

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 202

In the Matter of)	
)	
IDAHO POWER COMPANY,)	
)	
Application to Accelerate Depreciation of)	ORDER
Existing Metering Equipment to be Replaced)	
by Advanced Metering Infrastructure (“AMI”))	
Installation; and to Implement Revised)	
Depreciation Rates for the Company’s)	
Electric Plant-In-Service.)	

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

In this Order, the Commission adopts the Stipulation entered into by Idaho Power Company (Idaho Power or the Company) and the Staff of the Public Utility Commission of Oregon (Commission Staff) (collectively, the “Parties”).

On October 3, 2008, Idaho Power filed an Application to Accelerate the Depreciation of Existing Metering Equipment to be Replaced by Advanced Metering Infrastructure (“AMI”) Installation; and to Implement Revised Depreciation Rates for the Company’s Electric Plant-in-Service (the “Application”).¹ On December 15, 2008, Idaho Power and Commission Staff, the only parties to this docket, filed a joint stipulation (the “Stipulation”) and a brief in support of the Stipulation. The Stipulation is attached to this Order as Appendix A and incorporated by reference.

In its Application, Idaho Power seeks authority to accelerate the depreciation of its existing metering equipment in anticipation of the 2010 deployment of AMI technology to its service territory in Oregon. The accelerated depreciation would allow Idaho Power to recover its allowed investment in the existing meters. The Company proposes a temporary rider that will increase rates from January 2009 through June 30, 2010, in order to effect the accelerated depreciation. Idaho Power has also filed

¹ The Application was supported by the testimony of Idaho Power witnesses Gregory W. Said and Courtney Waites. Idaho Power also filed Advice No. 08-08, proposing to implement a rate rider on January 1, 2009, to reflect the net change resulting from revised depreciation rates for accelerated depreciation of its existing metering equipment and updated depreciation study. On November 5, 2008, the Commission suspended Advice No. 08-08 for a period not to exceed six months.

a related application with the Commission that would institute revised depreciation rates for the Company's Electric Plant-in-Service. This application is currently pending in docket UM 1395. While the accelerated depreciation addressed in this docket would result in a rate increase, the proposed Plant-in-Service depreciation rates in UM 1395 would result in a rate decrease.

The Stipulation proposes to implement a temporary rider to allow for accelerated depreciation of the Company's existing meters, while anticipating a rate decrease as the result of the Company's pending application in UM 1395. The Stipulation also allows for future adjustments to the rider based on the Commission's decisions in UM 1395.²

II. BACKGROUND

A. AMI Implementation.

In 2003, the Idaho Public Utilities Commission (IPUC) directed Idaho Power to implement AMI over its entire system by 2004.³ The implementation was delayed for various reasons, but Idaho Power was directed by the IPUC to continue to work toward implementation of the AMI technology "as soon as possible."⁴ The Company's efforts have culminated in a number of filings at the IPUC, including a May 2007 AMI status report, an August 2007 proposed AMI Implementation Plan,⁵ and an August 2008 Application for a Certificate of Public Convenience and Necessity to install AMI technology throughout the Company's service territory.⁶

Idaho Power explains that it has developed an AMI Implementation Plan that would deploy AMI technology throughout its service territory over a three-year period beginning in January 2009 and continuing through the end of 2011. The proposed deployment covers roughly 99 percent of the customers in its service territory. The Company explains that the plan is the culmination of nearly ten years of investigation and experience with AMI technology, including a number of pilot programs, an initial Phase One deployment of AMI technology to a limited number of customers in Idaho, and several reports to the IPUC.

According to the Company, the schedule for deployment would start with the Company's Capital Region (Boise, Meridian, Eagle, Kuna, etc.) in 2009, move to the Canyon and Payette Regions (Nampa, Caldwell, Ontario, etc., including the Company's

² All portions of the Company's Application relating to the Company's request to Implement Revised Depreciation Rates for the Company's Electric Plant-In-Service will be addressed in docket UM 1395.

