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IDAHO PUBLIC
UTILITIES COMMISSION

AARP Letterhead

VIA HAND DELIVERY

December 9, 2008

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Re: Case No. IPC-E-08-16-- In the Matter of the Application of Idaho Power Co. for a Certificate of Public Convenience and Necessity to Install Advanced Metering Infrastructure ("AMI") Technology Throughout Its Service Territory.

Dear Ms. Jewell:

Enclosed, you will find an original and seven (7) copies of AARP's comments in response to the Commission's call for comments on Idaho Power Co.'s Application for a Certificate of Public Convenience and Necessity to Install Advanced Metering Infrastructure ("AMI") Technology Throughout Its Service Territory. Please file stamp one copy for our records.

Please contact me at 208-855-4001 if you have any questions.

Sincerely,

James Wordelman
State Director

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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IDAHO PUBLIC
UTILITIES COMMISSION

In the Matter of the Application)
Of Idaho Power Co. for a)
Certificate of Public Convenience)
And Necessity to Install Advanced)
Metering Infrastructure ("AMI"))
Technology Throughout its)
Service Territory)

Case No. IPC-E-08-16

COMMENTS IN RESPONSE TO COMMISSION ORDER No. 30637

BY

Barbara R. Alexander
Consumer Affairs Consultant

ON BEHALF OF

AARP

December 9, 2008

Introduction

Pursuant to Order No. 30637, AARP submits the following comments regarding the application of Idaho Power Co. for a Certificate of Public Convenience and Necessity to Install Advanced Metering Infrastructure. AARP is a non-profit membership organization for people aged 50 and over. AARP has nearly 185,000 members in the State of Idaho.

These comments were prepared by Barbara R. Alexander. Ms. Alexander opened her own consulting practice in March 1996. From 1986-96 she was the Director, Consumer Assistance Division, at the Maine Public Utilities Commission. Ms. Alexander is an attorney and received her J.D. from the University of Maine School of Law in 1976. Her clients include national consumer organizations, state public utility commissions, and state utility public advocates. Ms. Alexander has appeared as an expert witness in regulatory proceedings, submitted comments in rulemaking proceedings, assisted in the drafting of legislation, and worked as a consultant to state regulatory commissions in the following areas: consumer protections to accompany the move to retail electric, natural gas, and local telephone competition; service quality performance standards and programs for electric, natural gas, and telecommunications providers; low income program design and implementation; consumer education programs and policies; and analysis of utility customer service programs. Ms. Alexander's has published papers that analyze and make recommendations on "default" service policies for residential customers for both natural gas and electric service in restructured energy markets, the identification of "red flags" for utility consumer protection policies, and, most recently, the implications of advanced or "smart" metering

and “real time” pricing policies for low income customers. Barbara’s current clients include AARP, where she has worked with offices in Maine, Montana, California, Ohio, Illinois, Connecticut, New Jersey, and Mississippi, Pennsylvania Office of Consumer Advocate, Illinois Attorney General and Illinois CUB, Delaware Public Service Commission, and Maryland Office of Peoples Counsel.

In several states Advanced Metering Infrastructure (AMI) has been proposed as a means of reducing electricity costs to consumers while meeting future increases in demand for electricity. AMI is proposed as the means by which utility companies can charge consumers different prices for electricity on the basis of the time of day the electricity is used, including charging more at peak times. Proponents also contend that AMI will result in savings across the operating system and increase reliability, including through remote connections and disconnections, and by enabling utility companies to pinpoint the exact location of interruptions and system problems more quickly, resulting in faster restoration of service.

Despite the potential of the technology, AMI is currently untested in widespread use. It is not at all clear how many consumers would reduce their electricity bill through the use of time-based pricing options linked to the AMI investment. In fact, Time of Use rate options have been offered for many years by many electric utilities without any significant customer interest or widespread popularity. To save money, consumers would need to be able to shift enough electricity usage from peak times to non-peak times. AARP is concerned that high-income and high-usage customers might benefit from the use of the expensive AMI investment, while low-income and lower usage

customers, including many seniors, would not. As a result, the investment in AMI systems might have some impact on reducing peak demand usage, but at a very expensive price impact on non-participating customers. At the very least, all potential least cost and cost effective options to achieve the desirable goal of reducing peak load demand for residential customers should be considered prior to focusing solely on the AMI investment. Further, installation of AMI could negate existing consumer protections, such as those around disconnection and billing.

