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Attorney for the Commission Staff

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)	
METERING INFRASTRUCTURE (AMI))	COMMENTS OF THE
TECHNOLOGY THROUGHOUT ITS SERVICE)	COMMISSION STAFF
TERRITORY.)	
_____)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure in Order No. 30637 issued on September 9, 2008, submits the following comments.

BACKGROUND

On August 5, 2008, Idaho Power Company ("Idaho Power" or "Company" submitted an Application for a Certificate of Public Convenience and Necessity ("CPCN") pursuant to Idaho Code §§ 61-502A, 61-503, 61-525, 61-526, RP 52, and RP 112, to install Advanced Metering Infrastructure ("AMI") technology throughout its service territory, to accelerate depreciation of the existing metering infrastructure, and to include the corresponding operation and maintenance benefits as they occur.

The Company will utilize a phased implementation approach for the installation of the AMI technology, beginning with its Capital Region (including the Boise, Kuna, Meridian, and Eagle communities) in 2009, Canyon and Payette Regions (including the Nampa, Caldwell, Payette and Ontario communities) in 2010 and its Southern and Eastern Regions (including the Twin Falls, Hailey, Jerome, Pocatello and Salmon communities) in 2011. Installation of the new meters will generally progress along established meter reading routes.

Idaho Power believes that AMI offers numerous long-term benefits to its customers, including but not limited to the following: reducing operational costs associated with meter reading, improving meter reading accuracy; eliminating the need for Idaho Power to gain access to customer property for monthly meter reading; improving outage monitoring, theft detection, and employee safety; providing a platform for remote connects and disconnects that would also save customer time and employee labor; and providing billing advantages resulting in fewer estimated bills, less rebilling, flexible billing schedules, account aggregating, and flexible rate designs.

The Company has already selected vendors and executed contracts for the purchase of the necessary hardware, software and labor for AMI installation. The project will require multiple vendors (4) due to the lack of a single-source vendor offering all of the requisite products and services necessary for AMI installation.

Idaho Power does not request a rate increase in conjunction with its Application; it will make a separate filing. However, the Company has requested that, in the ordinary course of events, it will be allowed to rate base the prudent capital costs of deploying AMI as it is placed in service, to accelerate the depreciation of the existing metering infrastructure replaced by AMI over the three-year deployment, and to include the operation and maintenance benefits in the accounting methodology.

In anticipation of project commencement in January 2009, Idaho Power has made certain equipment and material purchases totaling \$1.2 million and states that it will be required to make additional purchases of approximately \$5 million in September and October 2008.

STAFF ANALYSIS

Staff has reviewed the Company's Application, the filed testimony and exhibits of Company employees Gale, Heintzelman and Waites, along with other information subsequently provided by the Company and third parties. After a thorough review of all information available,

Staff is generally supportive of the Company's Application requesting a Certificate of Public Convenience and Necessity to install AMI technology throughout its service territory. Staff offers the following in support.

Staff has long believed that AMI is cost effective and that the operational savings and potential benefits are substantial enough to support the capital expenditure required to deploy AMI. AMI deployment will lead to both lower costs and improved services relative to the alternative of maintaining the existing meter infrastructure. The Company's analysis indicates that the operational savings alone supports the immediate deployment of AMI and while future potential benefits exist, they will require additional expenditures to obtain.

In Order No. 28894 issued on November 21, 2001, the Commission ordered Idaho Power to establish the Energy Efficiency Advisory Group for the purpose of recommending new DSM measures, enhancing existing DSM programs, prioritizing the implementation of appropriate programs and evaluating each program's effectiveness. The Commission further ordered the Advisory Group to consider implementation of a residential time-of-use (TOU) metering pilot program and the feasibility of installing TOU meters in new subdivisions along with allowing existing customers to voluntarily install TOU meters.

