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IDAHO PUBLIC UTILITIES COMMISSION

DONOVAN E. WALKER
Attorney II

August 4, 2008

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-08-16
Advanced Metering Infrastructure ("AMI") Technology

Dear Ms. Jewell:

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

In addition, enclosed are an original and eight (8) copies each of the testimonies of John R. Gale, Courtney Waites, and Mark Heintzelman that are being submitted in support of Idaho Power's enclosed filing. One copy of each of the testimonies has been designated as the "Reporter's Copy." In addition, a disk containing Word versions of each of the above testimonies has been provided for the Reporter and has been marked accordingly.

Also, delivered with this filing for the Commission's Review and records is a full-sized map showing Idaho Power's proposed deployment of AMI. Please note that only one full-sized map is being provided to the Commission.

Also enclosed are two (2) copies of a Protective Agreement, which I have executed. Please have one of the Staff attorneys execute both copies of the Protective Agreement. Please return one of the fully executed copies of the Protective Agreement to me at Idaho Power and retain the other original for the Commission's files.

Finally, I would appreciate it if you would return a stamped copy of this letter for Idaho Power's file in the enclosed stamped, self-addressed envelope.

P.O. Box 70 (83707)
1221 W. Idaho St.
Boise, ID 83702

Jean D. Jewell, Secretary
August 4, 2008
Page 2

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Don E. Walker", with a long horizontal flourish extending to the right.

Donovan E. Walker
Attorney II for Idaho Power Company

DEW:csb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR A) CASE NO. IPC-E-08-16
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO INSTALL ADVANCED) APPLICATION
METERING INFRASTRUCTURE ("AMI"))
TECHNOLOGY THROUGHOUT ITS)
SERVICE TERRITORY)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* §§ 61-526, 61-502A, 61-525, 61-503, RP 052, and RP 112, hereby respectfully makes Application to the Idaho Public Utilities Commission ("IPUC" or "Commission") for an Order granting the Company a Certificate of Public Convenience and Necessity ("CPCN") 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.

Idaho Power seeks approval of its three-year deployment of AMI technology to replace all meters in its service territory (99 percent of its customers)¹, along with the associated software, substation, and communications equipment. Idaho Power requests in this proceeding that the Commission issue its Order stating that, in the ordinary course of events, Idaho Power can (1) expect to ratebase the prudent capital costs of deploying AMI as it is placed in service, (2) accelerate the depreciation of the existing metering infrastructure replaced by AMI over the three-year deployment, and (3) include the operation and maintenance benefits in the accounting methodology.

In support of this Application, Idaho Power has filed the testimony and exhibits of John R. Gale, Courtney Waites, and Mark Heintzelman concurrently herewith and hereby represents as follows:

BACKGROUND

1. As a result of the very large purchased power costs and accompanying Power Cost Adjustment rate increases stemming from the 2000-2001 energy crisis, the Commission ordered Idaho Power and the Energy Efficiency Advisory Group² to evaluate and report upon the viability of Time-of-Use ("TOU") metering programs and the deployment of AMR³ technology. Order No. 28894 at 7, Order No. 29026 at 22.

¹ There are approximately 4,000 customers, who make up approximately 1 percent of total customers, whose electrical service comes from Idaho Power's 53 smallest distribution substations. The technology will work in these locations but the station infrastructure cost per customer is very high and is not offset by the benefits that would be achieved through AMI at this time. These customers are not currently included in the proposed deployment plan.

² The Energy Efficiency Advisory Group is made up of customers, Commission Staff, Company employees and technology specialists who advise and make recommendations regarding the evaluation, revision, and implementation of demand-side management ("DSM") programs to the Company. The Group is charged with recommending new DSM measures, enhancing existing DSM programs, prioritizing implementation of appropriate programs, and evaluating each program's effectiveness. Order No. 28894 at 2, 7.