The cost of installing AMI systems is another area of concern. If a utility company realizes operational savings by installing advanced meters, such savings may not cover the overall costs of installing the AMI systems. Most AMI proposals by U.S. electric utilities have not demonstrated that the costs of AMI can be recovered solely through operational savings. As a result, electric bills could potentially be larger than the amount a consumer who chooses to participate in new rate options might save by participating in an AMI program and would certainly be larger for customers who do not choose to participate in time-based pricing options. Finally, utilities have typically wanted to be assured of rate recovery up-front without offering any guarantees of future customer savings over the long term of these investments.

When considering the installation of AMI, the Commission should conduct a thorough analysis through a contested proceeding to determine all of the following:

- the costs and benefits to 1) lower income customers, 2) customers at different usage levels and 3) residential customers, in general;
- the bill impact resulting from payment for the new meters and communication systems, as well as the costs of implementing new rate options through the utility's current billing system;

- the impact on customer service, privacy, and consumer protection policies and programs that presently exist; and
- the implicit costs of alternate metering for consumers who will have to spend time and effort monitoring prices to participate in kilowatt-hour usage tracking programs.

Further, the Commission should ensure that vulnerable populations, such as low-income consumers and consumers with health problems, do not suffer adverse consequences in the event that AMI results in substantially higher electric bills for these people. This could be done by extending and expanding the current pilots in order to collect more and more meaningful data on the impact of time based pricing on various demographic groups. Further, dynamic pricing programs should not be mandatory and should not result in cost shifting on to other customers.

Background

It is clear that the installation of AMI has the historical support of the Commission and AARP understands and agrees with the overall intent of the Commission's interest in this technology. The Commission appears convinced that AMI will provide benefits to customers and allow customers to save money on their electricity bills. In Case No. IPC-E-06-1, the Commission issued Order 30102 (July 13, 2006) in which the previous history of seeking full implementation of AMI was described and numerous operational and technology-based issues raised by the Staff in its Report were described. The Commission stated that IPC should have an additional year to correct the operational difficulties associated with the implementation of the pilot programs and "additional data to evaluate implementation on a larger scale." The Commission ordered IPC to provide an assessment of how the Company will proceed with full deployment, including an

implementation time line and a more extensive analysis of costs and benefits.” [Order at 6] Unfortunately, there does not appear to be any record evidence to support the notion that AMI is the most cost effective way to achieve the goals and objectives as stated by the Commission. The filings submitted to date fail to link any benefits of AMI with the objective that customers can lower their bills or that the long term costs of generation supply for IPC’s customers will be lower than would be the case without deployment of AMI.

Finally, the pilot programs conducted to date are very small in scope and the reports submitted to date in Case No. IPC-E-07-05 do not suggest or provide any information on the benefits or costs associated with offering customers time-based pricing options and fail to include important information that would allow any reliance on such pilot programs to document customer benefits as a result of AMI deployment.

While AARP is supportive of investments that are likely to reduce long run costs for electricity and supports the notion that properly designed demand response programs targeted to residential customers (whether relying on time-based pricing options or direct load control programs) are an important part of any utility’s portfolio of resources and services, the lack of any documented costs and benefits associated with this AMI filing suggests that relying on AMI alone to achieve these objectives may be premature.

Therefore, AARP recommends that the Commission not approve the Application of Idaho Power Co. (IPC) for a Certificate of Public Convenience and Necessity to install Advanced Metering Infrastructure (AMI) throughout its service territory at this time.

AARP also recommends that the Commission undertake the following actions to further explore AMI and its relationship to lowering the current or future costs of electricity for IPC's residential customers:

First, the current pilot programs should be expanded and more data should be collected to allow for a proper review of the costs and benefits associated with offering time-based pricing options to IPC's residential customers. The list of data that should be collected and considered is set forth later in these Comments. Most importantly, the pilot program should be designed to solicit participants from a wide variety of demographic and usage profiles so that the Commission and IPC can properly evaluate the meaning of the extremely small pilot program that has been conducted to date.