As part of the 2002 PCA, with deferred power costs in excess of \$220 million and concern about the consumption and costs in the residential class, the Commission directed Idaho Power and the Advisory Group to perform a comprehensive DSM study of the Idaho Power service territory and once again ordered Idaho Power to evaluate and report on the viability of a TOU residential metering program. Idaho Power subsequently filed a report with the Commission stating that TOU pricing would not be economically viable until an automated meter reading system is acquired. However, with TOU pricing's potential to create significant load reductions during high cost hours and to reduce the need for expensive peaking facilities, the Commission ordered Idaho Power to submit a plan to replace the current meters of Idaho Power's customers with advanced meters capable of TOU pricing.

In compliance with the Commission's Order, Idaho Power timely submitted its "Report on Residential Time-of-Use Pricing" on September 22, 2002. After reviewing the report, Staff commented:

Given that Idaho Power's own analysis of implementing an AMR system shows that the benefits far exceed the costs and that Idaho Power has tested an AMR system that met the Company's requirements, Staff questions why the Company has not yet implemented a plan to install an AMR system and

apparently is not planning to do so in the near future. Staff recommends that Idaho Power submit a plan to the Commission in early 2003 for installation of new meters capable of AMR and critical-peak TOU pricing. This recommendation is based on the facts that AMR: 1) has been shown by Idaho Power's analysis to be cost-effective due to the reduction in meter reading costs alone; 2) has been successfully tested by Idaho Power; 3) provides additional service and cost savings benefits for customers and the utility; and 4) may enable customers to receive substantial potential benefits from TOU retail pricing.

After receiving comments from several interested parties, including residential customers, the Demand Response and Advanced Metering Coalition (DRAM), two different AMR meter manufacturers, Staff and the Company, debating the economic feasibility of automated meters, the Commission issued Order No. 29196 on February 23, 2003 stating:

We believe that AMR should be implemented as soon as possible, with installation commencing this year and completed in 2004. As a public utility, Idaho Power has the responsibility to keep the rates charged for the service it provides "just and reasonable." *Idaho Code* § 61-301. This responsibility includes installing infrastructure that reduces operation costs funded by ratepayers. Moreover, the Company has a statutory duty to provide service that "shall be in all respects adequate, efficient, just and reasonable." *Idaho Code* § 61-302.

In that Order the Commission directed Idaho Power to submit a plan by March 20, 2003 to replace the existing meters of Idaho Power customers with advanced meters.

On May 9, 2003 Idaho Power filed an updated AMR analysis and advised against implementing AMR because it did not believe it was a prudent investment at that time. However, the Company stated that it was willing to continue monitoring developments and conduct periodic assessments to determine the appropriate time for deployment.

In comments responding to Idaho Power's updated AMR analysis, Staff reiterated its position that an AMR system could result in many customer services, cost saving, and revenue enhancement opportunities while acknowledging that:

[T]here is clearly uncertainty in evaluating AMR given that the Company's earlier finding that AMR's multiple benefits merited implementation in 2004 evolved into the Company's later position that AMR should not be implemented at this time. Staff does not agree that, based on savings from meter reading alone, system-wide AMR implementation to all customers is not initially cost-effective.

Therefore Staff recommended that an initial limited roll out of Power Line Carrier (PLC) automated meter reading in the most cost-effective areas followed by an opportunity for the Company to evaluate, monitor, and reassess implementation of selected AMR technology to the rest of the system.

On October 24, 2003 the Commission issued a final order (Order No. 29362) in Case No. IPC-E-02-12 stating:

After a careful evaluation of all comments filed in this case, we continue to find that AMR technology can empower customers to make informed decisions regarding their energy consumption and should be implemented as soon as possible. However, we also recognize that significant questions and uncertainty remain regarding the proper technology, installation costs, functionality and actual cost savings that may be realistically achieved.