³ "AMR" refers to "Advanced Meter Reading" or "Automated Meter Reading." "AMI" refers to "Advanced Metering Infrastructure." AMI is a more inclusive term than AMR, and refers to systems that measure, collect, and analyze energy usage information from advanced metering devices through various communication media on

Case No. IPC-E-02-12 was opened to investigate TOU pricing for Idaho Power's residential customers and, after review of the Company's initial report, the Commission directed Idaho Power to implement AMI "as soon as possible, with installation commencing this year [2003] and completed in 2004." Order No. 29196 at 10. The Commission ordered Idaho Power to submit a plan no later the March 20, 2003, to replace the current meters of Idaho Power customers with advanced meters. *Id.* at 11. The 2004 implementation was subsequently delayed because of the financial, technical, and implementation problems encountered with meeting that time frame. Order No. 29226 at 2-3. The Commission then adopted a phased-in implementation along with a collaborative evaluation approach, while directing the Company to continue to work towards implementation of AMI technology "as soon as possible." Order No. 29362 at 12, Order No. 30102 at 5-6. The Commission has continually stated that Idaho Power should be working toward the implementation of AMI technology as soon as possible, and has reiterated its finding that "the potential benefits of advanced metering to ratepayers and the Company are too great to delay AMR implementation indefinitely." *Id.*

2. The Commission ordered that Idaho Power collaboratively develop and submit a Phase One AMR Implementation Plan to replace current residential meters in selected service areas by December 2003, complete Phase One installation by December 31, 2004, and file a Phase One implementation Status Report by the end of 2005. Order No. 29362. In December 2003, after a collaborative workshop amongst the Company, Commission Staff, vendors and interested individuals, the Company filed

request or on a pre-defined schedule. This infrastructure includes hardware, software, communications equipment, customer associated systems, and data management software. The term "AMR" was upgraded to "AMI" as the technology and terminology developed. "AMI" better reflects the capabilities of the technology discussed herein.

its Phase One Implementation Plan to install AMI technology in the Emmett and McCall operating Areas. Case No. IPC-E-02-12. Phase One implementation was completed on October 26, 2004, and consisted of approximately 23,500 meters along with other associated infrastructure.

3. Subsequent to Phase One implementation, the Company instituted two time-variant pricing pilot programs in the Emmett operating area that utilized the hourly consumption data made possible by the AMI technology. Order No. 29737, Case No. IPC-E-05-02. The programs were (1) the Energy Watch Pilot Program, Schedule 4, and (2) the Time-of-Day Pilot Program, Schedule 5. *Id.* These pilots were subsequently authorized to continue indefinitely, as tariff Schedules 4 and 5, for continued development and further evaluation in anticipation of an eventual system-wide implementation of time-variant pricing and AMI technology. Order No. 30292, Case No. IPC-E-07-05. The Company is required to file annual reports detailing the previous year's progress for both programs. *Id.*

4. On December 30, 2005, the Phase One AMR Implementation Status Report was filed with the Commission and Noticed for Comments pursuant to Modified Procedure. Order No. 29959, Case No. IPC-E-06-01. The report detailed the implementation as well as the time-variant pricing pilots and load control AC cycling programs conducted with the AMI technology, and made recommendations for future evaluation and deployment. In this docket, the Commission granted the Company an additional one-year period in which to work to resolve technical issues encountered in the pilot programs, allow for the technology to mature, and to assess further AMI deployment while ordering an updated status report to be filed by May 1, 2007.

5. On May 1, 2007, the Company filed a detailed AMI Status Report, followed by an August 31, 2007, Implementation Plan describing and proposing a three-year deployment of an AMI system covering roughly 99 percent of the customers in its service territory from January 2009 through the end of 2011. Case No. IPC-E-06-01. This proceeding seeks approval of that plan.

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

6. Idaho Power proposes to install AMI throughout its service territory in a systematic, three-year deployment schedule starting in January 2009, and continuing through the end of 2011. The schedule would start with the Company's Capital Region (Boise, Meridian, Eagle, Kuna, etc.) in 2009, move to the Canyon and Payette Regions (Nampa, Caldwell, Payette, Ontario, etc.) in 2010, and finish with the Southern and Eastern Regions (Twin Falls, Hailey, Jerome, Pocatello, Salmon, etc.). A map showing the proposed deployment is included as Attachment No. 1 to this Application. The actual meter exchanges will take place on a carefully planned schedule that would generally follow meter reading routes, and progress route by route and substation by substation to install the required hardware throughout the system.