Second, any evaluation of AMI should be conducted with data on costs and benefits that is publicly available and considered in the context of a full base rate case so that all the utility's costs and expenses can be evaluated in an integrated manner.

Third, the Commission should solicit and consider all potentially cost effective demand response and efficiency options be evaluated on an equal manner prior to assuming that an expensive AMI system is required or even necessary to offer cost effective demand response and efficiency programs to residential customers.

Summary of Recommendations

1. IPC is seeking the Commission's approval of a capital investment of \$70.9 million for its AMI project and assured rate recovery in a future base rate case. However, IPC has failed to submit information on the cost basis for this proposed investment, claiming that its contractual process and the actual terms of the contracts to

purchase this equipment and services should be confidential. Furthermore, IPC has not publicly made available its cost-benefit analysis and the Net Present Value calculations concerning the long term cost effectiveness of this proposal. As a result, only the Commission and the Commission's Staff currently have access to these important materials. The determination of such a significant cost to ratepayers should not be approved without allowing the public to review the costs that will ultimately be included in rates.

2. IPC claims that certain Operations and Maintenance benefits will accrue to ratepayers over the life of the project and has provided estimates of such benefits for a three-year period. However, IPC did not provide the work papers or basis for its estimated O&M benefits. As a result, there is little in the record of this Application that would allow ratepayers to understand the basis for IPC's statements of benefits or the implications of the proposed AMI system on costs presently built into IPC's revenue requirement. In fact, the benefits that IPC claims will result from its AMI project are unproved.

3. Unemployment is currently a concern in Idaho. The current unemployment rate is nearly 6%, up from around 2% just a few years ago. The practical import of IPC's proposed AMI project will be to eliminate jobs for IPC employees engage in field visits for meter reading and other meter-related activities. The nature of this impact on employment and the local economy at a time of significant economic recession is not described or even acknowledged in this Application. Further, the state's unemployment rate affects ratepayer households as well, The rate increase due to AMI will impact affordability for struggling Idaho households.

4. The benefits that IPC alleges will occur as a result of future dynamic pricing options that may be offered to customers is not identified or quantified in this Application. The prior pilot program conducted by IPC with respect to time-based pricing options does not provide any basis for assuming that such programs would result in lower electricity bills for most customers. Nor has any study been undertaken about the implications of relying on time-based pricing on customers whose usage levels may not allow for bill savings or who are unable to shift usage to lower cost periods, such as the elderly, disabled, or other vulnerable customers. Finally, IPC has not considered the costs and benefits of advanced meters in its integrated resource planning process to determine the most cost effective demand side management or demand response programs for its customers. As a result, there is no basis for any conclusion that the AMI system is the most cost effective means to offer customers demand response options or whether such pricing options will be selected by IPC's residential customers, or with what impact, if any, on the prices for electricity generation supply charged by IPC, either in the short term or long term.

6. Finally, IPC's proposal fails to address important consumer protection policies associated with the installation of AMI, such as the potential to rely on its two-way communication system to remotely disconnect customers, thus eliminating an important consumer protection associated with a field visit to the customer's location prior to disconnection of service for nonpayment.

DETAILED DISCUSSION

The Commission should consider this proposal in the context of a base rate filing. It is not fair or reasonable for the Commission to consider IPC's proposal to guarantee a future rate increase to pay for the AMI investment and the accelerated depreciation of current meters without a full opportunity for discovery of the Company's testimony and exhibits, the ability to offer testimony in opposition to the Company's statements and evidence, to conduct a hearing with the opportunity for cross examination, and a decision "on the record." This proposal, if approved, will not only have an impact on customer rates,¹ but has the potential for more significant impacts on customer service and potential pricing options that may not result in any benefits for IPC's residential customers in the form of lower generation supply prices or the reduced need for investment in new peak load generation. Therefore, the Commission should consider this proposal, if at all, in the context of a base rate proceeding. This is particularly important because of the lack of evidentiary support for IPC's assertions in the public record of this Application, as more fully explained below.