³ See IPUC Case No. IPC-E-02-12, Order No. 29196. AMI technology includes automated meter reading technology, as well as the hardware, software, communications equipment, customer associated systems, and data management software. Idaho Power/100, Said/5.

⁴ See, e.g., Idaho Power/100, Said/5; IPUC Case No. IPC-E-06-01, Order No. 30102 at 5-6.

⁵ IPUC Case No. IPC-E-06-01.

⁶ IPUC Case No. IPC-E-08-1610. Idaho Power states that this application is currently under review at the IPUC.

service territory in Malheur County and Baker County, Oregon) in 2010, and finish with the Southern and Eastern Regions (Twin Falls, Hailey, Jerome, Pocatello, Salmon, etc.).⁷

Although the Company is not currently seeking recovery of the capital costs associated with deployment of the AMI technology, the Company asserts that AMI deployment is cost-effective at this time, and that long-term benefits derived from reducing operating expenses are themselves sufficient to support the systemwide implementation of AMI technology.⁸ The Company cites additional benefits of the AMI technology in addition to operational savings, including improvements in meter reading accuracy, outage management, system monitoring, and theft detection. The Company also asserts that the technology will result in greater employee safety, fewer estimated bills, less rebilling, the ability to aggregate accounts, the ability to use time-of-use pricing, and the ability to use more flexible rate and billing schedules.⁹

B. Need for Accelerated Depreciation.

ORS 757.355 states that utilities may not collect any customer rates that include costs of “construction, building, installation or real or personal property not presently used for providing utility service to the customer.” To allow Idaho Power to implement its deployment plan while at the same time allowing it to recover its investment in existing meters, the Company asks for permission to fully depreciate its existing meters prior to AMI deployment. According to Idaho Power, the accelerated depreciation of the existing metering equipment with corresponding rate recovery is a fundamental assumption in the Company’s financial analysis of the AMI deployment.¹⁰ Beginning the accelerated depreciation now avoids stranding Idaho Power’s investment in the existing meters.¹¹

Idaho Power asks to depreciate the net plant value of its existing meters using a straight-line method over an 18-month period (January 2009 through June 2010). In its Application, the Company estimates the net value of the existing Oregon metering equipment to be \$1,318,786. Current rates reflect a monthly depreciation expense related to existing metering equipment of \$6,582. The resulting net increase in depreciation expense under the Application would be approximately \$66,684 per month.¹²

⁷ Idaho Power/200, Waites/10; *see also* Attachment 4 to the Application, the testimony of Mark Heintzelman, filed in IPUC Case No. IPC-E-08-16 (describing the proposed deployment of the technology, the functionality of the AMI system, and a description of the contracts the Company has entered into with its AMI vendors).

⁸ *See* Idaho Power/100, Said/4.

⁹ *See* IPUC Case No. IPC-E-02-12, IPUC Orders No. 29196 at 10 and No. 29362 at 12-14; IPUC Case No. IPC-E-06-01, Order No. 30102 at 5-6.

¹⁰ Idaho Power/100, Said/6.

¹¹ Idaho Power/100, Said/7.

¹² Idaho Power/300, Waites/3.

C. Capital Costs Associated with AMI Deployment.

As noted previously, the Company is not currently requesting recovery of the capital costs associated with AMI deployment, but intends to seek such costs in a subsequent filing.¹³ Nevertheless, the Company states that the total capital costs associated with the AMI deployment and allocated to the Oregon jurisdiction are \$3.64 million.¹⁴ This estimate includes Information Technology expenditures, meter costs, station equipment expenses, and a number of additional costs such as sales taxes, fuel charges, personnel time, and other expenses.¹⁵ The actual meter costs allocated to the Oregon jurisdiction are estimated by the Company to be \$2,321,263.¹⁶ The Company also expects quantifiable Operations and Maintenance (O&M) benefits from deployment of AMI. The Oregon allocation of O&M benefits estimated by the Company for the three-year deployment period are \$447,932.¹⁷