In light of the foregoing discussion and findings, the Commission directs Idaho Power to collaboratively develop and submit a Phase One AMR Implementation Plan to replace current residential meters with advanced meters in selected service areas within 60 days of the service date of this Order. The Commission also directs Idaho Power to complete Phase One AMR installation by December 31, 2004, and file an AMR Phase One implementation status report no later than the end of 2005. Upon review of the status report detailing costs and benefits resulting from this limited AMR installation, the Commission will determine if the benefits of AMR justify its implementation beyond the areas covered in Phase One.

Phase One Implementation

Idaho Power completed deployment of AMI to approximately 27,000 customers in the McCall and Emmett areas in November 2004. The Company tested the AMI system in these areas to resolve issues and problems with the technology which will help the Company to understand the system functionality, find problems and solve them before implementation throughout the service territory. As indicated earlier, Staff supported the approach of analyzing and deploying the system in a smaller location rather than deploying the system at once to the entire service territory. As a result, the Company now believes it has a robust AMI system that is ready to be deployed to the rest of its service territory. The Company noted that AMI implementation throughout the Company's service territory is basically the same as the implementation in the McCall and Emmett areas; however, there are a number of technical improvements for the next phase of implementation. The AMI modules in the meters have now been standardized and market competition now exists, which reduces the total cost per end point of \$292 as filed in the Company's 2005 AMR Report, to a total cost per end point of \$136.

These modules also have larger memory, which helps ensure data retrieval. Hardware and software improvements expanded the data collection bandwidth and increase data retrieval success rates. Staff sees these improvements as evidence that the system will continually improve over time.

Staff had expected a system-wide rollout of the technology before now, but recognized the problem encountered in the Phase One Implementation associated with the Meter Data Management System (MDMS) component. Idaho Power sought to implement an MDMS system that had not yet been developed. The Company contracted with Itron to implement an existing system that it believed could be modified to suit its needs. Modifications did not lead to the system passing the Company's Validate, Estimate and Edit (VEE) acceptance criteria. These problems eventually were fixed when the Company was able to implement Version 5, Revision 11 in March of 2007. The software now has the specific functionality to support time-variant pricing, including critical-peak pricing.

The MDMS currently has the functionality required to support the AMI system and time-variant rates for the 25,000 end points currently being served by Idaho Power's AMI system but it will require additional capability as the system expands. Witness Heintzelman indicated in his testimony (Heintzelman, Di pg. 8) that "as each annual deployment is completed, additional functionality will be implemented in the succeeding year." The Company has indicated that it plans on implementing more dynamic pricing programs for all customers, including time of use, critical peak pricing, variable peak, and real time pricing programs as well as demand response programs like interruptible rates. However, as stated in the Company's testimony, additional investments will be required before wide-scale applications of such pricing programs become a reality.

Throughout its Phase One Implementation, the Company has learned that the Customer Information System (CIS) also poses some problems with time-variant pricing. Due to constraints within the CIS, Idaho Power has to manually intervene in the rate change process for the time-variant pricing customers. The Company maintains it will require additional time and investment before it can offer time-variant pricing on a large-scale basis.

Following the completion of the Phase One Implementation, the Company filed its Phase One AMR Implementation Status Report (Case No. IPC-E-06-1) in which the Commission was apprised of many of the issues discussed above. Given some of the technical difficulties experienced during the Phase One Implementation, the Company requested, and was granted, a

one year period to allow some of the processes involved to mature sufficiently to resolve some of the problems encountered during the Phase One implementation. However, the Commission also stated in Order No. 30102 that “we continue to find that Idaho Power should be working toward the implementation of AMR technology as soon as possible” and further stated that “the potential benefits of advanced metering to ratepayers and the Company are too great to delay AMR implementation indefinitely.” Following the Commission’s explicit directives, the Company is now proposing a system-wide AMI deployment. Staff believes that the Company has resolved the technological issues encountered during Phase One Implementation and justified its selection of AMI equipment; therefore Staff supports a system-wide implementation as described below.

