

DECISION MEMORANDUM

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

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: MARCH 24, 2009

SUBJECT: IDAHO POWER'S APPLICATION FOR A RATE INCREASE DUE TO INCLUSION OF AMI INVESTMENT IN RATE BASE; CASE NO. IPC-E-09-07

On March 13, 2009, Idaho Power Company ("Idaho Power" or "Company") submitted an Application, pursuant to *Idaho Code* §§ 61-502, 61-502A and 61-507, and Commission Rules of Procedure 52, 121 and 123, "for authority to increase its rates due to the inclusion of Advanced Metering Infrastructure ("AMI") investment in rate base." Application at 1. The Company requested that its Application be processed through Modified Procedure. IDAPA 31.01.01.201-.204.

THE APPLICATION

Idaho Power proposes "a uniform percentage increase of 1.61 percent to Tariff Schedules 1, 4, 5, 7, 9 secondary, 24 secondary, 41 metered service, and 42 (residential, small commercial, irrigation, and metered lighting customer classes)." *Id.* at 3. The Company requests that the proposed increase take effect on June 1, 2009, unless otherwise ordered by the Commission, for service provided on and after that date. *Id.*

Idaho Power cites to "the Company's investment in AMI through the end of May 2010 into the Company's rate base/revenue requirement" as justification for the increase. *Id.* at 2. The Company seeks to include the capital investment it has made thus far pursuant a CPCN authorizing the installation of AMI throughout its service territory, *see* Commission Order No. 30726, as well as "those investments that will be made during a June 1, 2009 through May 31, 2010, test year." *Id.* The Company states that it has included reductions for removed metering

equipment and “changes in operating expenses that accompany the changes in plant investment” in its calculations. *Id.* Idaho Power believes that “the proposed test year and recovery of the resulting revenue requirement” are necessary in order to meet “the increased challenges associated with raising capital in the financial markets during the present financial crisis.” *Id.* at 2-3.

Idaho Power estimates that the “13-month average plant in service associated with the AMI system for the test year is \$23,981,251.” *Id.* at 3. The Company also estimates that after applying the Commission authorized rate-of-return of 8.18 percent, authorized three-year depreciation period, Operation and Maintenance benefits, and applicable tax rates, an increase of \$11,181,318 to the Idaho jurisdictional revenue requirement is warranted. *Id.*

Idaho Power has included revised/proposed tariff sheets reflecting the proposed increase to the Idaho jurisdictional revenue requirement; and a report comparing revenues under its existing rates and revenues generated under its proposed revenue requirement as Attachments 1-3 to its Application. The Company filed the testimony of Gregory W. Said, Director of State Regulation in the Pricing and Regulatory Services Department, and Courtney Waites, Pricing Analyst, simultaneously with, and in support of, its Application.

STAFF RECOMMENDATION

Staff has reviewed Idaho Power’s Application and attached testimony and recommends that it be processed through Modified Procedure with a 60-day comment period.

COMMISSION DECISION

Does the Commission wish to process Idaho Power’s Application for authority to increase its rates due to the inclusion of its AMI investment in rate base through Modified Procedure with a corresponding 60-day comment period?



Neil Price
Deputy Attorney General