III. THE STIPULATION

In the Stipulation, the Parties agree that:

1. Idaho Power may accelerate the depreciation of its existing metering equipment over an 18-month period starting on January 1, 2009, and ending on June 30, 2010.
2. The effect of the accelerated depreciation should be offset by the effect of the revised depreciation studies filed in UM 1395, currently pending before the Commission.
3. Idaho Power will file for a general rate proceeding by December 31, 2009. That rate proceeding will include permanent rate revisions related to the findings in UM 1395.
4. The accelerated depreciation of the existing metering equipment, less the revenue requirement impact of the revised electric Plant-in-Service depreciation rates, will be collected by use of a rate rider, in the amount of 0.0979 cents per kWh (an increase of approximately 1.12 percent), effective in customer rates starting January 1, 2009, and ending June 30, 2010.¹⁸

¹³ Idaho Power/200, Waites/10-11.

¹⁴ Idaho Power/200, Waites/6.

¹⁵ *Id.*

¹⁶ Idaho Power//200, Waites/7.

¹⁷ Idaho Power/200, Waites/10. The cost estimates are described in more detail in Idaho Power/200.

¹⁸ According to the parties' Brief in support of the Stipulation, the combined impact of the proposed accelerated depreciation and the revised depreciation rates results in a net annual increase to customer rates of approximately 1.12 percent, consisting of \$383,736 (accelerated depreciation, \$800,091 minus revised depreciation rates of \$416,355, equals a net increase of \$383,736). This amount would be recovered from customers by use of a tariff rider in the amount of 0.0979 cents per kWh. Brief at 8-9.

5. If the Company becomes aware that mass deployment may be delayed to or beyond June 30, 2009, the rider may be suspended or terminated.
6. The rate rider assumes that this Commission will approve the same depreciation rates for Oregon as those approved by the IPUC for Idaho, and the rider is subject to revision in the event this Commission approves depreciation rates in UM 1395 different from those adopted by the IPUC.
7. The Company will file a deferral petition prior to January 1, 2009, to account for any difference between the amount of the rate offset incorporated in the rate rider due to the revised depreciation studies and the amount the Commission might ultimately determine was appropriately offset due to the revised depreciation studies. The revision may be effected through either a change in the rider rate or a change in the effective ending date of the rider.

IV. DISCUSSION

The Commission has reviewed the Stipulation, together with Idaho Power's testimony and exhibits supporting its Application. We conclude that the Stipulation is in the public interest and results in fair, just, and reasonable rates. The Stipulation should be adopted.

ORDER

IT IS ORDERED that:

1. Advice No. 08-08 is permanently suspended.
2. The Stipulation attached to this Order as Appendix A is adopted.
3. Idaho Power Company shall file a compliance filing implementing Schedule 92, attached to the Stipulation as Attachment A, to be effective no earlier than January 1, 2009.

Made, entered, and effective DEC 30 2008.

Lee Beyer

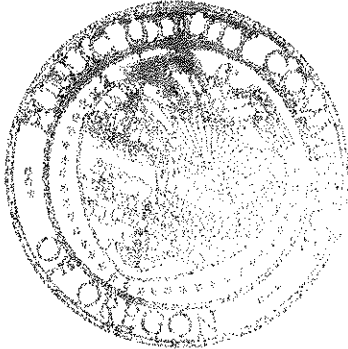
Lee Beyer⁶⁶
Chairman

John Savage

John Savage
Commissioner

Ray Baum

Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
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UE 202

In the Matter of Idaho Power Company's
Application to Accelerate Depreciation of
Existing Metering Equipment to be Replaced by
Advanced Metering Infrastructure ("AMI")
Installation; and to Implement Revised
Depreciation Rates for the Company's Electric
Plant-In-Service

STIPULATION

1. This stipulation ("Stipulation") is entered into, by and among Idaho Power Company ("Idaho Power" or the "Company"), and the staff of the Public Utility Commission of Oregon ("Staff"), collectively referred to as the "Parties." The Parties are the only parties to the above-captioned docket.