7. The system-wide implementation of AMI technology is cost effective at this time. The August 31, 2007, AMI Implementation Plan filed with the Commission in Case No. IPC-E-06-01 includes a summary of the Company's updated cost-benefit analysis, as directed by Order No. 30102, concluding that the long-term benefits derived from reduced operating expenses are themselves sufficient to support a system-wide implementation. This has not always been the case. See, Order No. 29362 at 11. Additionally, as recognized by the Commission in several Orders, the deployment of

AMI technology has numerous other benefits for the both the Company and its customers that cannot necessarily be quantified at this time, but never-the-less exist. See, Order No. 29196 at 10; Order No. 30102 at 5-6; Order No. 29362 at 12-14. The direct benefits that will increasingly be recognized following the start of the implementation are the operational savings associated with remote meter readings. Beyond the savings in meter reading costs and the benefits associated with time-of-use pricing, additional benefits as stated in the findings of this Commission are:

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. The AMI technology selected for installation by the Company is a true two-way communications system that 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. Outage management functionality and hourly data collection will be implemented for each area in the succeeding year following deployment. The benefits of outage management integration will begin to be realized almost immediately, although achieving the full benefit from hourly data collection will likely require more time as additional back office systems and rate structures will need to be in place before significant benefits could be realized through TOU pricing and rates.

8. The Company has selected vendors and executed contracts to secure the required hardware, software, and labor for this deployment through its Strategic Sourcing Process that involves both a Request for Information (“RFI”) and a Request for Proposals (“RFP”) process. The Strategic Sourcing Process utilizes a cross-functional team made up of Idaho Power employees with the assistance of a strategic sourcing consultant and is led by the Company’s Procurement Department professionals. The team conducted the RFI and RFP process to evaluate and assess the possible AMI solutions and ultimately to select vendors and successfully negotiate contracts for the deployment of the AMI technology. The team is made up of employees with expertise in procurement/purchasing, pricing/regulatory, meter support, finance, and other subject matter experts.

9. Because of the evolving and developing nature of the AMI technology there is not a single-source vendor that can provide all of the necessary components required for an AMI deployment. Idaho Power has executed four contracts (“Agreements”) with separate vendor companies that each provide a distinct product and/or service that is required to complete the supply chain necessary to install AMI. The contracted vendors (collectively, “AMI vendors”) are: (1) Aclara Power-Line Systems Inc. (“Aclara”), formerly known as Distribution Control Systems Inc. (“DSCI”), to provide the Two-Way Automated Communication System (“TWACS®”) which uses power line carrier communication technology, and primarily includes the AMI modules that are installed in the meters, software, substation control equipment, as well as support service, project management, and training; (2) Landis+Gyr Inc. (“Landis+Gyr”), to provide the residential meters including the integration of TWACS® modules from

Aclara into Landis+Gyr meters, providing electronic certified meter test results with each shipment, support services to manage the meter module integration and delivery, and meter/module failure analysis and resolution; (3) General Electric Company (“GE”), to provide the commercial meters including integration of TWACS® modules into GE meters, providing electronic certified meter test results with each shipment, support services to manage the meter module integration and delivery, and meter/module failure analysis and resolution; and (4) Tru-Check, Inc. (“Tru-Check”), to provide meter exchange services (remove and replace) and plan the logistics to provide: material management, project management, exchange order management, meter exchange resource management, and other services necessary to exchange meters on schedule in years 2008 – 2011.

10. Idaho Power is not requesting a rate increase with this filing. The Company requests in this proceeding that the Commission find the deployment of AMI technology to be in the public interest and grant the Company a Certificate of Public Convenience and Necessity to install AMI technology throughout its service territory. In granting the Company a CPCN, Idaho Power asks the Commission to state in its Order that, in the ordinary course of events, Idaho Power can expect to ratebase 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.

CAPITAL COST COMMITMENT ESTIMATE

11. Idaho Power has negotiated firm unit pricing in its contracts to acquire and deploy AMI technology over the three-year plan. Based upon these Agreements, Idaho

Power is able to make a reliable estimate of the total capital cost of the Project. This "Commitment Estimate" is a good faith estimate of the project's total capital cost based upon the contract pricing plus certain additional costs the Company knows it will incur but cannot quantify with precision at this time.

