

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: FEBRUARY 21, 2012

SUBJECT: IDAHO POWER'S APPLICATION TO DECREASE BASE RATES TO REMOVE ACCELERATED DEPRECIATION EXPENSE FOR ITS ADVANCED METERING INFRASTRUCTURE, CASE NO. IPC-E-12-07

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. The first meters were installed in Emmett and McCall in 2004. In May 2007, the Company filed a status report and implementation plan proposing a three-year deployment of an AMI system covering roughly 99% of the Company's customers. The plan called for completion of the meter installations by then 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. The Commission subsequently issued Order No. 30726 approving the Company's request for a CPCN and accelerating the depreciation of existing non-AMI metering equipment over a three-year period. Idaho Power thereafter filed an application requesting an increase in rates caused by including the AMI investment in rate base. On May 29, 2009, the Commission approved the Company's application authorizing a \$10,497,354 increase to revenues.

With the Commission's approval, 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

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 as a result, the depreciation expense will be removed. Idaho Power proposes to decrease annual base rate revenue that is recovered from the affected customer classes by \$10,551,216.

The Company proposes that the new rates reflecting the reduced depreciation expense for AMI be effective June 1, 2012. The Company did not, however, file tariff sheets with its Application in this case. The Company simultaneously filed applications in three other cases, all of which will affect rates, and all proposed to be effective June 1, 2012. The tariff sheets in this case are included in the Company's application for authority to increase rates to recover the Boardman balancing account.

The Company requested its Application in this case be processed by Modified Procedure. Staff recommends that the Commission issue a Notice of Application and Notice of Modified Procedure, providing for a 21-day comment period, to process the Company's Application.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure, providing for a 21-day comment period, to process the Company's Application?



Weldon B. Stutzman
Deputy Attorney General

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