

NEIL PRICE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
IDAHO BAR NO. 6864

RECEIVED
2009 MAY 18 PM 4:58
IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR AUTHORITY)	CASE NO. IPC-E-09-7
TO INCREASE ITS RATES DUE TO THE)	
INCLUSION OF ADVANCED METERING)	
INFRASTRUCTURE ("AMI") INVESTMENT IN)	COMMENTS OF THE
RATE BASE.)	COMMISSION STAFF
)	
)	

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. 30764 issued on April 2, 2009, submits the following comments.

BACKGROUND

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 Advance Metering Infrastructure ("AMI") investment in rate base. The Company requested that its Application be processed through Modified Procedure. IDAPA 31.01.01.201-.204.

Idaho Power proposes a uniform percentage increase of 1.61% 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).

Idaho Power 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.

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

Idaho Power estimates that the 13-month average plant in service associated with the AMI system for the proposed test year is \$23,981,251. The Company asserts that, after applying the Commission authorized rate-of-return of 8.18%, 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.

Idaho Power's Application includes reductions for removed metering equipment and changes in operating expenses that accompany the changes in plant investment in its calculations.

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.

Idaho Power 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 ANALYSIS

REVENUE REQUIREMENT

Idaho Power in Order No. 30726 was granted a Certificate of Public Convenience and Necessity (CPCN) to install AMI. Idaho Power was also authorized to use accelerated depreciation on existing meters and include operating and maintenance benefits as they occur for purposes of rate recovery. In its Application, Idaho Power requests rate recovery of AMI

investments and associated costs and benefits through May 31, 2010. Staff believes the appropriate test year should end December 31, 2009.

Idaho Power's request reflects investments to date and anticipated installations through May 31, 2010. The anticipated installations are based on the Company's original installation plan with limited history showing the actual installations and costs for this project. The commitment estimate and projected number of meters to be installed each month is the basis for calculating the monthly costs on a per unit cost basis. While these calculations are a reasonable estimate to match the project recovery with the installation period, the installation plan, investment and operating costs and benefits are not tested to the point of accepting a fully forecasted test period for this first recovery phase.

Staff's proposed test period ending December 31, 2009 will reflect the investment, costs and benefits to date and on a projected basis through 2009. It follows the same methodology used by Idaho Power in its filing. The Staff proposal is also consistent with the methodology discussed in the CPCN Case No. IPC-E-08-16, it just isn't projected as far into the future as requested by Idaho Power. Staff believes the inclusion of the AMI facilities in rates as the equipment is installed continues to be reasonable for this project. The phased installation of AMI is specific in nature and the commitment estimate is utilized as a benchmark. This project has been supported and encouraged by the Staff and the Commission. Commission support has been demonstrated by allowing the accelerated depreciation of retired meters over three years to provide additional cash flow. The Staff proposal, if approved by the Commission, shows continued support for the project and will further increase cash flow. The inclusion in rates as the AMI project is completed will improve Idaho Power's ability to earn the authorized return granted by this Commission in the last general rate case, Case No. IPC-E-08-10, Order No. 30722. Staff's proposal allows Idaho Power to begin recovering a return on its AMI investment and ongoing operating and maintenance expenses with an offset reflecting benefits. The proposal will allow Idaho Power to better meet the challenges the Company addresses in its Application and supporting testimony. Use of the calendar year as the test year will also facilitate ongoing recovery and reviews throughout the project. Staff supports the requested effective date of June 1, 2009. Future general rate cases will reflect actual investments, costs and benefits on a going forward basis. For a specific project that is not revenue producing such as the AMI, this treatment assures customers are not harmed while providing the ratemaking and financial support proposed.

The AMI revenue requirement for the December 31, 2009 test period proposed by Staff is \$7,322,995 as shown on line 37 of Attachment A. The rate base amount is \$6,540,586 (line 16) and the net operating expenses are \$3,924,782 (line 29). The authorized rate of return of 8.18% (line 34) and the net-to-gross multiplier of 1.642 (line 36) are the same as approved in the last rate case Order No. 30722. Staff accepts Idaho Power's request to start the three-year accelerated amortization period for existing metering infrastructure on June 1, 2009.

