

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 202

In the Matter of)	
)	
IDAHO POWER COMPANY)	ORDER
)	
Proposed Tariff for Electric Service.)	
Advice No. 08-08)	

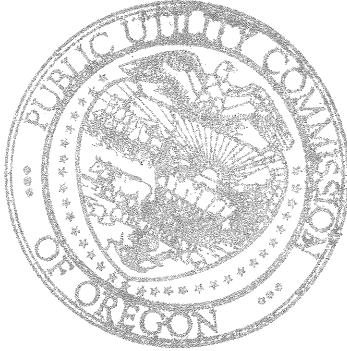
DISPOSITION: TARIFF SHEETS SUSPENDED

On October 3, 2008, IDAHO POWER COMPANY filed tariff sheets in Advice No. 08-08 to be effective January 1, 2009. The terms of the proposed tariff sheets are set forth in the Staff Report dated October 15, 2008, attached as the Appendix to this order.

At its November 4, 2008, public meeting, the Public Utility Commission of Oregon found good and sufficient cause exists to investigate the propriety and reasonableness of the tariff sheets pursuant to ORS 757.210 and 757.215. The Commission ordered suspension of the advice pending that investigation.

IT IS ORDERED that Advice No. 08-08 filed by IDAHO POWER COMPANY is suspended for a period of time not to exceed six months from January 1, 2009, the effective date of the tariff sheets.

Made, entered, and effective NOV 05 2008.



BY THE COMMISSION:

Becky L. Beier

Becky Beier
Commission Secretary

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.


ITEM NO. 3



**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 4, 2008**

REGULAR X CONSENT EFFECTIVE DATE January 1, 2009

DATE: October 15, 2008

TO: Public Utility Commission

FROM: Carla Owings 

THROUGH: Lee Sparling, Ed Busch and Judy Johnson  

SUBJECT: IDAHO POWER COMPANY: (Docket No. UE 202/Advice No. 08-08)
Requests rate change to reflect accelerated depreciation of existing meters due to the installation of Advanced Metering Infrastructure and revised depreciation rates.

STAFF RECOMMENDATION:

Staff recommends that the Commission suspend Idaho Power Company's application for revised tariff schedules in Advice No. 08-08.

DISCUSSION:

On October 3, 2008, Idaho Power Company (IPC or the Company) filed an application requesting a rate change to reflect the accelerated depreciation of its existing metering equipment due to the installation of Advanced Metering Infrastructure (AMI) and a revision to its existing depreciation rates. On October 7, 2008, the Company filed Advice No. 08-08, proposing to implement Schedule 92 to reflect the net change resulting from the revised depreciation rates for both the accelerated depreciation and an updated depreciation study. The Company proposes an effective date of January 1, 2009.

Revised Depreciation Rates:

IPC filed its updated depreciation study with the Idaho Public Utilities Commission (IPUC) on April 1, 2008, based on a depreciable electric plant at December 31, 2006. On August 27, 2008, the Company and the Staff of the IPUC stipulated to several adjustments to the Company's originally proposed depreciation study resulting in a final reduction to IPC's depreciation expense of \$8.5 million for the Company's Idaho jurisdiction effective August 1, 2008, implemented through IPUC Order No. 30639.

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IPC proposes that Oregon adopt the provisions of the IPUC order since it would be administratively difficult and extremely cumbersome if the Company were required to charge different depreciation rates in Oregon than the rates ordered in Idaho. The **decrease** to annual depreciation expense in Oregon would be approximately **\$416,355** pursuant to adoption of the IPUC order. The Company proposes it be allowed to implement the change in depreciation rates effective August 1, 2008. The change in customer rates would become effective January 1, 2009, to coincide with an acceleration of existing meters to allow for the implementation of AMI.

Accelerated depreciation for existing metering equipment:

IPC has developed an AMI Implementation plan proposing a three-year deployment that would begin in January of 2009 and continue through the end of 2011. In 2004, IPUC ordered Idaho Power to implement AMI over its entire system by the end of 2004. The implementation was subsequently delayed due to financial, technical and implementation problems related to meeting that time frame. IPUC amended its order to work toward AMI technology "as soon as possible". IPC has filed periodic status reports since that time and on August 4, 2008, filed for a Certificate of Public Convenience and Necessity to install AMI technology.

ORS 757.355 provides that a utility may not charge rates based on plant not presently used for providing utility service. Accordingly, the Company asks for authority to accelerate the depreciation of existing metering equipment prior to replacing them with the AMI meters in order to avoid a stranded investment cost related to the existing metering equipment. The Company states that the accelerated recovery of the existing metering equipment is a fundamental assumption in the Company's financial analysis supporting the cost-effectiveness of the AMI deployment.

The Company proposes to accelerate the existing meters over an 18-month period beginning January of 2009 and continuing through June of 2010, resulting in a depreciation expense increase of approximately \$76,721 monthly or \$920,654 annually. The Company does not propose to request any recovery of its capital investment related to the AMI implementation project as a part of this application. The Company will file a separate request for that at a later time.

Proposed Offset:

IPC proposes to implement both rate changes simultaneously, offsetting the \$416,355 decrease (approximate) that would stem from the updated depreciation rates with the \$920,654 increase (approximate) stemming from the acceleration of depreciation of the existing metering equipment. IPC proposes to use a tariff rider that would become

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effective January 1, 2009, and continue through June of 2010. The tariff would result in a net increase of approximately \$504,299, or approximately 2.2 percent increase for residential service customers, 2.3 percent for large power service customers, and 2.5 percent for irrigation customers.

Staff recommends the Commission suspend the tariffs for a six-month period in order to allow the Commission to evaluate the reasonableness of the Company's proposed rates pursuant to ORS 757.215(1).

PROPOSED COMMISSION MOTION:

Idaho Power Company's application for revised tariff schedules in Advice No. 08-08 be suspended for a six-month period effective January 1, 2009.

IPC UE 202/Advice 08-08 suspension