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2004 MAR 17 PM 3:40
IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

)	
)	CASE NO. IPC-E-04-3
)	
IN THE MATTER OF THE)	REPLY OF IDAHO POWER
APPLICATION OF IDAHO POWER)	COMPANY TO THE
COMPANY FOR AUTHORITY TO)	COMMENTS OF THE
IMPLEMENT AN IRRIGATION PEAK)	COMMISSION STAFF AND
CLIPPING PILOT PROGRAM)	THE IDAHO IRRIGATION
)	PUMPERS ASSOCIATION

COMES NOW Idaho Power Company (“Idaho Power” or “the Company”) and, pursuant to Idaho Public Utilities Commission (“IPUC” or the “Commission”) Order No. 29430 issued on February 18, 2004, hereby submits the following reply comments to the comments offered in this matter by the Commission Staff (“Staff”) on March 10, 2004 and by the Idaho Irrigation Pumpers Association on February 24, 2004.

The Company appreciates the general support of the Company’s proposed Irrigation Peak Clipping Pilot Program (the “Program”) and Tariff Schedule 23 by the Staff and

the Idaho Irrigation Pumpers Association. The following reply comments respond to the comments offered by the Staff concerning the proposed Program and Schedule 23.

1. **Customer versus Metered Service Point:** On page 4 of the Staff's comments, the Staff correctly notes in footnote 1 that Idaho Power intends to accept 200 metered service points into the Program instead of 200 customers as stated in the Company's Application and proposed tariff. Both the Application and the tariff should be revised to note this clarification. Should the Commission determine in favor of the Application and Schedule 23, the Company recommends it be directed to submit tariff sheets for Schedule 23 that are corrected in conformance with Exhibit 2 attached hereto.

2. **Program Availability:** In its comments, the Staff inquires whether a pilot program is necessary to achieve the goals set forth by the Company for this Program. Through deployment of other load control pilot programs, it is the Company's experience that it is prudent to conduct pilot programs before generally offering programs of this nature to all of the Company's qualified customers.

Pilot programs allow the Company to gain experience in operating and managing a new program and testing new equipment and technology that may be used in a fully developed program. A pilot program also allows the Company to test the assumptions that it used in its analysis for program design. Furthermore, through a pilot program, the Company has an opportunity to install the equipment and systems used to operate these programs incrementally. The knowledge and experience gained by the Company in a pilot program enables the Company to offer the broader range of customers a more established and better-managed program. Using this method of evaluating and testing a new program generally translates into higher customer

satisfaction. Greater customer satisfaction, as a rule, results in enhanced customer participation that, in turn, results in increased peak load reduction, the goal of this Program.

Staff states that its position concerning general availability of the Program throughout the Company's service area is consistent with the recommendation concerning the Program made by the Energy Efficiency Advisory Group ("EEAG"). Specifically, Staff notes that at its January 14, 2004 meeting, the EEAG recommended that Idaho Power launch the Program as a full program rather than a pilot or add more service points to increase the size of the pilot program. While Staff is correct in its representation, it should be noted that there was not unanimous agreement among the EEAG members regarding the scope of the initial Program. Some EEAG members supported offering the program as a pilot only while others supported initiating a full program during the upcoming irrigation season. Rather than launching a full program, the Company decided to increase the size of the pilot program, as recommended by some of the EEAG members, by increasing the number of participants from the 100 metered service points originally proposed to 200 metered service points and to offer the pilot program in four areas within the Company's service territory rather than in a single test area.

The Company concurs with Staff's general observation that it is likely too late to make the proposed Program available to all the Company's customers who may wish to participate in the Program during the 2004 irrigation season. Offering the Program to a maximum of 200 metered service points in four different areas of the Company's service territory is the reasonable number the Company believes can practically be served in time for the 2004 irrigation season. In addition, distributing the number of participants in the pilot program to 50 metered service points in four areas of the service territory will permit the Company to

better assess volunteerism. Therefore, Idaho Power respectfully requests that the participation level of the Program during 2004 be limited to 200 metered service points.

