

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR AUTHORITY) **CASE NO. IPC-E-04-3**
TO IMPLEMENT AN IRRIGATION PEAK)
CLIPPING PILOT PROGRAM.) **ORDER NO. 29462**
)

On February 5, 2004, Idaho Power Company (Idaho Power; Company), filed an Application, pursuant to Commission Rule of Procedure 52, for authority to institute its proposed Irrigation Peak Clipping Pilot Program ("Pilot Program" or "Program") and proposed Tariff Schedule 23. Idaho Power proposed that Tariff Schedule 23 become effective on March 6, 2004. On February 18, 2004, the Commission issued a Notice of Application and Notice of Modified Procedure and suspended the effective date of the proposed Program and Tariff Schedule 23 until April 5, 2004, or until the Commission issues an Order approving, modifying or rejecting them. Order No. 29340. On February 27, 2004 and March 10, 2004, respectively, the Idaho Irrigation Pumpers Association ("Irrigators") and the Commission Staff filed written comments. On March 17, 2004, Idaho Power filed reply comments.

After reviewing the record in this case the Commission grants Idaho Power's Application and approves the implementation of its Program and tariff with the modifications and reporting requirements detailed below.

THE PROGRAM

Idaho Power's 2002 Integrated Resource Plan ("IRP") identified peak resource deficiencies facing the Company's system in upcoming years. To help remedy some of these anticipated shortfalls the Company indicated it would target demand-side measures to acquire peak-hour demand reductions. In its Application the Company stated its irrigation summer load is a major portion of its summer peak demand. Idaho Power believes the Irrigation Peak Clipping Pilot Program could reduce peak-hour demand by attempting to manage capacity instead of energy.

Idaho Power contends this Pilot Program will provide the Company the means to test the viability of decreasing its system summer peak with the use of electronic timer switches ("Timer") to turn off power to selected irrigation equipment during peak weekday hours.

Through the Pilot Program the Company states it will also gain operating/managing experience in running the Program. The Company also contends the Pilot Program will allow it to assess customer participation, volunteerism, satisfaction and retention as well as to monitor any unintended consequences from operation of the Program.

The Company stated that to participate in the Program a customer must have a Metered Service Point or Points that take electric service from Idaho Power under Tariff Schedule 24 and serve a water pumping or delivery system used to irrigate agricultural crops or pasturage. In addition, each metered service point a customer wishes to enroll in Idaho Power's Program must provide electric service to irrigation pumps with at least 150 cumulative horsepower. After determining that a customer's Metered Service Point or Points meet this criteria the Company will target those irrigators who can commit to turning off power behind Metered Service Points for four hours per week during the calendar months of June, July and August 2004. Idaho Power determined that four hours of power interruption per week was reasonable based on input from various customers and taking into consideration the hot, dry climate of the Company's service territory. The Company represented this interruption period would not necessitate a change in the type of crop planted, altering the crop yield, or require a redesign of irrigation systems.

The Company will require customers who are selected to participate in the Program to enter into a Uniform Irrigation Peak Clipping Service Application Agreement ("Agreement") with the Company. By entering into the Agreement, the customer would agree, with prior notice, to grant the Company or its representative permission to enter the customer's property to install a Timer or Timers on the electrical panel servicing the irrigation equipment that is associated with the Metered Service Point enrolled in the Program. Idaho Power also states the customer must also allow the Company or its representative reasonable access to the Timer following its installation.

Idaho Power stated it will enroll not more than 200 Metered Service Points for the Pilot.¹ The Company's goal is to enroll the customers with these point or points and install all Timers by June 1, 2004. The Company may enroll customers in the Program after June 1, 2004

¹ Initially, it was unclear whether Idaho Power intended to accept 200 customers or 200 metered service points into the Program. The Company's Reply Comments clarified that it intended to accept not more than 200 metered service points into the Program.

to achieve desired participation levels, but no later than July 1, 2004. The Company will make this Program available to up to 50 Metered Service Points in each of four areas in the Company's service territory. These are 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. The Company contends it may choose to accept metered points for participation based on demand, location, and size of pump(s) or other factors aimed at creating a diverse participation in the Program. Idaho Power also states it may choose to solicit participants to fill any vacancies caused by attrition in order to maintain participation objectives. Finally, Idaho Power stated that if its Program were approved as filed it would retain the sole right to select and reject the participants for the Program.

