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IDAHO PUBLIC
UTILITIES COMMISSION

DONOVAN E. WALKER
Corporate Counsel

March 5, 2009

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 for filing please find an original and seven (7) copies of Idaho Power Company's Petition for Clarification and/or Reconsideration of Order No. 30726 in the above matter.

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.

Very truly yours,

Donovan E. Walker

DEW:csb
Enclosures

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Attorneys for Idaho Power Company

Street Address for Express Mail:
1221 West Idaho Street
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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) IDAHO POWER COMPANY'S
METERING INFRASTRUCTURE ("AMI")) PETITION FOR CLARIFICATION
TECHNOLOGY THROUGHOUT ITS) AND/OR RECONSIDERATION
SERVICE TERRITORY) OF ORDER NO. 30726
)

Idaho Power Company (hereinafter referred to as "Idaho Power" or "the Company"), petitioner herein, pursuant to RP 33, 325, 331, *et seq.*, and Idaho Code Section 61-626, respectfully petitions the Commission for clarification and/or reconsideration of Order No. 30726, dated February 12, 2009, issued in Case No. IPC-E-08-16 ("the Order"). RP 325 provides that the Commission may clarify any order on its own motion, and that any person may petition to clarify any order. A petition to clarify does not toll the time in which to petition for reconsideration of a final order, but RP 325 states that the two may be combined and stated in the alternative. This Petition for

Clarification and/or Reconsideration is based on the following reasons and upon the following grounds:

I.

THE COMPANY SEEKS CLARIFICATION OF THE COMMISSION'S INTENT REGARDING THE OFFSET OF THE AUTHORIZED ACCELERATED DEPRECIATION BY THE ANTICIPATED OPERATION AND MAINTENANCE ("O&M") BENEFITS.

Order No. 30726 authorizes the Company to accelerate the depreciation of its existing metering infrastructure over a three year period. Order No. 30726, p. 9. In the Decision and Findings section of the Order the Commission states:

The Commission is not unsympathetic to the Company's concerns and is mindful of the relatively large capital expense Idaho Power estimates, approximately \$70 million, for this project. However, we must weigh those concerns along with the potential effect that an accelerated depreciation period might have on ratepayers. After reviewing the testimony and exhibits offered by the parties, we are convinced that the impact on the Company's annual revenue requirement caused by an accelerated depreciation period for the existing metering equipment can be adequately offset by the anticipated yearly Operation & Maintenance benefits.

Id. The Company is concerned that this portion of the Order could be read to indicate that the Commission has concluded that the anticipated O&M benefits will outweigh, or completely offset, the revenue requirement increase caused by the accelerated depreciation. The Company is also concerned that the financial community may also interpret the ordering language in this way, resulting in complications for the Company in its attempts to fund the very large capital investment required to continue moving forward with the AMI implementation.

The record for this case shows that while the anticipated O&M benefits, or "savings," do in fact act to partially offset the increased revenue requirement due to the accelerated depreciation, that the estimated 2009 revenue requirement is still a net increase of \$8.40 million: "When the first year of accelerated depreciation is offset by the O&M benefits anticipated in 2009, the estimated 2009 revenue requirement is \$8.40 million, as shown on Exhibit No. 6." Waites, Direct, p. 10. The total O&M benefits for the three year deployment period are shown in Exhibit No. 4 to Company witness Waites' testimony to be \$8.98 million, while the accelerated depreciation for the same time period is shown to be \$27.64 million. Additionally, witness Waites testified that the estimate of annual revenue requirement for the additional plant to be included in rate base for the year 2009 is \$3.82 million, and shown on Exhibit No. 5. Waites, Direct, p. 8. This results in a total 2009 estimated revenue requirement of \$12.22 million.

Consequently, the Company respectfully seeks clarification with regard to the Commission's intent regarding the degree to which O&M savings will offset the impact of the authorized accelerated depreciation. The Commission should clarify its Order to confirm that it recognizes that AMI O&M savings act to partially offset the revenue requirement impact, but they do not eliminate it.

II.

