderstanding on the part of the Staff of what is being represented in the O&M benefits amounts. The Commission authorized the Company to recover the costs of installing AMI throughout its service territory, specifically including the "corresponding operation and maintenance benefits as they occur." Order No. 30726, p. 10, Case No. IPC-E-08-16. Staff's recommendation in this case denies the Company the ability to do so by mischaracterizing these benefits as being stated as *incremental* when they are in fact stated as *cumulative*.

II. OPERATION AND MAINTENANCE BENEFITS

In the Company's Application for a Certificate of Public Convenience and Necessity to install AMI technology throughout its service territory (Case No. IPC-E-08-16), Idaho Power identified quantifiable O&M benefits associated with the AMI installation in the following areas: reduction in labor and transportation costs related to meter reading, regional operations benefits in confirming equipment outage to prevent

crew dispatch, regional operations benefits in confirming service restored to prevent prolonged crew time in area, regional operations benefits on detecting overloaded distribution transformers, benefits with regard to the operations of the irrigation peak rewards program, and outage management operation benefits. To calculate the expected O&M benefits, the Company compared O&M costs assuming business as usual (no AMI installation) to expected O&M costs with AMI in place for each of the three years of the deployment period. This resulted in an expected O&M savings per year. The O&M benefits identified for the three-year deployment period, shown in Company witness Courtney Waites' Exhibit No. 4 to the certificate case (Case No. IPC-E-08-16), identified savings of \$262,828 in 2009, savings of \$3,150,708 in 2010, and savings of \$5,570,400 in 2011.

In the Company's initial Application for authority to increase rates due to the inclusion of AMI investment in rate base for the first year of deployment (Case No. IPC-E-09-07), the Commission authorized the Company to recover its investment in AMI based on a 2009 test year, the first year of the three-year deployment period, which included the 2009 expected O&M benefits of \$262,828. It was not until the preparation of the Company's current Application for authority to increase rates due to the inclusion of AMI investment in rate base based on a 2010 test year (Case No. IPC-E-10-07), the second year of the three-year deployment period, that the Company discovered that the O&M benefits in the initial certificate case, Case No. IPC-E-08-16 had been incorrectly characterized as *incremental* savings rather than correctly characterized *cumulative* savings. The numbers and the calculations are correct and do not change, even between Staff's recommendation and the Company's request. The only difference is

the mischaracterization of those numbers as *incremental* numbers rather than *cumulative*. When comparing expected O&M costs assuming business as usual (no AMI installation) to expected O&M costs with AMI in place as of December 31, 2010, AMI savings are \$3,150,708, resulting in incremental savings of \$2,887,880 (\$3,150,708 less O&M benefits of \$262,828 as of December 31, 2009).

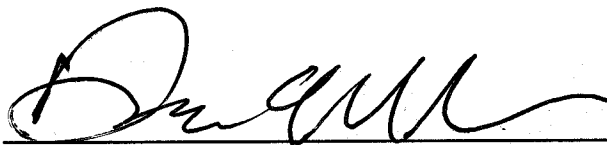
Staff incorrectly states that the amounts listed on Company Exhibit No. 2 for benefits to be received in 2010 do not include any benefits already received in 2009. This would be correct if the amount was actually an *incremental* amount. However, the amounts listed on Company Exhibit No. 2 are simply the monthly quantification of the difference between O&M costs assuming business as usual (no AMI installation) and O&M costs with AMI in place as of a specific period in time.

Staff further expresses concerns with the Company's O&M benefits quantification stating that "Staff is not confident that these benefits can be adequately reflected in the revenue requirement change until a general rate case when all expenses categories are reflected" and that "the Company has not updated the benefits of AMI since deployment began and relies on the projections created prior to the installation of a single AMI meter." However, just as the Company tracks its expenses in new AMI investment and has provided Staff in production request responses, the Company tracked its actual O&M savings experienced in 2009. The Company realized savings of \$273,146 in 2009 – very close to the projected savings quantified prior to the installation of a single AMI meter.

III. CONCLUSION

The difference between the Company's quantification of the O&M benefits used in the revenue deficiency calculation for the 2010 test year and Staff's quantification of the O&M benefits appears to be due to an initial mischaracterization on the Company's part of incremental savings and cumulative savings which led to a misunderstanding on the part of the Staff of what is being represented in the O&M benefits amounts. The Company has, however, tried to clear up this misunderstanding with this filing. The Company respectfully requests that the Commission issue an Order: (1) approving the new electric rate schedules set out in Attachment Nos. 1, 2, and 3 in the Company's Application for Authority to Increase Its Rates Due to the Inclusion of Advanced Metering Infrastructure ("AMI") Investment in Rate Base authorizing a uniform percentage increase of 0.41 percent to Schedules 1, 3, 4, 5, 7, 9 secondary, 24 secondary, 41 metered, and 42 customers, and (2) approving an effective date of June 1, 2010, for the new rates.

Respectfully submitted this 13th day of May 2010.



DONOVAN E. WALKER
Attorney for Idaho Power Company

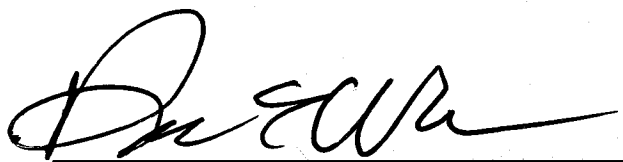
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 13th day of May 2010 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

Scott Woodbury
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington
P.O. Box 83720
Boise, Idaho 83720-0074

Hand Delivered
 U.S. Mail
 Overnight Mail
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Donovan E. Walker