

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-12-07</b>
<b>APPROVAL TO DECREASE BASE RATE TO</b>	)	
<b>REMOVE ACCELERATED DEPRECIATION</b>	)	
<b>EXPENSE FOR ITS NON-ADVANCED</b>	)	<b>ORDER NO. 32541</b>
<b>METERING INFRASTRUCTURE</b>	)	

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On February 15, 2012, Idaho Power Company filed an Application requesting authority to decrease base rates as the result of removing the accelerated depreciation expense associated with its non-advanced metering infrastructure (AMI) metering equipment. The Commission first directed Idaho Power to begin installing AMI in 2003. In May 2007, the Company filed a status report and implementation plan proposing a three-year deployment of an AMI system, with completion of the meter installations by the end of 2011.

In August 2008, the Company filed a request with the Commission asking for a Certificate of Public Convenience and Necessity for the AMI technology. In Order No. 30726 the Commission approved the Company's request for a CPCN, and also approved accelerating the depreciation of existing non-AMI metering equipment. Accordingly, Idaho Power began accelerating the depreciation of its non-AMI metering equipment over a three-year period, and also began recovery of the incremental increase in depreciation expense, on June 1, 2009. The net plant value of the old metering equipment as of May 31, 2009 was \$31,653,649. A three-year straight-line depreciation resulted in an annual depreciation expense of \$10,551,216. The Company's metering equipment will be fully depreciated by May 31, 2012, and the depreciation expense will be removed. Idaho Power thus proposed to decrease annual base rate revenue that is recovered from the affected customer classes by \$10,551,216, and requested that new rates reflecting the reduced depreciation expense be effective June 1, 2012.

On March 20, 2012, the Commission issued a Notice of Application and Notice of Modified Procedure, providing for a 21-day comment period, to process the Company's Application. The Commission Staff was the only party to file written comments. Staff reviewed the Company's Application and supports the Company's request to decrease annual base rate revenue to remove the effects of the accelerated depreciation of the non-AMI metering equipment.

When Idaho Power filed for a Certificate of Public Convenience and Necessity (CPCN) in Case No. IPC-E-08-16, it stated that the accelerated depreciation of old metering equipment with corresponding rate recovery was an important consideration in the Company's financial analysis of AMI deployment. Idaho Power intended to have the non-AMI metering equipment fully depreciated by the time the AMI deployment was completed, thus avoiding stranded assets and the possibility of "used and useful" concerns. The Company also stated that a three-year recovery of accelerated depreciation would provide an adequate cash flow to improve cash flow coverage ratios to levels necessary to maintain the Company's credit strength and its ability to access external markets for funding capital projects such as the AMI deployment. In Order No. 30726, the Commission agreed with Idaho Power that "authorizing Idaho Power to depreciate its existing meter reading equipment over an accelerated three-year period will benefit ratepayers because an enhanced credit rating and strong cash flow basis for the Company will lead to lower financing costs and, ultimately, lower the pressure for increased rates for energy consumers."

On the record in this case, the Commission finds it just, reasonable and appropriate to approve Idaho Power's Application to remove the expense associated with accelerated depreciation of its non-AMI meters from its base rates. Effective June 1, 2012, the Company's annual revenue requirement will be reduced by \$10,551,216. The Company proposed to remove the accelerated depreciation expense by allocating costs to the affected customer classes on a percent of billed energy basis. The Commission previously approved this method to recover accelerated depreciation in Case No. IPC-E-08-16, and finds it appropriate in this case. Removing the accelerated depreciation expense results in a decrease in all energy rates of the affected classes of 0.001073 \$/kWh, a 1.25% average decrease in billed revenue.

### **ORDER**

IT IS HEREBY ORDERED that Idaho Power's Application to remove the expense associated with accelerated depreciation of its non-AMI meters from base rates is approved. Effective June 1, 2012, the Company's annual revenue requirement will be reduced by \$10,551,216.

IT IS FURTHER ORDERED that the energy rates of the affected classes will be reduced by 0.001073 \$/kWh, effective June 1, 2012. Idaho Power is directed to file appropriate tariffs consistent with this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27<sup>th</sup> day of April 2012.



PAUL KJELLANDER, PRESIDENT

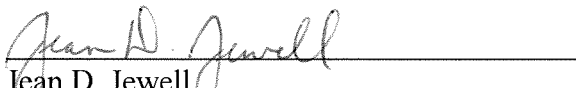


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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