INTRODUCTION

2. The terms and conditions of this Stipulation are set forth herein. The Parties agree that this Stipulation represents a fair, just, and reasonable compromise of the issues raised in this proceeding and that this Stipulation is in the public interest. The Parties maintain that this Stipulation and its acceptance by the Public Utility Commission of Oregon ("Commission") represents a reasonable resolution of multiple issues identified in this matter. The Parties, therefore, recommend that the Commission approve the Stipulation and all of its terms and conditions without material change or condition.

3. By entering into this Stipulation, the Parties intend to resolve all issues arising from and relating to Idaho Power's Application to Accelerate Depreciation of Existing Metering Equipment to be Replaced by Advanced Metering Infrastructure Installation ("Application"). That portion of the Company's Application relating to the request to Implement Revised Depreciation Rates for the Company's Electric Plant-In-Service will be addressed in Docket UM 1395.

BACKGROUND

4. Idaho Power filed its Application on October 3, 2008, supported by the Direct Testimony of Idaho Power witnesses Gregory W. Said and Courtney Waites. Idaho Power filed Supplemental Direct Testimony of Ms. Waites on October 21, 2008.

5. On November 5, 2008, Administrative Law Judge Lisa D. Hardie presided over a pre-hearing conference at which the parties agreed to a procedural schedule.

6. The Parties met for a Staff Workshop on November 5, 2008. As a result of discussions at the Staff Workshop, the Parties enter into this Stipulation.

STIPULATION

The Parties agree to the following, as a basis for this Stipulation:

7. Idaho Power is currently planning a system-wide implementation of Advanced Metering Infrastructure ("AMI"), with installation in its Oregon service territory to occur during the month of October, 2010.

8. The AMI implementation will replace the existing customer meters and metering system with AMI technology.

9. ORS 757.355 specifies that utilities may not collect from any customer rates that include the costs of "construction, building, installation or real or personal property not presently used for providing utility service." To ensure that ORS 757.355 does not strand Idaho Power's investment in existing meters or preclude Idaho Power from recovering its return on that investment, Idaho Power should be allowed to accelerate the depreciation of existing metering equipment in order to fully depreciate the meters before replacing them.

10. The Company has conducted a depreciation study of its electric plant-in-service and proposed to include as a mitigation of the rate increase associated with the AMI accelerated depreciation, a rate decrease associated with the revised depreciation rates.

Therefore, the Parties agree as follows:

- a. Idaho Power may accelerate the depreciation of the net plant value of its existing metering equipment using a straight line depreciation method over an eighteen (18) month period starting on January 1, 2009, and ending June 30, 2010.
- b. The effect of the accelerated depreciation of the existing metering equipment should be offset by the effect of the revised electric plant-in-service depreciation rates filed in UM 1395.
- c. Idaho Power will file for a rate proceeding by December 31, 2009 that will include a permanent rate revision related to the findings in UM 1395.
- d. The accelerated depreciation of the existing metering equipment, less the revenue requirement impact of the revised electric plant-in-service depreciation rates, will be collected by use of a rate rider in the amount of 0.0979 cents per kWh, effective in customer rates starting January 1, 2009, and ending June, 30, 2010. A draft copy of the proposed rider is attached to this Stipulation as Exhibit A.
- e. The rider may be temporarily suspended or terminated should issues arise during the deployment period that will delay mass deployment, to or beyond, June 30, 2009. Idaho Power agrees to provide notice at least 45 days prior to the June 30, 2009 date should it become aware of any specific issues that may cause a delay of mass deployment. Included as a special condition in the proposed tariff is a provision by which the rider may be terminated should the system-wide deployment not take place.
- f. Additionally, the rate in the rider assumes in its calculation that the OPUC will approve the same depreciation rates for its jurisdiction as

those that were recently put in place for the Company's Idaho jurisdiction. Staff is currently examining the depreciation rates in Docket UM 1395 and agrees in this Stipulation to implement the Company's proposed depreciation rate rider subject to revision should Oregon ultimately approve depreciation rates that differ from those implemented in the Company's Idaho jurisdiction.

