



IDAHO POWER COMPANY
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BARTON L. KLINE
Senior Attorney

IDAHO PUBLIC
UTILITIES COMMISSION
January 17, 2003

Ms. Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington Street
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-02-12
Reply Comments of Idaho Power Company

Dear Ms. Jewell:

Enclosed herewith for filing with the Commission are an original and seven (7) copies of the Reply Comments of Idaho Power Company regarding the above-captioned case.

I would appreciate it if you would return a stamped copy of this transmittal letter for our files.

Very truly yours,

Barton L. Kline

BLK:jb
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Idaho Power Company

Street Address for Express Mail:

1221 West Idaho Street
Boise, Idaho 83702

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	CASE NO. IPC-E-02-12
INVESTIGATION OF TIME-OF-USE)	
PRICING FOR IDAHO POWER)	REPLY COMMENTS OF IDAHO
RESIDENTIAL CUSTOMERS.)	POWER COMPANY
_____)	

COMES NOW, Idaho Power Company ("Idaho Power" or "the Company"),
by and through its attorney of record, and in response to the comments of the
Commission Staff and the Northwest Energy Coalition and Land and Water Fund of the
Rockies, hereby submits the following reply comments.

COMMENTS OF THE COMMISSION STAFF

The Company will address several comments made by Staff in reference
to the Company's Residential Time-of-Use Pricing Viability Study (the "Report")
regarding the potential benefits of time-of-use (TOU) pricing and the implementation of
an automated meter reading (AMR) system.

1. Potential Benefit of Time-of-Use Pricing

Staff's comments on the potential benefit of TOU pricing provide an incomplete representation of the results included in the Report. In its comments, Staff states that the Christensen portion of the Report concluded that mandatory, critical peak time-of-use (CP TOU) retail pricing provides the potential for benefits exceeding \$1 million (Staff Comments, p. 2). While this representation, read in isolation, is correct, it represents only a portion of the Report's ultimate conclusion. Staff's comments blur the important distinction between the value associated with load reductions (i.e., the value associated with reductions in power supply costs) with the value associated with customer bill reductions. At page 5 Staff commented, "Under mandatory, critical peak TOU pricing, the value of *load reductions and cost savings potential* exceed \$1 million annually" (emphasis added). A more careful reading of the section of the Report referenced by Staff (Report, p. 23), indicates that the \$1 million in potential benefits referred to by Staff represents the benefit *customers* could realize as a result of reduced bills associated with the time-of-use pricing. This potential benefit to individual customers has no correlation to the value associated with reduced power supply costs attributable to load shifting.

As designed and analyzed in the Report, mandatory, CP TOU pricing has the potential to provide an immediate aggregate bill reduction benefit to residential customers in excess of \$1 million (the benefit, or detriment, to individual customers would vary depending on each customer's usage characteristics and/or ability to shift load off of the peak period). However, the Christensen portion of the Report referenced by Staff (Report, p. 23) concurrently concludes that the key factor affecting potential

long-term benefits from Idaho Power's perspective is the nature of the costs that would be avoided by customers' load shifting. As was concluded in the Report, under the base cost scenario for mandatory, critical peak TOU pricing, in which customers have the potential for over \$1 million in immediate bill benefits, the reduction in power supply costs associated with load shifting is only \$370,000 (Report, p. 23; Report, Table 2, p. 29). The true long-term value of any TOU pricing structure is the potential to reduce total power supply costs by encouraging load shifting. Permanent customer bill reductions would ultimately flow from those reduced power supply costs. A pricing mechanism that provided \$630,000 more in bill reductions than are supported by cost reductions is not economically viable and will ultimately lead to overall increased rates for all customers, negating any customer benefit that might be available under TOU rates.

In summary, the real value of time-of-use pricing comes from a reduction in power supply costs resulting from load shifting, which in turn leads to the reduction in rates paid by all customers, not just the amount of near-term reduced rates passed on to some customers through bill reductions. As was illustrated in the Report (Report, Table 2, p. 29), on Idaho Power's system, the net reductions in costs resulting from time-of-use pricing are modest.

2. Ability to Track Market Prices with an AMR System

In its comments Staff stated, "With either existing meters or traditional TOU meters, TOU electricity rates will not reflect the actual cost of production or wholesale market prices during most hours of the year". (Staff Comments, p. 3). Staff further states, "With AMR, retail prices can vary as necessary to track costs while

treating all customers the same regardless of billing cycle because the monthly meter reading schedule is no longer a limiting factor". (Staff Comments, p. 4). The Company agrees with Staff's statement that TOU electricity rates will not reflect the actual cost of production or wholesale market prices during most hours of the year. However, this statement is correct regardless of whether existing meters, traditional TOU meters, or an AMR system is used to record and gather customer usage information. Unless dynamic pricing, which could vary hour by hour, is approved by the Commission, the prices charged customers under any TOU pricing structure will not match energy costs. Although the critical-peak TOU pricing structure overcomes several of the issues associated with standard TOU pricing, it does not eliminate the mismatch between prices and costs.