The American Recovery and Reinvestment Act of 2009 (ARRA), also known as the stimulus plan, has provisions for Smart Grid and AMI technologies. At this time, Idaho Power continues to pursue acceptance for the ARRA and other funds but none have been granted to Idaho Power to date. The ongoing AMI project reviews and inclusion in base rates of future AMI expenditures will provide for timely inclusion of any ARRA funds that may be received. These funds will benefit Idaho Power and more importantly customers.

Greg Said states in his testimony, page 4, lines 3 – 7 that:

Acquiring adequate funding for not only the conversion to AMI but also the Company's other investment requirements given unknown changing economic conditions may affect the Company's ongoing policy related to AMI.

As stated before, Staff believes that its position addresses these financial challenges. Therefore, Staff also recommends that Idaho Power be required to continue the AMI conversion and not be allowed to extend the conversion time period without explicit Commission approval.

RATE DESIGN

Staff reviewed the Company's methodology to allocate the revenue requirement for each class. The Company used the Energy Revenue from the affected classes which are Schedule 1- Residential Class, Schedule 4 – Residential Energy Watch Program, Schedule 5 – Residential Time of Day Program, Schedule 7- Small General Service, Schedule 9S – Large General Secondary Service, Schedule 24 – Agricultural Irrigation Service, Schedule 41 – Street Lighting Service, and Schedule 42 – Traffic Control Signal Lighting Service to determine the energy rate increase for each class. The Company used the ratio of its calculated additional revenue requirement of \$11,181,318 and the Total Energy Revenue of \$498,573,608. Based on the Company's general rate case, Case No. IPC-E-08-10, the required energy rate increase for each class is 2.24 percent. However, as a result of reconsideration in the Company's general rate case,

the Commission approved higher energy rates for the affected classes and a Total Energy Revenue of \$504,267,371. Based on revenue requirement reconsideration and the Company's proposed methodology, the energy rate increase for each class is 2.22 percent with an overall increase of 1.60 percent from base revenue.

Staff calculated the energy rate increase for each affected class differently from the Company's methodology. Staff believes that it is more appropriate to use the Base Revenue of the affected classes rather than only using the Energy Revenue. Using Staff's proposed overall AMI revenue requirement increase of \$7,322,995 shown in Attachment A and the current overall base revenue of the affected classes from the reconsideration of general rate case, Case No. IPC-E-08-10, Staff proposes a uniform 1.28 percent base revenue increase. The uniform percentage increase is then applied to the base revenue of each affected class to determine its revenue responsibility for the increase caused by AMI. Staff recommends that the energy rate component in each customer class be increased proportionately to generate the base revenue increase proposed by Staff in this case. Staff believes this methodology more appropriately assigns revenue responsibility to each customer class. Staff does not oppose spreading the increased class revenue solely on the energy component. Staff and Company proposed revenue spread is shown on Attachment B.

CONSUMER ISSUES

Customer Notice & Press Release

The Press Release was included in Idaho Power's Application. The Application was received on March 16, 2009. The Customer Notice was not received until April 8, 2009. The Customer Notices were provided to customers in bill statements from March 25 to April 23.

Customer Comments

As of May 13, 2008, three (3) Idaho Power customers had submitted comments regarding the proposed increase in rates due to the inclusion of Advanced Metering Infrastructure investment in rate base. Two comments opposed the increase to rates and one comment was neutral. The Consumer Assistance Staff has fielded two inquiries about the new meters being installed by the Company.

Customer Installation Notification Materials

Staff reviewed the customer information materials that will be mailed to customers just ahead of work performed in the area as well as the door hangers that are left on the customer's premises after a successful or unsuccessful meter change out and found them to be adequate.

STAFF RECOMMENDATION

Staff recommends a test year ending December 31, 2009. The AMI revenue requirement Staff recommends is \$7,322,995. Staff proposes a 1.28 percent revenue increase for each affected customer class spread proportionately to all energy rate components. Staff also recommends acceptance of the June 1, 2009 date to begin the accelerated depreciation on existing metering infrastructure and as the effective date for rates.

Respectfully submitted this 18th day of May 2009.