SYSTEM-WIDE IMPLEMENTATION

Idaho Power chose PLC technology for its AMI system. The Company noted in Production Request No. 13 that PLC is the best fit for the Company’s system based on geographic size and distribution of the Company’s system, full functionality, applicability and compatibility with the Company’s outage management system, and overall cost of ownership. In addition to the PLC technology, substation and distribution systems will be equipped with communications equipment to send and receive data from the AMI meters. The AMI system proposed for deployment throughout the Company’s service territory is identical to the system deployed in Phase One of AMI Implementation.

Idaho Power estimates that the total capital cost for the project will be approximately \$70.9 million. This amount includes Information Technology (IT) expenditures, meter costs, station equipment expenses and additional, unquantifiable costs that are known to incur, such as sales tax, customer growth, fuel charges and personnel time. The estimated first year revenue impact of the deployment is \$3.8 million, which equates to an increase of less than one-percent of the Company’s current revenue requirement. The capital cost does not include the accelerated depreciation of the existing metering infrastructure or the operation and maintenance benefits associated with the deployment of the new AMI technology.

Idaho Power has committed to including in its rate base only the amount actually incurred up to the “commitment estimate” (\$70.9 million). However, the Company requests the ability to revise the commitment estimate for documented, legally-required equipment changes and material changes in assumed escalation or growth rates. The Company will absorb any costs beyond the revised commitment estimate.

Staff has reviewed the Company's cost estimates and finds them to be reasonable. Although Staff is aware that the estimates will change throughout the deployment, the Company's commitment to absorb the additional costs will help limit the impact on customers. Staff supports the Company's request to rate base the prudent capital costs of deploying AMI as it is placed in service, and to capture the operation and maintenance benefits simultaneously. However, Staff notes that the final determination of prudence will have to be a part of a formal rate proceeding when actual implementation costs are known.

The Company also requests that the depreciation for the existing meters be accelerated over three years. Company witness Gale states in his testimony that accelerated depreciation is a fundamental assumption in the Company's analysis and that "Idaho Power desires to have the [existing] metering equipment fully depreciated at the time the deployment is complete, thus avoiding a stranded asset situation and the possibility of used and useful concerns." Though Staff does not support a three-year accelerated depreciation on existing metering equipment, Staff does not propose to saddle the Company with stranded, unrecoverable assets and fully supports the amortization of the undepreciated balance of the existing equipment. Staff's concern with the accelerated depreciation is the rate impact on customers. The undepreciated balance of existing meter equipment is approximately \$27 million, and a three-year depreciation period would increase the Company's revenue requirement by \$11.8 million the first year, \$10.5 million the second year and \$9.2 million in the final year. These amounts do not reflect the recovery the Company will be seeking for the AMI investment and have not been compared to existing rate recovery levels for meters to determine the net incremental cost for AMI.

Staff requested from the Company different scenarios for depreciating the existing metering equipment, and though the Company obliged, it also stated that it concluded that a 3-year recovery provides the adequate cash flow to improve cash flow coverage ratios to levels necessary to maintain its credit strength and its ability to access external markets for capital projects, thus allowing the Company the greatest opportunity to fund the new AMI equipment with reduced reliance on borrowing. The Company states that without the three-year accelerated depreciation period, it would have to reevaluate deployment at this time to avoid additional negative cash flow. Staff believes the cost-effectiveness of AMI supports its full deployment regardless of the depreciation period for existing meters and notes that other utilities have successfully implemented AMI in Idaho without accelerating the depreciation of the old meters. Depreciation rates approved in IPC-E-08-6, Order No. 30639 result in annual depreciation of

approximately \$3.3 million for existing meters in Account 370.00. At this accrual level, the existing meter account will be fully depreciated in 8.25 years assuming all new meter investments beginning in 2009 are added to the Meters-AMR Equipment Account 370.10.