To effectuate the Program the Company will install a Timer or Timers, at its own expense, on the customer's electrical panel(s) that services one or more irrigation pumps. Idaho Power will program the Timers to interrupt electrical service to the irrigation pump(s) on one regularly scheduled weekday per week for a four-hour period between 4 p.m. and 8 p.m. The Company stated approximately one-fifth of the total load reduction capacity enrolled in the Program would be scheduled for turn off each weekday during the months of June, July and August of the 2004 irrigation season. The Company stated it retains the sole right to select the load reduction weekday for each Metered Service Point or Point(s) accepted for participation in the Program. The Company stated it will also install mass memory meters on a sample of the participants' Metered Service Points for Program monitoring and evaluation purposes. The Company proposes that it have the sole discretion to choose these Points selected for monitoring and evaluation.

In exchange for allowing the scheduled interruption, participating customers would receive a monthly, monetary incentive ("Load Control Service Credit" or "Credit") paid on the basis of the number of kilowatts of load reduction, as measured by the Billing Demand, at the customer's Metered Service Point.² The Credit will be calculated by multiplying \$1.75 by the Billing Demand for the Metered Service Point that is enrolled in the Program. The Credit will be included on the customer's monthly bill for the months of June, July and August only.

² The Company stated in its Application that because of the water requirements of the crops grown in southern Idaho, it fully expects that, in almost all situations, the energy consumption curtailed during the four-hour period of interruption will be consumed either prior to or following the interruption resulting in no overall energy consumption reduction.

Idaho Power stated the Program is an optional, supplemental service that will be piloted during the 2004 irrigation season and will expire on October 1, 2004, unless extended by the Company.

The Company indicated that the Energy Efficiency Advisory Group ("EEAG") has concurred with Idaho Power's proposal to use Energy Efficiency Rider funds, collected under Idaho Power Schedule 91, to finance the Program. The costs of the Program will be approximately \$294,750 for one-year.

Idaho Power stated that it would include the results of the Program in the annual report to the Commission detailing the EEAG activities. The Company said this report will include its response to EEAG recommendations, the associated program costs, the DSM accounting numbers and customer response data.

COMMENTS

1. Staff Comments

Staff supported Idaho Power's stated purpose for the Program and believed it is consistent with the objectives of its IRP and the Commission's recent Order concerning Idaho Power's Bennett Mountain Plant. *See* Order No. 29410 at p. 10. However, Staff stated it was not clear why a pilot is necessary to achieve the goals of reducing summer system peak deficiencies. Staff pointed out that a similar program, PacifiCorp's Irrigation Load Control Credit Rider Program - Schedule 72 (PAC-E-03-3 and PAC-E-03-14), was implemented in the summer of 2003 and was available to all irrigation customers the first year it was offered. That program has been well received and considered a success by PacifiCorp, the Commission and most customers. Staff also stated it is not clear why participation should be limited in order to assess customer participation, volunteerism, satisfaction, retention or to monitor any unintended consequences from the Program. Staff contended these and other issues could be evaluated more thoroughly in a larger, voluntary program. Accordingly, Staff believes the Program should be made available to the maximum number of irrigators possible this year and to all irrigation customers for the 2005 irrigation season.

Staff believed the amount and frequency of interruption is also an appropriate issue to be evaluated in the Program. Staff contended it is premature to limit the irrigator's options to a single four-hour interruption because there are too many variables, including type of crop, soil type, climate and irrigation system design to have a one size fits all approach. Thus, Staff

recommended that the Company offer irrigators different interruption options. Staff believed this could be done with little or no added cost.

Staff believed the incentive/credit amount Idaho Power proposes to pay irrigators for interruptions in service is reasonable.

If the Commission approves the implementation of the Program, Staff recommended that Idaho Power file a report with the Commission on the operation of the Pilot Program and its results no later than December 1, 2004. In general, Staff contended the report should provide sufficient detail to facilitate a meaningful evaluation of the Program. Staff asserted the report should include the number of customers and the number of sites participating, amount of load under control, amount of load reduction achieved, the number of times and the amount of load that failed to be interrupted when scheduled and the reason for the failure. The report should also provide a detailed cost breakdown, with a cost effective analysis, an assessment of customer satisfaction and any recommended changes in the Program.

2. Irrigators' Comments

The Irrigators supported the stated goal of Idaho Power's Program and stated they looked forward to the opportunity to review and evaluate its operation. The Irrigators also expect that the Program could be modified after the 2004 season as may be appropriate and instituted as a permanent tool designed to be cost effective to the Company and also priced appropriately to create an incentive for participation by irrigation customers. The Irrigators also urged the Commission to promptly approve and implement the Program and Tariff Schedule 23.

3. Idaho Power Reply Comments

First, Idaho Power stated it only intends to accept up to 200 Metered Service Points into the Program instead of 200 customers as stated in the Company's Application and proposed tariff. The Company stated it would submit a corrected Tariff Schedule 23 to reflect this.