IPC's Application fails to provide the evidentiary basis for its assertions that the AMI investment will benefit IPC's residential customers. IPC has estimated the capital costs of its AMI system at \$70.9 million. IPC proposes that the Commission approve this investment and that IPC would then file for cost recovery in 2009, stating, "The Company will propose a parallel cost recovery track to the general rate case and attempt to time the 2009 AMI rate adjustments to coincide with the results from the general rate case." [Testimony of Mr. Gale, page 9] IPC estimates that the

¹ IPC's Application did not contain any analysis of customer bill impacts due to its proposed rate increase or any customer class rate proposals.

revenue requirement necessary to support the capital costs alone would be an increase of \$3.82 million. IPC also has stated that its proposal is conditioned on the Commission also approving the accelerated depreciation of its old meters over a three year period. IPC has estimated that the impact of this proposal, as well as a reflection of some reduction in O&M costs as a result of AMI, will be an additional revenue requirement increase of \$8.4 million. As a result, IPC is proposing to increase customer rates by approximately \$12 million as a result of this filing.

However, IPC does not include the basis for either its costs or its estimated savings or operational benefits in this filing. The exhibits accompanying the testimony of the IPC witnesses do not provide the basis for their estimates of either costs or benefits. Exhibit 4 attached to Mr. Waites' testimony reflects a list of estimated operational benefits of the installation phase of this project, i.e., three years. Not only does Mr. Waite not identify the basis for these estimated operational savings, but Mr. Waite fails to offer an analysis of the costs and benefits of this proposed investment in the form of a Net Present Value analysis. In discovery submitted by the Staff, IPC stated that it had prepared a formal cost-benefit analysis and would provide such information, along with supporting calculations, only to those individuals or parties who had signed a Confidentiality Agreement.² This information is not available to AARP or any other party or interested party in this proceeding given the nature of the Modified Proceeding being used to consider this proposal. This approach is not typical of other utility proposals to install AMI. For example, Pepco proposed a full scale AMI system in the District of Columbia and filed a publicly available "business case" that details the

² IPC Response to Staff Data Request No. 4.

overall costs, the costs per meter, and the basis for all its estimates of operational savings to justify its proposal.³ The same is true for Central Maine Power Company in its AMI proposal filed with the Maine Public Utilities Commission.⁴ While utilities may well need to protect bidding documents and actual contracts or bids submitted by various suppliers, the overall analysis of the costs and benefits, and the Net Present Value analysis that justifies its request for a rate increase are typically available to the public.

Attached to Mr. Gale's testimony is Exhibit 1, IPC's Advanced Metering Implementation Plan, previously submitted to the Commission in Case No. IPC-E-06-01. Even this document fails to reflect any Net Present Value analysis of the proposed AMI project or document its statement on page 2 of this Plan that, "...it is expected that the long term benefits of reduced expenses plus additional benefits not yet identified or quantified will result in net benefits in the long term." It would be harmful and unfair to residential ratepayers for the Commission to approve this substantive investment and rate increase sought by IPC for a project that does not reflect standard and important factual support for the supposed benefits of this project.

The lack of specificity concerning either costs or benefits, but the sure result that rates would increase if this Application is approved, suggests that the Commission should not undertake any approval of this proposal based on the record available in this proceeding. Furthermore, any proposal to increase rates should be considered in the

³ Formal Case No. 1056 before the D. C. Public Service Commission. The business case materials are available on the Commission's website under this docket number. Pepco's proposal was filed in 2006 and is still pending before the Commission. See: www.dcpsc.org

⁴ Docket No. 2007-215 before the Maine Public Utilities Commission. This case file is also available on the Maine PUC's website. It is important to note that on September 29, 2008, Central Maine Power Co. withdrew its AMI proposal, citing a variety of factors, including technological uncertainty and lack of interest by third party suppliers in offering demand response pricing options to residential customers. See: www.state.me.us/mpuc

context of a full base rate investigation in which all the costs and benefits associated with this proposal and other investments and expenses incurred by IPC can be considered at the same time.