Neil Price
Deputy Attorney General

Technical Staff: Terri Carlock
TJ Golo
Daniel Klein

i:/umisc/comments/ipce09.7npdkbajtj comments.doc

Idaho Power Company
Summary of Revenue Requirement

RATE BASE		<u>AMI</u> <u>Idaho</u>
Electric Plant in Service:		
1	Intangible Plant	\$ 302,428
2	Production Plant	\$ -
3	Transmission Plant	\$ -
4	Distribution Plant	\$ 12,831,765
5	General Plant	\$ -
6	Total Electric Plant in Service	\$ 13,134,193
7	Less: Accumulated Depreciation	\$ 4,944,190
8	Less: Amortization of Other Plant	\$ 32,423
9	Net Electric Plant in Service	\$ 8,157,580
10	Less: Customer Adv for Construction	\$ -
11	Less: Accum Deferred Income Taxes	\$ 1,616,994
12	Add: Plant Held for Future Use	\$ -
13	Add: Working Capital	\$ -
14	Add: Conservation - Other Deferred Program	\$ -
15	Add: Subsidiary Rate Base	\$ -
16	TOTAL COMBINED RATE BASE	\$ 6,540,586

NET INCOME		<u>Idaho</u>
Operating Revenues:		
17	Sales Revenues	0
18	Other Operating Revenues	0
19	Total Operating Revenues	0
Operating Expenses:		
21	Operation & Maintenance Expenses	(262,828)
22	Depreciation Expenses	5,908,510
23	Amortization of Limited Term Plant	119,412
24	Taxes Other Than Income	0
	Regulatory Debits/Credits	0
25	Provision For Deferred Income Taxes	3,233,987
26	Investment Tax Credit Adjustment	830,654
27	Federal Income Taxes	(4,900,057)
28	State Income Taxes	(1,004,896)
29	Total Operating Expenses	3,924,782
30	Operating Income	(3,924,782)
31	Add: IERCO Operating Income	0
32	Consolidated Operating Income	(3,924,782)

33	Rate of Return as filed	-60.01%
34	Proposed Rate of Return	8.1800%
	Earnings Deficiency	4,459,802
	Add: Construction Work in Progress	0
35	Earnings Deficiency w/CWIP	4,459,802
36	Net-to-Gross Tax Multiplier	1.642
37	Revenue Deficiency	7,322,995

IPUC Staff
Calculation of Energy Rate Increase
State of Idaho
AMI Investment in Rate Base Case No. IPC-E-09-07

Line No	Tariff Description	Rate Sch. No.	3/21/09 Base Revenue(*)	IPC Proposed Revenue Adjustments	IPC Percent Change over Base Revenue	Staff Base Revenue Adjustment	Staff Percent Change over Base Revenue
Uniform Tariff Rates:							
1	Residential Service	1	\$327,482,769	6,843,733	2.09%	\$4,188,451	1.28%
2	Residential Service Energy Watch	4	61,481	1,284	2.09%	786	1.28%
3	Residential Service Time-of-Day	5	82,243	1,731	2.10%	1,052	1.28%
4	Small General Service	7	15,488,243	310,152	2.00%	198,092	1.28%
5	Large General Service	9s	147,606,283	2,625,368	1.78%	1,887,860	1.28%
8	Agricultural Irrigation Service	24s	81,668,256	1,395,348	1.71%	1,044,524	1.28%
11	Street Lighting	41	9,871	157	1.59%	126	1.28%
12	Traffic Control Lighting	42	164,514	3,648	2.22%	2,104	1.28%
13	Total Revenue		572,563,660	11,181,421		\$7,322,995	

(*) Values Based on Case No. IPC-E-08-10 Reconsideration
Note: Idaho Power's Proposed Adjustments are based test year period ending May 31, 2010
Staff's Proposed Adjustments are based on test year period ending December 31, 2009

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18TH DAY OF MAY 2009,
SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN
CASE NO. IPC-E-09-07, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO
THE FOLLOWING:

BARTON L KLINE
DONOVAN E WALKER
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: bkline@idahopower.com
dwalker@idahopower.com

COURTNEY WAITES
GREG SAID
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: cwaites@idahopower.com
gsaid@idahopower.com



SECRETARY

CERTIFICATE OF SERVICE