12. These additional costs include, but are not limited to, sales taxes, customer growth, fuel charges, additional Information Technology ("IT") hardware, software, and personnel time, and the cost of Idaho Power oversight of the Project. The Commitment Estimate also covers contingencies such as change orders and customer growth. Idaho Power's Commitment Estimate for the Project is \$70.9 million.

13. The Commitment Estimate does not include the accelerated depreciation of the existing metering infrastructure or the operation and maintenance benefits associated with the installation of the AMI technology.

14. Idaho Power will commit to the initial acquisition and installation of AMI technology throughout its entire service territory as described in this proceeding for the Commitment Estimate. The Commitment Estimate would be subject to adjustment to account for documented, legally-required equipment changes and material changes in assumed escalation or growth rates not foreseen at the time of this Application. If the capital cost of the project exceeds the adjusted Commitment Estimate, Idaho Power will absorb the extra cost. The Company will include in its Idaho rate base only the amount actually incurred up to the adjusted Commitment Estimate.

MODIFIED PROCEDURE

15. In order to purchase certain equipment at competitive prices, to acquire long lead time equipment, and to get materials into the rather complex supply chain in

time for installation to begin in January 2009, Idaho Power has already ordered and purchased certain items, and must place additional orders in September and October of 2008. The cost of the equipment that has been ordered and purchased thus far is approximately \$1.2 million. With the additional orders that must be placed in September/October 2008, the Company will be committing to an additional cost of approximately \$5 million. Consequently the Company is requesting that this Application be processed expeditiously.

16. In order to streamline the process and expedite the Commission's review of the Application, the direct testimony of John R. Gale, Courtney Waites, and Mark Heintzelman in support of this Application is filed concurrently herewith. In addition, Idaho Power has assembled documents that it anticipates, based on prior CPCN cases, that Staff and any potential intervenors will likely desire to examine as part of their analysis of this Application. Additionally, the Company can make personnel available to meet with Staff and intervenors at Idaho Power to walk through, describe, and demonstrate the Strategic Sourcing Process. The Company will work with Staff and any intervenors to expedite the discovery/review process.

17. Some of the documents the Company intends to provide for review contain information that the bidders and selected AMI vendors deem to be confidential, commercially sensitive, and trade secrets. To assure full bidder participation in future Idaho Power RFPs, as well as to protect critical, confidential commercial information of the AMI vendors, the Company requests that Staff and any intervenors sign an appropriate confidentiality agreement prior to reviewing these materials, as has been

done in past cases. Hopefully, making these documents immediately available for review will help expedite the processing of this Application.

18. Idaho Power believes that a hearing is not necessary to consider the issues presented herein, and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201 *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present its testimony and support the Application in such hearing.

COMMUNICATIONS AND SERVICE OF PLEADINGS

19. Communications and Service of Pleadings with reference to this Application should be sent to the following:

Donovan E. Walker
Barton L. Kline
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
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bkline@idahopower.com

Courtney Waites
John R. Gale
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
cwaites@idahopower.com
rgale@idahopower.com

REQUEST FOR RELIEF

20. Idaho Power respectfully requests that the Commission issue an Order (1) authorizing that this matter may be processed by Modified Procedure, (2) granting the Company a Certificate of Public Convenience and Necessity to install Advanced Metering Infrastructure ("AMI") technology throughout its service territory, (3) authorizing that, in the ordinary course of events, Idaho Power can expect to ratebase the prudent capital costs of deploying AMI as it is placed in service, (4) authorizing the accelerated depreciation of the existing metering infrastructure replaced by AMI over the three-year

deployment, and (5) including the operation and maintenance benefits in the accounting methodology.

DATED at Boise, Idaho this 4th day of August 2008.

A handwritten signature in black ink, appearing to read "Don E Walker", written over a horizontal line.

Donovan E. Walker
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-08-16

IDAHO POWER COMPANY

ATTACHMENT NO. 1

ATTACHMENT NO. 1

MAP NOT SCANABLE

(PLEASE SEE PAPER FILE)