A careful review of costs, and the impact of those costs on customer bills, should be a priority given the Commission's heightened concern over the growing lack of affordability of energy (CASE NO. GNR-U-08-1). For example, according to information provided in the Workshops on energy affordability, over 100,000 households in IPC service territory are income eligible for the Low Income Home Energy Assistance Program. Consideration should be given to how the costs of AMI impact affordability of low and fixed income households.

IPC fails to provide any evidence to justify its allegation that the long term benefits of its AMI proposal will exceed the costs. This statement is made in IPC's AMI Implementation Plan (August 2007) attached to Mr. Gale's Testimony, Exhibit 1. Mr. Gale also states that the operational benefits exceed the costs. [Gale at 5, lines 8-10] However, IPC has failed to provide any evidence to support this statement. The only evidence submitted by IPC concerning the benefits of AMI consisted of a list of "quantifiable O&M benefits" by Mr. Waites [page 9]. Mr. Waites' Exhibit 4 is cited for the basis for these benefits. However, this exhibit provides dollar amounts of O&M costs (benefits) for 2009 through 2011. The dollar amount for each specific category of potential benefits identified by Mr. Waites in his testimony is not provided. The basis for dollar amount of operational benefits stated in Exhibit 4 in the amount of \$8.9 million is not identified. Even the categories of potential benefits identified by Mr. Waites are not identified in Exhibit 4. As a result, there is no basis for IPC's statement that the long run

benefits will exceed the costs. Nor is there any evidence to support IPC's calculations of benefits for the three-year installation period provided in its Exhibit 4. Finally, IPC has not provided any long term cost and benefit analysis and the basis for such analysis in its filing.

Finally, it is important to realize that IPC's estimates of benefits, however, they are calculated, must of necessity rely on estimates provided by other utilities in other state regulatory proceedings, although IPC did not even identify the basis for its estimated benefits that appear in Mr. Waites' Exhibit 4. Any estimates of operational benefits due to AMI installation do not reflect large scale or full implementation and analysis of any AMI project to determine if the estimated benefits in fact occur because no U.S. utility has completed such an installation and published the results of a "before" and "after" evaluation of costs and benefits.

It is untimely for IPC to make a proposal in which the only sure result is the loss of jobs in today's economic recession. It does not appear reasonable for the Commission to approve an increase in rates for all customers in which the chief source of operational savings are lost jobs in today's economy. In its response to Staff Data Request 50, IPC confirmed that the bulk of the operational savings relate to the reduction in expenses associated with meter reading and disconnects and connects. In addition to those utility employees who lose jobs due to AMI, other Idaho ratepayers who are suffering from the economic recession will experience higher electricity rates even as they may also be impacted by the state's growing unemployment situation.

IPC's proposal for AMI fails to make any linkage between this technology and its vague statements of future benefits so that "wide scale applications of

pricing, programs, and information can become a reality.” [Gale at 5] IPC’s proposal to increase rates for AMI does not contain any analysis of any demand response or demand side management programs or impacts on electricity prices that may occur due to this investment. Indeed, Mr. Gale states that additional investments would be necessary to even begin to offer such “benefits.”⁵

IPC’s proposal makes reference to ongoing pilot programs to test customer reaction and interest in time-based pricing in the Emmett and Letha areas served by IPC. A review of the information contained in Case No. IPC-E-07-05 is instructive and supports AARP’s recommendation that a full-scale implementation of AMI at this time is not appropriate. The results of the pilot programs and the reports filed to date by IPC indicate only a very small number of customers are participating in the two programs offered in 2007: 58 customers in the Energy Watch program (to test customer reaction to day-ahead notification of critical peak pricing events) and 86 customers in the Time of Use Program (testing customer reaction to three tiered time-based prices for the summer period). These are extremely small participation levels. Furthermore, none of the information associated with these pilot programs indicate the following key variables that would vital to interpreting any results from the pilot programs:

- Demographic information about the pilot participants so that the time-based prices can be evaluated on different income and usage profiles;

⁵ For example, this proposal does not appear to include the investments necessary to provide customers with new billing options, web-based educational tools, or other marketing and educational expenses that would be necessary to make use of or to develop additional pricing options for residential customers. Nor does this proposal reflect costs that might be associated with providing “smart” thermostats or other devices to customers that would be installed to provide direct load control programs for central air conditioning.

