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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR APPROVAL TO DECREASE BASE RATES TO REMOVE ACCELERATED DEPRECIATION EXPENSE FOR ITS NON-ADVANCED METERING INFRASTRUCTURE.	**CASE NO. IPC-E-12-07** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 32483 on March 20, 2012, submits the following comments.

BACKGROUND

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 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 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. The Commission subsequently issued Order No. 30726 approving the Company's request for a CPCN and accelerating the depreciation of existing 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. Accordingly, 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 its non-AMI meters 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.[1] The tariff sheets in this case are included in the Company's Application for authority to increase rates to recover the Boardman balancing account, Case No. IPC-E-12-09.

STAFF REVIEW

Revenue Requirement

Staff has reviewed the Company's Application and the testimony and exhibits of Company witness Courtney Waites 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.

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[1] The Company has concurrently filed three other applications. *See* Case Nos. IPC-E-12-06, IPC-E-12-08, and IPC-E-12-09. The Company says the four filings cumulatively will *decrease* rates for most customers. The Company's press release and customer notice describe the cumulative rate-impact by customer class as: Residential Customers, (0.80%); Small General Service, (0.56%); Large General Service (1.03%); Large Power, 0.54%; and Irrigation, (1.10%).

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 a fundamental assumption in the Company's financial analysis of AMI deployment. It was Idaho Power's desire 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. See Gale Direct.

In reply comments in that case, the Company also stated that a three-year recovery of accelerated depreciation would provide the adequate cash flow to improve cash flow coverage ratios to levels that are 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 the final order of that case (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 inevitably lead to lower financing costs and, ultimately, lower the pressure for increased rates for energy consumers." The Commission strongly urged Idaho Power to "move forward with all deliberate speed with its phased AMI implementation plan."

Compliant with Commission order, the Company began depreciating the non-AMI metering equipment balance over a three-year period at a rate of $879,268 per month for an annual depreciation expense of $10,551,216. The non-AMI metering equipment will be fully depreciated by May 31, 2012 and thus the Company no longer requires the annual revenue associated with the accelerated depreciation.

Revenue Allocation and Rate Design

For the purposes of Revenue Allocation and Rate Design, Idaho Power Company updated the billing determinants for all customer classes. Idaho Power Company proposes to use forecast billing determinants for the period June 1, 2012 through May 31, 2013. Overall, the forecast showed reduced energy consumption relative to the amounts accepted by the Commission in the recently completed 2011 general rate case. Although the forecast showed an overall decrease, it showed increases for some individual customer classes. Attachment A shows the energy amounts accepted by the Commission in the 2011 rate case and the amounts proposed by the Company in this filing. The updated energy amounts include Schedule 4 and 5 customers in

Schedule 1. Demand amounts and numbers of customers were also updated. Hoku energy and demand amounts were updated to reflect the settlement recently accepted by the Commission. The Company is proposing to use the same updated billing determinants in all of the following cases that are currently before the Commission:

Case No. IPC-E-12-06	OATT Revenue Shortfall
Case No. IPC-E-12-07	Meter Depreciation (This Case)
Case No. IPC-E-12-08	General Depreciation
Case No. IPC-E-12-09	Boardman
Case No. IPC-E-12-12	FCA (Fixed Cost Adjustment)
Case No. IPC-E-12-13	Revenue Sharing & Pensions
Case No. IPC-E-12-14	Langley Gulch Combustion Turbine

The Staff accepts the updated billing determinants proposed by the Company with some reservation. The update represents what the Company expects during the first year that the proposed rates will be in effect. The updated billing determinants should be the best information available on which to base rates. On the other hand, the billing determinants have not been reviewed and approved by the Commission. When energy and demand amounts change in a general rate case, jurisdictional and class allocations change and Net Power Supply Expense changes. Such changes can have far reaching effects. In this case, the impact happens to be minimal and Staff does not oppose use of the Company's energy forecast.

In Case No. IPC-E-08-16 the recovery of accelerated depreciation was approved. Costs were allocated to the affected customer classes on a percent of billed energy basis. The Company therefore proposes to remove accelerated depreciation on that same basis in this case. This results in a decrease in all energy rates of the affected classes of 0.001073 $/kWh.

On March 14, 2012, Idaho Power filed a clarification with the Commission that updated the average class decreases proposed by the Company. The decrease measures the difference between current billed revenue and proposed billed revenue. Attachment B shows average percent decreases by Customer Class. Not all customer classes receive a decrease as a result of this filing. In 2009, when accelerated depreciation rate recovery was approved, some customer classes already had AMI meters and, therefore were not subject to the rate increase. Since their rates were not increased to recover accelerated depreciation, they are not now decreased.

The Staff accepts the equal cents/kWh revenue allocation and rate design proposed by the Company.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the Company's Application to decrease base rate revenue by $10,551,216 to remove the accelerated depreciation of non-AMI metering equipment from the Company's annual revenue requirement. Staff recommends approval of an equal cents/kWh rate of -0.1073 applied to the energy rates of all affected schedules. As shown on Attachment B, this results in a 1.25% average decrease in billed revenue. Staff further recommends that these rates become effective June 1, 2012 as proposed by the Company.

Respectfully submitted this 10th day of April 2012.

Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Keith Hessing
Donn English

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Idaho Power Company
Calculation of Test Year Energy Differences
State of Idaho

Line No	Tariff Description	Rate Sch. No.	2011 Rate Case Normalized Energy kWh	2012 - 2013 Forecasted Normalized Energy w/ Hoku Reformed (kWh) (1)	Difference kWh	Difference %
	Uniform Tariff Rates:					
1	Residential Service	1	5,003,578,752	4,896,272,827	(107,305,925)	-2.1%
2	Master Metered Mobile Home Park	3	5,175,311	4,942,681	(232,630)	-4.5%
3	Residential Service Energy Watch	4	743,939	0	(743,939)	-100.0%
4	Residential Service Time-of-Day	5	1,178,608	0	(1,178,608)	-100.0%
5	Small General Service	7	148,946,670	144,888,296	(4,058,374)	-2.7%
6	Large General Service	9	3,492,140,651	3,480,101,459	(12,039,192)	-0.3%
7	Dusk to Dawn Lighting	15	6,562,095	6,481,376	(80,719)	-1.2%
8	Large Power Service	19	2,040,681,796	1,978,623,647	(62,058,149)	-3.0%
9	Agricultural Irrigation Service	24	1,679,776,734	1,720,204,410	40,427,676	2.4%
10	Unmetered General Service	40	16,000,941	15,807,753	(193,188)	-1.2%
11	Street Lighting	41	23,018,849	23,165,568	146,719	0.6%
12	Traffic Control Lighting	42	3,477,113	2,981,282	(495,831)	-14.3%
13	Total Uniform Tariffs		12,421,281,459	12,273,469,299	(147,812,160)	-1.2%
	Special Contracts:					
14	Micron	26	464,652,076	451,138,622	(13,513,454)	-2.9%
15	J R Simplot	29	180,758,797	203,558,197	22,799,400	12.6%
16	DOE	30	235,100,000	244,266,665	9,166,665	3.9%
17	Hoku - Block 1	32	370,006,219	0	(370,006,219)	-100.0%
18	Hoku - Block 2	32	197,100,000	0	(197,100,000)	-100.0%
19	Total Special Contracts		1,447,617,092	898,963,484	(548,653,608)	-37.9%
				0		
20	Total Idaho Retail Sales		13,868,898,551	13,172,432,783	(696,465,768)	-5.0%

(1) June 1, 2012 - May 31, 2013 Forecasted PCA Test Year

Idaho Power Company
Calculation of Revenue Impact
State of Idaho
Meter Depreciation Reversal
Proposed to be Effective June 1, 2012

Summary of Revenue Impact
Current Billed Revenue to Proposed Billed Revenue

Line No	Tariff Description	Rate Sch. No.	Average Number of Customers (1)	Normalized Energy (kWh) (1)	Current Billed Revenue	Cents Per kWh	Total Adjustments to Billed Revenue	Proposed Total Billed Revenue	Cents Per kWh	Percent Change Billed to Billed Revenue
	Uniform Tariff Rates:									
1	Residential Service	1	399,329	4,896,272,827	$397,700,569	8.123	($5,256,125)	$392,444,444	8.015	(1.32)%
2	Master Metered Mobile Home Park	3	23	4,942,681	$381,220	7.713	($5,306)	$375,914	7.605	(1.39)%
3	Residential Service Energy Watch	4	0	0	$0	0.000	$0	$0	0.000	0.00%
4	Residential Service Time-of-Day	5	0	0	$0	0.000	$0	$0	0.000	0.00%
5	Small General Service	7	28,165	144,888,296	$14,990,300	10.346	($155,537)	$14,834,763	10.239	(1.04)%
6	Large General Service	9	31,614	3,480,101,459	$196,754,244	5.654	($3,281,637)	$193,472,607	5.559	(1.67)%
7	Dusk to Dawn Lighting	15	0	6,481,376	$1,173,934	18.112	$0	$1,173,934	18.112	0.00%
8	Large Power Service	19	116	1,978,623,647	$83,660,290	4.228	$0	$83,660,290	4.228	0.00%
9	Agricultural Irrigation Service	24	16,642	1,720,204,410	$109,785,557	6.382	($1,846,631)	$107,938,926	6.275	(1.68)%
10	Unmetered General Service	40	2,030	15,807,753	$1,096,245	6.935	$0	$1,096,245	6.935	0.00%
11	Street Lighting	41	361	23,165,568	$2,959,897	12.777	($2,780)	$2,957,117	12.765	(0.09)%
12	Traffic Control Lighting	42	397	2,981,282	$142,887	4.793	($3,200)	$139,686	4.685	(2.24)%
13	Total Uniform Tariffs		478,677	12,273,469,299	$808,645,142	6.589	($10,551,216)	$798,093,926	6.503	(1.30)%
14	Special Contracts:									
15	Micron	26	1	451,138,622	$17,176,418	3.807	$0	$17,176,418	3.807	0.00%
16	J R Simplot	29	1	203,558,197	$6,727,934	3.305	$0	$6,727,934	3.305	0.00%
17	DOE	30	1	244,266,665	$8,393,976	3.436	$0	$8,393,976	3.436	0.00%
18	Hoku - Retail	32	1	0	$2,835,760	0.000	$0	$2,835,760	0.000	0.00%
19	Total Special Contracts		4	898,963,484	$35,134,087	3.908	$0	$35,134,087	3.908	0.00%
20	**Total Idaho Retail Sales**		**478,681**	**13,172,432,783**	**$843,779,229**	**6.406**	**($10,551,216)**	**$833,228,013**	**6.326**	**(1.25)%**
21	Hoku - Block 1 Energy	32		109,702,243	$6,764,240	6.166	$0	$6,764,240	6.166	0.00%

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10TH DAY OF APRIL 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-12-07, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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