THE COMPANY SEEKS CLARIFICATION OF THE COMMISSION'S INTENT WITH REGARD TO THE RECOVERY OF PRUDENTLY INCURRED INVESTMENT UP TO THE CAPITAL COST COMMITMENT ESTIMATE.

The *Request for Relief*, Section 20 of the Company's Application, requests, among other things, an Order "granting the Company a Certificate of Public Convenience and Necessity to install Advanced Metering Infrastructure ("AMI")

technology throughout its service territory” and “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” Application, p. 11. This requested language is the “customary” language that is sought in a request for a Certificate of Public Convenience and Necessity, and if a Certificate is ultimately granted, this language is typically included in the ordering language of the Order. See, Order No. 30201, pp. 17-18 (Evander Andrews Certificate); Case No. IPC-E-03-12, Order No. 29410, p. 16 (Bennett Mountain Certificate); Case No. IPC-E-03-12, Order No. 29422, pp. 2-3 (Bennett Mountain Certificate, Clarification Order).

This request for “customary” ordering language also applies to the Company’s Capital Cost Commitment Estimate, in that the Company seeks assurance that prudently incurred investment will be recovered for the project and, in return, the Company makes the commitment that it will not seek to include capital investment in its rate base that exceeds its Commitment Estimate. If the Company’s actual investment exceeds the Commitment Estimate, the Company will limit its request for recovery to that Commitment Estimate, unless the Company can demonstrate to the Commission’s satisfaction that the additional investment is necessary and prudent.

Order No. 30726 does not address this requested language, nor does it discuss the Company’s Capital Cost Commitment Estimate. The Company recognizes the Order’s language stating that,

The Commission emphasizes that this Order does not address issues relating to the propriety or prudence of the actual costs associated with the installation of the AMI technology. Issues related to the Company’s rate recovery for such costs will be deferred until the Company makes a formal request to the Commission for recovery in its next

rate case or in a subsequent proceeding deemed appropriate by the Commission

Order No. 30726, pp. 9-10. However, the Company seeks clarification and/or reconsideration, and respectfully requests an affirmative statement 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, up to the Capital Cost Commitment Estimate of \$70.9 million." This statement is one of the main components and assurances that the granting of a Certificate accomplishes. It provides a statement of support that is necessary for the Company and the financial community as they move forward in obtaining and investing a substantial sum of capital into a project. The Company recognizes that the requested language does not remove the requirement that the Company's actual investments be prudently incurred nor does it take the place of any subsequent prudency review by the Commission, and rate request by the Company.

Consequently, the Company respectfully requests that the Commission clarify and/or reconsider its issuance of a Certificate of Public Convenience and Necessity to install AMI technology throughout its service territory by including the express and affirmative statement 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, up to the Capital Cost Commitment Estimate of \$70.9 million."

III.

CONCLUSION

Idaho Power respectfully requests that the Commission clarify and/or reconsider those portions of Order No. 30726 set forth above. With this Order the Commission has re-emphasized its very strong desire that Idaho Power install system-wide AMI

infrastructure: "The Commission strongly urges Idaho Power to move forward with all deliberate speed with its phased AMI implementation plan." Order No. 30726, p. 8. However, with the current economic crisis in the financial markets and the entire U.S. economy, compounded with Idaho Power's immediate and continued need to invest capital resources into other infrastructure that is required to meet its obligation to reliably serve its customers' needs, the additional burden of raising the nearly \$71 million of capital required to implement AMI system-wide on the proposed timetable is extremely challenging to say the least.

Consequently, the Company respectfully requests: (1) clarification of the Commission's intent regarding the offset of the authorized accelerated depreciation through an acknowledgment that although the O&M savings do act to partially offset the revenue requirement impact, they do not eliminate it; and (2) that the Commission clarify and/or reconsider its issuance of a Certificate of Public Convenience and Necessity to install AMI technology throughout its service territory by including an express and affirmative statement 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, up to the Capital Cost Commitment Estimate of \$70.9 million."

Respectfully submitted this 5th day of March 2009.



DONOVAN E. WALKER
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 5th day of March 2009 I served a true and correct copy of IDAHO POWER COMPANY'S PETITION FOR CLARIFICATION AND/OR RECONSIDERATION OF ORDER NO. 30726 upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

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