- Whether or how the pilot program participants are statistically representative of IPC's residential customers generally;
- Bill impact analysis on all participants so that the impact on lower usage customers can be compared with higher usage customers;
- Projected impacts on load shape, load shifting, and usage characteristics on all IPC residential customers;
- The elasticity of demand of IPC's residential customers compared to the pilot participants; and
- Costs associated with ramping up the program to a full scale program in terms of billing systems and other software changes necessary to offer programs without the operational and technical difficulties that were documented in the pilot program reports.

Finally, the reports to date show that Time of Use customers have not shifted load as a result of the pricing structure and, as a result, there is little basis for assuming that Time of Use pricing, at least as reflected in the prices used in this pilot program, would have any long term impact on IPC's resource needs and future costs of generation supply service.

These pilot programs do not inform the public or the Commission about the potential impact of any full scale implementation of time-based pricing that might result from this expensive AMI investment. In fact, IPC's AMI filing specifically states that no such analysis has yet been conducted to support this proposed rate increase to fund the AMI project.⁶ This lack of analysis is particularly important because there is no basis for

⁶ See, also, IPC's Response to Staff Data Request No. 8 in which IPC stated that the costs to revise its billing system to offer time-based pricing options to its customers are not included in this filing for AMI approval. See IPC

assuming that residential customers generally are interested in or would benefit from time-based pricing options. If all customers must pay for the new metering system and the only documented benefit is to reduce operational expenses associated with meter reading, there are far less expensive Automated Meter Reading systems available.

IPC's filing fails to reflect any long term integrated resource plan to identify the best mix of supply and demand resources and investments to provide the long term lowest cost to consumers. Most importantly, IPC does not appear to even acknowledge the importance of developing or submitting a long term integrated resource plan prior to the determination of the most cost effective and least cost means to offer customers options to reduce their overall bill or reduce their peak load usage and contribute to lower electricity prices for all customers. It would not be appropriate to put all our "eggs" into the AMI basket, particularly in light of the costs associated with such an investment, until there is a more detailed and comprehensive analysis of all the potential options that might be available to reduce usage and reduce peak load usage for residential customers. It will not be possible to determine the appropriate pricing mechanisms that should be offered to residential customers without the development of the factual foundation for identifying and comparing the results of a wide range of potential programs to reduce usage overall and peak load usage by each customer class served by IPC. Such an analysis should start from the "bottom up" and identify

Response to Staff Data Request No. 19 in which IPC states that "some additional investment and software development will be needed before either of these two additional functionalities can be fully implemented" [referring to tying the AMI system to outage management and ability to offer time-based rate options]. Finally, see IPC Response to Staff Data Request No. 46 which confirmed that no specific new pilot programs or other pricing options have yet been identified or evaluated as part of this filing for AMI approval.

the most cost effective means to achieve the long term lowest electric generation price for residential customers.

Such an analysis should NOT first begin by trying to justify the AMI investment and the reliance on unknown dynamic or real time pricing proposals, most of which have not been demonstrated to be what residential customers want or which have not been implemented on a large scale for any U.S. utility. For example, there is no research that indicates that lower use residential customers would benefit from hourly or time-based pricing for basic electricity service. The research that has been conducted to date fully supports the notion that residential customers with lower than average use have little or no price elasticity of demand.⁷ Furthermore, the pilot programs that some utilities have conducted to test residential response to dynamic pricing or critical peak pricing confirms that lower use and low income customers in particular see little or no benefit in terms of bill reduction.⁸ The California pilot programs conducted 2002-2004 did not evaluate the costs and benefits of AMI. Rather, they attempted to determine the bill impacts on a group of volunteers to a variety of pricing options, the design of which were constrained by the Commission and did not reflect "real" wholesale market prices. Furthermore, those pilot programs clearly documented that larger use customers had more flexibility to shift peak electricity usage and the low income and lower use