3. **Number of Hours of Interruption:** In its comments Staff also notes that the EEAG recommended the Company consider expanding the hours of interruption or use the pilot to test whether to expand the hours. Again, the EEAG was not unanimous in its recommendation concerning the number of hours of interruption favored for the pilot program. EEAG members representing the irrigation customers and Idaho Power's agricultural irrigation expert maintained that four hours per week was a reasonable number of hours to interrupt irrigation load without adversely affecting crop production or encouraging irrigators to change the size or design of their irrigation systems to participate in this Program. The Idaho Irrigation Pumpers Association generally supported the Program as set out in the Company's Application. *See Idaho Irrigation Pumpers Association Comments dated February 24, 2004.*

The Company intends to use the results of the pilot program to assess the efficacy of using timers on irrigation pumps to reduce summer peak; to determine customer participation, volunteerism, satisfaction and retention; and to monitor any unintended consequences from the Program. In addition, offering the Program in different areas of the Company's service territory would allow the Company to weigh the success of the Program across different geographic and climatic regions of the Company's service territory.

The Program participants will be surveyed to determine their satisfaction with the Program and to judge whether increased hours of load reduction would be practically possible. The Company also intends to survey some non-participating irrigation customers to determine if the number of hours of load reduction in the pilot program was a factor in their decision not to participate in the Program. The Company respectfully requests that it be permitted to rely on the

results of the Program and the proposed surveys to determine the suitable number of hours of interruption for any subsequent Program years.

4. **Number of Interruptions Per Week:** Staff recommends that irrigation customers participating in the Program be given the option of multiple load interruptions within a week. Based on the recommendations of the Company's agriculture expert and its irrigation customers, the Company has proposed one four-hour load interruption per week per metered service point.

The Company believes that this level of interruption will allow most irrigators an opportunity to participate in the Program without reducing crop production or encouraging the modification of their irrigation systems. Too many interruptions may encourage customers to attempt to reduce production to take advantage of the incentives. It is not the intention of the Company to affect externalities such as economic activities in the rural areas, crop production or local employment with this Program. Further, if irrigation customers decide to resize their irrigation equipment to participate in this Program, this would place an increased demand on the Company's system at all other times. For these reasons, the Company strongly urges the Commission to approve the Program as filed.

However, should the Commission determine that the Company should increase the amount of load interruptions per metered service point per week beyond the one recommended by the Company, the Company recommends offering Program participants the following three options:

- (a) Four hours one day per week at \$1.75 per kW of Billing Demand;
- (b) Four hours two days per week at \$1.88 per kW of Billing Demand; or
- (c) Four hours three days per week at \$2.00 per kW of Billing Demand.

Although the Company recommends limiting the pilot program to one interruption per week, it believes the three options identified and the incentive level associated with each of the options are reasonable and should meet the Company's objective of not encouraging reduced consumption or redesigned systems.

5. **Program Year 2005 Availability:** Staff recommends that the Program be made available to all customers for the 2005 irrigation season. The Company believes that the decision to develop any direct load control program should be made through the Integrated Resource Plan ("IRP") process. If the analysis associated with the 2004 IRP shows that this Program is a cost effective resource and if the results of the 2004 pilot program indicate that irrigation peak clipping is a viable demand response program, the Company suggests the appropriate process for determining the program scope beyond the 2004 irrigation year is through the EEAG. The EEAG is the appropriate forum for formulating, evaluating and implementing energy efficiency and demand reduction programs.

6. **Amount of Load Reduction:** Staff indicates in its comments that the load reduction from the Program would be 19 kW per metered service point and 27 MW of load reduction from 1,400 metered service points. While the Company does not understand the precise method used by Staff to calculate this amount of load reduction or know the source of this information, the Company wishes to clarify its calculations and assumptions of the load reduction estimates presented to the EEAG.

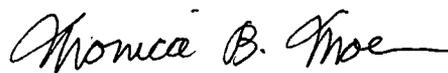
The Company expects approximately 109 kW of load reduction per metered service point in a fully implemented Irrigation Peak Clipping Program. This calculation is based on the assumptions that the average metered service point would be approximately 150

horsepower in size and that the Program would likely attain a participation level of 10% of the Company's eligible customers.