The Staff's assertion that with an AMR system the monthly meter-reading schedule is no longer a limiting factor is incorrect. While an AMR system allows for more flexibility in obtaining usage information than a manual read system, monthly meter reading and billing schedules will still be necessary in order to generate bills, manage work flows, and integrate usage information into the Company's customer billing system.

3. Energy Efficiency Advisory Group

Staff was critical of Idaho Power's assessment of the conclusions reached by the Energy Efficiency Advisory Group (EEAG) regarding time-of-use pricing for residential customers (Staff Comments, p. 6). The Company would point out that while individual impressions of the results of a meeting can vary, Idaho Power's

representation of the conclusions reached by the EEAG is consistent with the minutes of the meeting as reviewed and approved by the individual EEAG members.

4. Implementation of an AMR System

In its comments, "Staff questions why the Company has not yet implemented a plan to install an AMR system and apparently is not planning to do so in the near future" (Staff Comments, p. 7). The Company is surprised at Staff's comment. In response to informal questions posed by Staff prior to the deadline for the filing of Staff Comments, the Company indicated that it is currently experiencing a very tight capital market. The capital budget approved by the Company's board of directors for 2003, although increased over the 2002 capital budget, is still constrained and includes funding only for those items that are deemed critical to reliable operations. While an AMR system would provide many benefits, its immediate implementation is not critical for reliability or ongoing business operations during 2003. The Company expressed to Staff its intent to request 2004 budget approval of the capital needed to begin implementation of an AMR system during 2004.

COMMENTS OF NW ENERGY COALITION AND LAW FUND

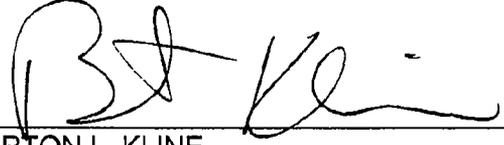
The NW Energy Coalition and Land and Water Fund of the Rockies stated that on a "hydro-based grid, the economic value of load shifting is very modest" (NE Energy Coalition, et. al., p. 3). Idaho Power agrees with this assessment. The analysis performed by Christensen Associates and included in the Report indicates that the benefits from load shifting (i.e., reductions in power supply costs) are very modest and in most cases are less than the benefits passed on to customers in the form of bill reductions (Reference Table 2 of the Report, p. 29). The Company also agrees with

the NW Energy Coalition's and the Land and Water Fund of the Rockies' recommendation that further consideration of TOU pricing for Idaho Power's residential customers be deferred until its impacts are better understood (NE Energy Coalition, et. al., p. 4). Idaho Power has been monitoring Puget Sound Energy's (PSE) pilot time-of-use program from its inception and agrees that the evaluation of PSE's program will provide information that will be helpful in evaluating potential impacts of TOU pricing on Idaho Power's customers.

CONCLUSION

Idaho Power filed its Report in compliance with Commission Order No. 29026. In the Report, the Company concluded that it is not economically viable to implement time-of-use pricing prior to the implementation of an AMR system. Idaho Power acknowledges that automated meter reading capability provides multiple benefits, many of which are unrelated to its ability to enable time-based pricing structures. As indicated in these Reply Comments, Idaho Power plans to request budget approval for the capital necessary to begin AMR implementation in 2004. This approval of course would be subject to the Company's financial situation, capital markets, and other resource needs. Idaho Power has been evaluating the potential costs and benefits of implementing TOU pricing for its various customer classes for several years and plans to continue evaluating it in the future. As additional information regarding the impacts of TOU pricing becomes known, Idaho Power believes it will be useful in its own evaluation. Idaho Power believes that no further action on the Commission's part regarding time-of-use pricing as it relates to the Company is necessary at this time and that this docket should be closed.

Respectfully submitted this 17th day of January, 2003.

A handwritten signature in black ink, appearing to read "B L Kline", written over a horizontal line.

BARTON L. KLINE
Attorney for Idaho Power Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 17th day of January, 2003, I mailed a true and correct copy of the above and foregoing REPLY COMMENTS OF IDAHO POWER COMPANY to the following named commenters at the addresses listed below:

Lisa D. Nordstrom, Deputy Attorney General
Idaho Public Utilities Commission
472 W. Washington Street
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William M. Eddie, Idaho Office Director
Land & Water Fund of the Rockies
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