⁷ See e.g., Faruqui, Ahmad, "Inclining Toward Efficiency: Is electricity price-elastic enough for rate designs to matter?", Public Utility Fortnightly (August 2008, pages 22-27). Mr. Faruqui quotes an EPRI survey of price elasticities by customer class which reported that 44% of customers have no price elasticity and is below 1 for customers with no electric space heating or central air conditioning. Another RAND Corp. study for NREL in 2005 reported that it used 30 years of consumption and pricing data to estimate both short run and long run electricity price elasticities for residential customers and found that residential price elasticity at -0.24 in the short run and at -0.32 in the long run.

⁸ See, e.g., Alexander, Barbara, Smart Meters, Real-time Pricing, and Demand Response Programs: Implications for Low Income Electric Customers (May 2008), available at: http://www.pulp.tc/Smart_Meter_Paper_B_Alexander_May_30_2007.pdf).

customers had the least options and had the lowest peak load reductions, less than 1% on average.

Using AMI to inject more price volatility stands in contrast from long standing policies to stabilize rates. An analysis of AMI should include the impact of volatile price options on a wide range of residential customers, in terms of different usage and income levels. This analysis should also consider the potentially adverse impacts on seniors from pricing programs that charge very high prices at certain critical times for the use of heating and cooling. Older consumers are particularly sensitive to high electricity bills and when seeking to avoid paying very high critical peak prices may go without sufficient heating or cooling, thus threatening their health and welfare. The same is true for households with smaller children or those with medically fragile or disabled household members. It has not been shown that having all customers pay for these new meters and billing system changes when only higher usage customers can benefit from shifting usage and electing the "voluntary" real time pricing options is justified.

Important consumer protection policies are not addressed in IPC's filing.

IPC's filing fails to indicate whether it will install a remote disconnection/reconnection feature in its smart meters. IPC's response to Staff Data Request No. 24 states that the Company "...has not identified any sites for installation of remote connect/disconnect devices, and has no plans to deploy these devices as part of the initial AMI deployment. However, upon an individual case evaluation, the Company may consider connect/disconnect devices for a customer in a remote location where the account has a high connect/disconnect activity." This response should be considered as well in light

of IPC's response to Staff Data Request 50 which states that a significant portion of IPC's projected operational savings are based on a reduction in O&M expenses associated with field visits for disconnection and reconnection of service. As a result, it is not clear how IPC can claim operational savings associated with reduction in field visits or other expenses associated with disconnection and reconnection of service if it does not rely on its two-way communication system to remotely disconnect or reconnect the meter. At the very least, this issue may require further examination by the Commission and clarification of these responses.

The reliance on remote disconnection of service for nonpayment of a utility bill eliminates current consumer protections, including a premise visit during which customers are able to avoid disconnection by making payment. A meter that IPC can turn on for a customer remotely is also a meter that IPC can turn off remotely for nonpayment or any other reason for which the customer may be in default of IPC's tariff provisions. Relying on remote disconnection will greatly increase the number of disconnections that IPC could implement compared to historical disconnection rates because a large volume of disconnections can occur without the need for scheduling field visits. Furthermore, this approach, if implemented, would eliminate the obligation to conduct a premise visit to the customer's dwelling at the time of disconnection, thus eliminating the potential for customer contact, detection of medical emergency, or other conditions that may result in a forbearance by IPC from effectuating the disconnection of service.

The potential for such a significant change in consumer protections is of great concern to AARP, as evidenced by AARP's participation in the Avista remote

disconnection pilot proceeding. In that case, AARP, CAPAI, Avista and Commission staff worked together to limit the customers who could be subjected to remote disconnection under the pilot. Further, the pilot will evaluate the impact of remote disconnection on customers, including those who receive energy assistance.

Conclusion. As a result of the analysis of IPC's Application and the identification of the procedural and substantive defects in this Application, AARP recommends that the Commission take no action to approve this proposal at this time and further actions should be initiated to consider the costs and benefits of AMI and other potentially less expensive and more cost effective means to achieve lower electricity prices for IPC's residential customers.