- g. Prior to January 1, 2009, Idaho Power agrees to file, and the Parties agree to support, a deferred accounting application for Idaho Power to account for any difference between the amount of the rate offset incorporated in the rate rider implemented on January 1, 2009 due to the revised depreciation studies and the amount the Commission ultimately determines was appropriately offset due to its investigation in Docket UM 1395. A revision may be effected through either a change in the rider rate or a change in the effective ending date of the rider. The method used to implement a revision will be negotiated by the Parties upon the completion of Staff's review in Docket UM 1395.

11. The Parties agree that the Stipulation represents a compromise in the position of the Parties.

12. The Stipulation will be offered into the record of the above-captioned docket pursuant to OAR 860-014-0085. The Parties agree to support the Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor the Stipulation at any hearing held in the above-captioned docket and recommend that the Commission issue an order adopting the settlement contained herein.

13. The Parties have negotiated the Stipulation as an integrated document. If the Commission rejects all or any material portion of the Stipulation, or conditions its approval upon the imposition of additional material conditions, any party disadvantaged

by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration of the Commission's order.

14. By entering into this Stipulation, no party shall be deemed to have approved, admitted or consented to the facts principles, methods or theories employed by any other party in arriving at the terms of the Stipulation. No party shall be deemed to have agreed that any part of the Stipulation is appropriate for resolving issues arising in any other proceeding.


15. The Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

OPUC STAFF

By: _____
Stephanie Andrus, Attorney for Staff

Date: _____

IDAHO POWER

By: 

Lisa Rackner, Attorney for Idaho Power

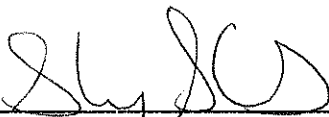
Date: Dec 15, 2008

by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration of the Commission's order.

14. By entering into this Stipulation, no party shall be deemed to have approved, admitted or consented to the facts principles, methods or theories employed by any other party in arriving at the terms of the Stipulation. No party shall be deemed to have agreed that any part of the Stipulation is appropriate for resolving issues arising in any other proceeding.

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OPUC STAFF

By: 
Stephanie Andrus, Attorney for Staff

Date: December 15, 2008

IDAHO POWER

By: _____
Lisa Rackner, Attorney for Idaho Power

Date: _____

SCHEDULE 92
DEPRECIATION ADJUSTMENT RIDER

PURPOSE

To recover from Customers the accelerated depreciation of the existing metering infrastructure that will be replaced by the installation of Advanced Metering Infrastructure (AMI) less the revenue requirement impact of the revised depreciation rates.

APPLICABILITY

This Schedule is applicable to all electric energy delivered to Customers served under Schedules 1, 7, 9 Secondary, and 24 Secondary.

ADJUSTMENT RATE

The Adjustment Rates, applicable for service on and after January 1, 2009, will be:

<u>Schedule</u>	<u>Description</u>	<u>Adjustment Rate</u>
1	Residential Service	0.0979¢ per kWh
7	Small General Service	0.0979¢ per kWh
9 Secondary	Large Power Service	0.0979¢ per kWh
24 Secondary	Irrigation Service	0.0979¢ per kWh

SPECIAL CONDITIONS

1. This Schedule will terminate within six months or less of the effective date if the Company does not commence mass deployment of meters by June 30, 2009.
2. This Schedule may be temporarily suspended in order to resolve specific issues identified during the mass deployment of meters. The Company must file an application to suspend at least 45 days before the termination deadline specified in Special Condition 1.

EXPIRATION

The Depreciation Adjustment Rider included on this Schedule will expire June 30, 2010.

Issued By IDAHO POWER COMPANY
By John R. Gale, Vice President, Regulatory Affairs
1221 West Idaho Street, Boise, Idaho

OREGON
Issued: October 3, 2008
Effective with service
rendered on and after:
January 1, 2009

Advice No. 08-08