However, Staff is also well aware that current economic conditions and the tightening of capital markets may hinder utilities' plans to fund planned capital expenditures. Consequently, Staff believes additional cash flow from some acceleration of depreciation is reasonable but that it should be balanced with the impact on increasing customer rates. Therefore, Staff recommends an accelerated depreciation period of five years.

The Implementation Plan

Idaho Power proposes to deploy AMI in three years. The Company noted that the time period was based on the factors discussed below:

- (a) Impact on Revenue Requirement – the Company felt that a three year implementation was a good balance for the realization of savings and benefits;
- (b) Impact on Existing Employees – the planned deployment allows time to retrain some employees and others to seek different employment due to elimination of meter reading positions;
- (c) Operational Savings – time frame will allow the Company and customers to realize the greatest operation savings by maximizing the reduction in operational cost once an area is completely automated;
- (d) Impact on Annual Capital Requirements – proposed amortization of existing meters over the same period as deployment would generate cash flows that partially offset the external financing requirements for AMI;
- (e) Other Major Capital Requirements Needed to Reliably Serve Existing Customers – current capital requirements outweigh the cash that Company produces, thus forcing them to debt and equity markets;
- (f) Areas with High Growth (New Meters) – deployment starts with higher customer growth to minimize the number of non-AMI meters required to support customer growth prior to AMI deployment and associated costs;
- (g) Ease of Implementation Logistics – deployment follows electrical system boundaries to provide the best case for practical installation, process implementation, and operating cost.

Staff believes that the timeframe is aggressive because the Company needs to install the AMI system to about 160,000 customers per year during the deployment period. However, Staff believes that the Company's selection of the time frame for the AMI system-wide implementation is reasonable based on the factors mentioned by the Company, some of which has already been previously discussed. The Company will start deployment of the AMI system with the highest growth areas first in 2009.

Benefits

The AMI system is capable of providing numerous functions that will result in savings for the Company and its customers. According to the Company's financial analysis, the projected savings from AMI will start the year after full deployment and customer payback will occur in the 7th year. The Company's 2005 AMR report shows that annual savings of \$303,000 were realized in the Emmett and McCall operating areas. The Company projects at least \$4.7 million in annual savings after AMI deployment is completed for all customers. Some of the system capabilities include automated meter reading, verifying power outages, theft detection, performing remote connect/disconnect, provide load profile, voltage monitoring, provide customer usage information, and time-variant rates. Staff also acknowledges that there are additional soft benefits, namely those associated with improved billing accuracy, that have not been quantified. Staff looked at these capabilities and benefits of AMI and some of these capabilities can be realized immediately after the deployment of the system and others will be in the future.

Immediate Benefits

Meter Reading Operations

The most significant benefit from implementing an AMI system immediately after deployment is the savings from the meter reading costs. The automated reading functionality of the AMI meters reduces the labor and travel costs associated with meter reading. In addition to reduction of the manual meter-reading workforce, the Company identified other immediate meter operation benefits such as:

- (a) Reduction of Manual Meter-Reading System (MVRs) software-maintenance fees, hand-held data-collector maintenance fees, and repair costs;
- (b) Elimination of erroneous meter readings which reduces re-read orders and improves bill quality;
- (c) Reduction of estimated readings due to access or weather issues;

- (d) Reduction of vehicle purchases, maintenance, and fuel costs;
- (e) Reduction of safety incidents and accidents;
- (f) Elimination of field visits for move-in/move-out orders;
- (g) Enhanced ability to identify failed meters within 24 hours, as opposed to being identified during the next monthly manual reading cycle.

Each of the benefits identified above has a positive impact on customers and the Company. Staff concludes, as the Company's analysis demonstrates, that the benefits identified from meter reading operations alone justify AMI for the Company and its customers.

