

DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL

DATE: MARCH 25, 2010

SUBJECT: CASE NO. IPC-E-10-06 (Idaho Power)
RATE INCREASE TO RECOVER AMI INVESTMENT

On March 15, 2010, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to implement a 0.41% uniform increase in rates due to the inclusion of Advanced Metering Infrastructure (AMI) investment in rate base. The Company's filing is accompanied by workpapers and supporting testimony.

BACKGROUND

In Order No. 30726 issued on February 12, 2009, in Case No. IPC-E-08-16, the Company was granted a Certificate of Public Convenience and Necessity (Certificate) to install AMI technology throughout its service territory, to accelerate the depreciation of its existing metering infrastructure, and to include the corresponding Operations and Maintenance (O&M) benefits as they occur. In Order No. 30829, in Case No. IPC-E-09-07, the Commission authorized the Company to recover its investment in AMI based on a 2009 test year.

APPLICATION

The proposed increase in rates requested by Idaho Power is the result of including the Company's investment in AMI for a 2010 test year into the Company's rate base/revenue requirement. In its calculations, the Company is reflecting the new investment in AMI and the depreciated metering plant replaced by AMI. The Company also reflects the expenses of accelerated depreciation of the pre-existing metering plant, the reduced O&M expenses due to operating efficiencies that are gained from the AMI deployment, and incremental tax impacts.

The Company investment associated with the installation of AMI grows from \$28,589,837 at year-end 2009 to \$47,348,827 by December 31, 2010. The 13-month average AMI plant in service for the test year is \$38,615,913. The test year indicates a revenue deficiency of \$2,358,085 for the Idaho jurisdiction.

Given the increased challenges associated with raising capital in the financial markets during the present financial crisis, as well as the Company's competing needs for capital investment in other system resources, the Company contends the proposed test year and recovery of the resulting revenue requirement is a necessary component to allow it to continue moving forward with its three-year AMI deployment. The Company represents that its proposal is consistent with its request for a Certificate "to rate base the prudent capital costs of deploying AMI as it is placed in service," (Case No. IPC-E-08-16, Application, p. 11), and the Commission's prior authorization of 2009 AMI investment recovery (\$10,497,354 or 1.83% uniform increase in rates) in Order No. 30829, Case No. IPC-E-09-07.

Idaho Power proposes a uniform percentage increase of 0.41% to base revenues for tariff Schedules 1, 3, 4, and 5 (Residential Customers), Schedule 7 (Small General Service), Schedule 9 (Large General Service – Secondary), Schedule 24 (Agricultural Irrigation Service – Secondary), Schedule 41 (Street Lighting Service – Metered), and Schedule 42 (Control Traffic Signal Lighting Service) effective June 1, 2010, for service provided on and after that date.

COMMISSION DECISION

Idaho Power has filed an Application requesting authority to implement a uniform percentage increase of 0.41% related to inclusion in rate base and revenue requirement of the Company's Advanced Metering Infrastructure (AMI) investment. The Company requests an effective date of June 1, 2010. The Company and Staff recommend that the Application be processed pursuant to Modified Procedure, i.e., by written submission rather by hearing. IDAPA 31.01.01.201-204.



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Deputy Attorney General

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