Based upon those assumptions, about 1,400 metered service points would be expected to participate in the Program. At this participation level, the Company could attain 168 MW of load reduction over five weekdays or 33.6 MW load reduction per weekday. With a 20% uncertainty discount, this would equate to a 27 MW load reduction per weekday. Since only one-fifth of the 1,400 metered service points, or 280 metered service points, would be turned off per weekday, a reduction of 96 kW per metered service point per day would be expected. When this number is adjusted for losses to represent the amount of load reduction at the generation level, the Company would expect an approximate 109 kW load reduction per metered service point.

7. **Reporting Requirements:** Staff recommends that the Company file a report on this Program no later than December 1, 2004. This reporting deadline is reasonable and would afford the Company an opportunity to make prudent decisions concerning extension of the Program beyond the 2004 irrigation season.

Respectfully submitted this 17th day of March 2004.



MONICA B. MOEN
Attorney for Idaho Power Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 17th day of March 2004, I served a true and correct copy of the within and foregoing REPLY COMMENTS OF IDAHO POWER COMPANY upon the following named parties by the method indicated below, and addressed to the following:

COMMISSION STAFF

John R. Hammond, Jr.	<u> x </u>	Hand Delivered
Deputy Attorney General	<u> </u>	U.S. Mail
Idaho Public Utilities Commission	<u> </u>	Overnight Mail
P.O. Box 83720	<u> </u>	FAX
Boise, ID 83720-0074		

IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.

Randall C. Budge	<u> </u>	Hand Delivered
Racine, Olson, Nye, Budge & Bailey	<u> x </u>	U.S. Mail
P.O. Box 1391	<u> </u>	Overnight Mail
Pocatello, ID 83204-1391	<u> </u>	FAX



MONICA B. MOEN

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-04-3

IDAHO POWER COMPANY

EXHIBIT 2

SCHEDULE 23
IRRIGATION PEAK CLIPPING
PILOT PROGRAM
(Optional)

PURPOSE

The Irrigation Peak Clipping Pilot Program ("the Program") is intended to test the viability of decreasing the Company's system summer peak with the use of electronic timer switches ("Timer") to turn off power to selected irrigation equipment during peak weekday hours in the summer months. The Program is an optional, supplemental service that permits participating irrigation Customers to allow the Company to turn off the power to specific irrigation equipment on a regular basis with the use of a Timer. In exchange for allowing the Company to turn off power to specified irrigation equipment, participating Customers will receive a monthly monetary incentive paid on the basis of the kW of load reduction, as measured by the Customer's Billing Demand, at the Customer's metered service point ("Metered Service Point"). The Program will be piloted during the 2004 irrigation season and will expire on October 1, 2004, unless extended by the Company.

AVAILABILITY

Service under this schedule is available on an optional basis to Customers with a Metered Service Point or Points receiving service under Schedule 24 where the Metered Service Point serves a water pumping or water delivery system used to irrigate agricultural crops or pasturage. If a Metered Service Point provides electricity to more than one irrigation pump, each pump will be scheduled for service interruption on the same weekday cycle. Metered Service Points eligible for this Program must provide electric service to irrigation pumps with at least 150 cumulative horsepower. The Company will make this optional service available to up to 50 ~~Customers~~ Metered Service Points in each of four areas of the Company's service territory. Customers will be selected from the Kuna/Melba/Nampa area, the Mountain Home/Bruneau/Grand View area, the Rupert/Paul area, and the American Falls area of Idaho Power's service territory. A total of not more than 200 ~~customers~~ Metered Service Points will be selected for this Program.

The Company may choose to accept Metered Service Points for participation based on demand, location, size of pump(s) or other factors aimed at creating a diverse participation in the Program. The Company may also choose to solicit participants to fill any vacancies caused by attrition in order to maintain the participation objectives. The Company retains the sole right to select and reject the participants under this schedule.

Each eligible Customer who chooses to take service under this optional schedule is required to enter into a Uniform Irrigation Peak Clipping Service Application/Agreement ("Agreement") with the Company prior to being served under this schedule. The Agreement will grant the Company or its representative permission, on reasonable notice, to enter the Customer's property to install a Timer or Timers on the electrical panel servicing the irrigation equipment associated with the Metered Service Points that are enrolled on this Program and to allow the Company or its representative reasonable access to the Timer following its installation.