Outage Detection

After the AMI technology has been deployed throughout its service territory, Idaho Power will integrate the AMI system with its Outage Management System. This functionality of AMI will provide useful information for the Company in outage situations by allowing the Company to determine if power is available at a specific end point. A communication response from the meter indicates there is an electrical connection to the customer and a lack of communication indicates that power may not be available.

AMI has additional benefits related to outage events. AMI equipment will be used to verify that all customers are back in service before the Company's line crew leaves the outage location to eliminate return trips. This is particularly advantageous in Idaho Power's service territory, where mountainous terrain, remote locations, and extreme weather conditions make accessibility and crew travel time critical factors in being able to restore customers' service promptly. AMI will also be used to verify if the cause of an outage is due to the Company's facilities. The communication response mentioned before is established by pinging the meter. If there is a response, it means that the cause of the electrical problem might be on the customer's equipment instead of the Company's equipment. Therefore, there is no need to dispatch a Line Crew because it is the customer's responsibility to have an electrician make repairs on their equipment. Staff believes that this will save labor and the Company can utilize the Line Crew efficiently to respond to other important repairs. AMI can also be used to identify the amount of actual load on a transformer compared to its size. With this data, the Company can replace the transformer prior to the fuse melting. As a result, a single outage will only be needed for the replacement of the transformer. If the fuse melted, two outages will occur for the customer, one for replacement of fuse and the other for the replacement of the transformer. Staff believes that

AMI will help reduce the number of outages for the customer in this case. It can also reduce customers' frustration due to disruption of their service while making the repair.

Overall, AMI will help the Company identify outages faster in its service territory from the communication with the meters. Staff believes that the Company will operate more efficiently when responding to outages once deployment of AMI is complete. Customer satisfaction will increase because of the improved ability of the Company to respond to outage events.

Potential Benefits

Most of the capabilities require the Company to make additional investments to start realizing the benefits. Among these are remote service connect/disconnect, providing in-home display of energy use or pricing data, collection of electrical system data such as voltage and power quality metrics, automation of distribution system functions, and time-variant rates.

Time-of-Use

AMI has the ability to collect hourly data with no additional investment, which is a key component to establish time-variant rates. Staff has noted numerous times in previous comments that TOU pricing provides the potential for significant cost savings in meeting the electricity demands of its customers. Staff noted in testimony filed with the Company's current rate case that "effective TOU rates encourage shifting energy consumption to off-peak periods, where price per kWh is comparatively low, but can result in higher overall consumption with lower bills if enough energy is shifted off-peak." B. Lanspery, Di pg. 5. Staff believes that the shifting of demand to off-peak periods will lessen the need for peaking resources, which will reduce the incremental costs of the Company while meeting the demand of its customers. However, the Company noted that it "is still evaluating the benefits and costs of collecting and storing this very large quantity of data for all customers." Answer to Staff Production Request No. 6. The Company's Customer Information System needs to be redesigned to eliminate the time-intensive manual process of setting up and removing customers on time-variant rates. Currently, there are pilot programs for time-variant rate options available for the Emmett area customers who have AMI. Staff noted that the most effective TOU rates can only be implemented if AMI is in place because monthly meter reading schedules are no longer a limiting factor. Staff expects that after full deployment of AMI, the Company will be able to offer time-variant rates in the future. Staff believes that this AMI capability will be beneficial to both the Company and its customers by using energy more efficiently to reduce costs.

METER READING

Currently, Idaho Power's meter reads are collected by meter readers and input into a handheld electronic device. The reads are then loaded into the Multi-Vender Reading System (MVRS). The MVRS performs validation on the readings and a batch file loads the readings into the billing system.

Once AMI has been implemented, Idaho Power will be using the AMI system to read meters four times daily. Readings will be taken at midnight, and will then have follow-up reads every 8 hours. The Company is also planning to collect 15 minute energy consumption data on a smaller number of meters for electrical system and energy consumption modeling. The AMI system is expected to increase the Company's ability to obtain actual reads throughout the year. Generally, estimated readings occur more frequently during the winter, when meter accessibility becomes an issue. With the AMI system, the Company anticipates reading 99.9% of its meters year round.

Using AMI, the meter readings will be collected by the Two-Way Automated Communication System (TWACS) net server system per a preset schedule four times a day. The reads will then be transferred to the Meter Data Management System daily. Once the MDMS performs data validation, the Time-of-Use billing component calculation will upload to the customer information system via a system interface.

The proposed daily meter reading schedule will benefit customers that are wishing to disconnect service. In a situation where a customer wants to disconnect service and a new customer is scheduled to start service at the same address or there is a continuous service agreement¹ in place, the Company will use the scheduled midnight read the day of the request to complete all closing and opening meter read requests. If a customer requests his or her service to be disconnected, and there is not a new customer requesting service or a continuous service agreement, then the Company will schedule an actual physical disconnection of service. Idaho Power does not leave meters connected between customers.

¹ Continuous Service Agreements are offered by Idaho Power to provide electric service without interruption to rental properties. When a tenant moves out and closes the account, Idaho Power transfers responsibility for bill payment from the tenant to the property manager. Property managers are charged a \$10 fee for each transfer of responsibility.

PILOT PROGRAMS

Idaho Power currently offers two programs, Energy Watch and Time of Day, to its customers in the Emmett valley. Under the Energy Watch Program, Schedule 4, customers pay a substantially increased flat rate for energy consumption during a designated Energy Watch Period. Energy Watch Periods are determined by the Company. Program participants are notified of the declared Energy Watch Period by 4:00 p.m. the day ahead by telephone and, where available, by email. Energy Watch Periods can occur on any weekday from June 15 through August 15, and will be for the hours of 5:00 p.m. to 9:00 p.m. The Company will not call for more than 10 Energy Watch Periods from June 15 to August 15, for a total of 40 hours. The base energy rate for the Energy Watch Program is equal to the first block energy charge under Schedule 1, currently 5.7783 ¢ per kWh. During Energy Watch Periods, the base energy rate is 20 ¢ per kWh. The over-300 kWh pricing block is eliminated. Customers participating in the Energy Watch Pilot Program continue to pay the monthly service charge of \$4.00.

Under the Time-Of-Day Program, Schedule 5, customers are given the opportunity to reduce their electric bills by shifting their summer usage, based upon three different price categories, from "on-peak" periods, when the cost to provide energy is highest, to the "off-peak" periods, when the cost to provide energy is the lowest. During the non-summer season, the pricing would be the same as that under Schedule 1, currently 5.7783 ¢ per kWh. The three time-of-day periods for the summer season are defined and priced as follows:

<u>Time-of-Day Period</u>	<u>Definition</u>	<u>Energy Rate</u>
On-Peak	1:00 p.m. to 9:00 p., Monday through Friday	8.8683¢ per kWh
Mid-Peak	7:00 a.m. to 1:00 p., Monday through Friday	6.5148¢ per kWh
Off-Peak	9:00 p.m. to 7:00 a.m. on all days and all hours Saturday, Sunday, and the Fourth of July	4.8074¢ per kWh

The summer and non-summer seasons are defined the same as under Schedule 1, with the summer season beginning June 1 and ending August 31. Customers participating in the Time-of-Day Pilot Program continue to pay the monthly service charge of \$4.00.

The Company plans to implement more dynamic pricing programs for all customers in the future, including time of use and critical peak pricing programs like the Time-of-Day and Energy Watch programs currently in place. The Company maintains it has done substantial research into various dynamic pricing programs that may be offered to customers with the completion of the AMI deployment. Due to system limitations, time-variant rates are limited to

the 25,000 end points currently being served by Idaho Power's AMI system. As stated in Mr. Gale's testimony, additional investments will be required before wide-scale applications of such pricing programs can become a reality. Staff recommends that the Company offer its pilot programs to as many customers as current system capabilities will allow, as AMI is implemented in each region of its service territory.

Although Staff recommends that the Energy Watch and Time of Day programs be offered to customers on a voluntary basis as soon as possible after the AMI infrastructure is in place in each region, Staff is not recommending that these programs continue indefinitely. After gaining additional information and experience with these two programs during the AMI rollout, both Idaho Power and the Commission will be in a better position to evaluate various rate designs and demand response/critical peak programs.

An integral part of the analysis of any future proposal to implement a new program or rate design is consideration of how customers, particularly low-income or vulnerable customers, will be impacted. Although AMI implementation is a necessary first step towards implementing TOU pricing or certain demand response programs, the Commission does not need to determine at this time what specific rates or programs, if any, should be implemented in the future. The cost-effectiveness of Idaho Power's implementation of AMI is not contingent upon any future, unquantified benefits to be derived from adoption of TOU pricing or demand response programs.

TIME DELAY FOR DISPLAYING CUSTOMER USAGE

Idaho Power uses Nexus Energy Software to provide customers with energy usage data via links on the Company's website. The software also provides analytical tools to help manage energy consumption, view account information, and, importantly, estimate potential savings associated with the time-variant pricing programs. Nexus communicates with the MDMS system to provide customer level data in graphical formats. Currently, the Company has a fourteen day delay before it is able to display a customer's usage. The Company's goal is to get usage to the customers within three days. From the beginning, customers have not seen fit to access or use the available data. It is possible that the current staleness of data is not appealing to customers, customers may not know how to use the website, or there may be a genuine lack of interest in the information that is available. Regardless, Staff recommends that the Company provide customers with real time usage information. In the meantime, Staff recommends that the Company inform customers of the availability of power cost monitors such as the Blue Line,

Aztech, and Energy Detective devices. These devices provide customers information on energy usage and the associated cost on a real time basis.

STAFF RECOMMENDATION

Since 2002, Staff has advocated that the Company install AMI technology to reduce meter reading costs and provide a platform for many other services including TOU rates. Staff also supported the phased deployment of AMI in the Emmett and McCall service areas before full deployment to prove the technology and identify benefits. The Commission has also supported the installation of AMI, recognizing the potential for both immediate cost savings and the promise of future benefits through improved service and more efficient electrical consumption.

Staff believes the Company has now proven that the technology works and the operational savings derived from the AMI justifies the capital expenditure associated with system-wide deployment. The AMI technology also provides for a vast array of potential benefits that, although difficult to fully quantify, will enhance customer service and provide future resource cost savings. Staff recommends that the Commission grant the Certificate of Public Convenience and Necessity requested by Idaho Power to continue with its AMI deployment over three years. Staff also recommends that Idaho Power be allowed to rate base the prudent capital costs of the deployment, not to exceed the commitment estimate, as it is placed in service with the final prudence of such costs to be determined in a formal rate proceeding. Staff also recommends that the Commission approve an accelerated depreciation of five years for the existing meters in Account 370.00.

Staff recommends that the Company offer its Time of Day and Energy Watch programs to customers as AMI is implemented in each region of its service territory.

Staff recommends that the Company provide customers with real time usage information and information about commercially-available power cost monitors.

Respectfully submitted this  day of December 2008.



Neil Price
Deputy Attorney General

Technical Staff: Donn English
TJ Golo
Daniel Klein

i:/umisc/comments/ipce08.16nptjdedk.doc

CERTIFICATE OF SERVICE

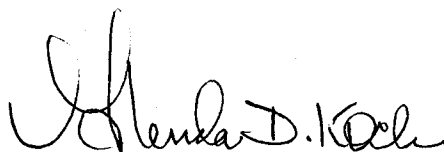
I HEREBY CERTIFY THAT I HAVE THIS 8TH DAY OF DECEMBER 2008, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-08-16, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

DONOVAN E WALKER
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