Second, the Company stated it is offering this Program as a pilot because it is prudent to do so in order to gain experience in operating and managing a new program as well as testing new equipment and technology that may be used in a fully developed program. The Company stated that using this method generally translates into higher customer satisfaction, enhanced customer participation and an increase in peak load reduction.

Third, although Staff recommended expanding the number of hours of interruption the Company contends through the pilot program it will still be able to assess the efficacy of this

issue and many others. The Company stated it would survey participants to determine their satisfaction with the Program and to judge whether an increase in hours of load reduction would be possible. The Company also stated it would survey some non-participating irrigation customers to determine if the number of hours of load reduction in the Program was a factor in their decision not to participate.

Fourth, despite Staff's recommendation that the Company allow irrigation customers the option of providing multiple interruptions within a week, Idaho Power believes that giving the option of only one interruption per week will allow most irrigators an opportunity to participate in the Program without reducing crop production or encouraging the modification of their irrigation systems. However, should the Commission determine the Company should increase the amount of load interruptions per Metered Service Point per week Idaho Power recommended 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.

Fifth, the Company stated that the decision to develop any direct load control program should be made through the IRP process. The Company contended that if the 2004 IRP analysis shows this Program is a cost effective resource and if the results of the Program indicate it is a viable demand response program, the Company suggested the appropriate process for determining its scope beyond 2004 should be through the EEAG.

Finally, the Company stated that it would be able to file a report regarding the operation and results of the Program with the Commission, as requested by Staff, by December 1, 2004.

COMMISSION DECISION

Idaho Power Company is an electric corporation subject to the Commission's regulation under Title 61 of the Idaho Public Utilities Law. *Idaho Code* § 61-101 *et seq.* ("Public Utilities Laws"). In addition, the Commission has jurisdiction over this matter because the method under which Idaho Power presently provides electric service would change for those irrigation customers who might participate in the Program under Tariff Schedule 23. *See Idaho Code* §§ 61-302, 61-303 and 61-307.

Conservation and demand-side management (DSM) programs are powerful tools Idahoans can use to manage their energy consumption and mitigate the impact of potential rate increases. In recognition of this, the Commission directed Idaho Power to file a comprehensive conservation and DSM program in 2001. Order No. 28722 at 21.³ The Commission also directed Idaho Power to form the EEAG to recommend DSM measures, enhance existing DSM programs, prioritize implementation of appropriate programs and evaluate each program's effectiveness. Order No. 28894 at 7. The Commission believes this Application and Program are submitted as part of the Company's efforts to develop DSM and conservation programs in consultation with the EEAG and in compliance with our directives.

The Commission has reviewed and considered Idaho Power's Application and the analyses and recommendations made by Staff and the Company in their written comments. Based on this record we agree with the parties that Idaho Power's proposed Pilot Program is a resource which could help address the Company's concerns that its existing resources are likely insufficient to meet expected peak energy requirements on its system in 2004 and going forward. *See generally* Order No. 29189, (Case No. IPC-E-02-8). In addition, the Commission finds that if the Program is successful it could decrease Idaho Power's overall energy costs which would in turn result in a potential savings to all of the Company's customers. Thus, the Commission finds that it is in the public interest to approve the operation of this Program for the 2004 irrigation season.

Although the Commission has some evidence that programs of this type are effective, we find that in this case allowing Idaho Power to operate this Program as a pilot during the 2004 irrigation season is the reasonable course to take. This pilot will provide the Company, its customers and the Commission with valuable information about the efficacy of using this type of Program and technology to address the deficiencies facing Idaho Power's system because of summer peak demand. By operating the Pilot Program, the Commission also finds the Company will gain experience in operating and managing a Program of this type. Through this experience the Company and interested parties can further the development and implementation of this Program more fully if it proves to be a good resource. The Commission also finds that using this

³ Order No. 28722 required the Company to file a "comprehensive DSM program by August 1, 2001 that details program structure, potential conservation measures to pursue and funding options that include a tariff rider." Order No. 28722 at 21.

method to evaluate the Program may in turn lead to higher customer satisfaction, participation and a greater peak load reduction if it is ultimately implemented more broadly. Accordingly, the Commission finds that it is reasonable to allow Idaho Power to operate this Program as a pilot during the 2004 irrigation season.⁴

The Commission also finds that the Company's proposal to enroll not more than 200 Metered Service Points in its Program for the 2004 irrigation season is reasonable. In addition, the Commission finds merit in Idaho Power's plan to equally divide the 200 Metered Service Points between four of the Company's service territories: the Kuna/Melba/Nampa area; the Mountain Home/Bruneau/Grand View area; the Rupert/Paul area; and the American Falls area. Allowing the Company to select participants at its sole discretion from each of these areas along with choosing Metered Service Points based on demand, location, size of pump(s) or other factors will provide Idaho Power with the flexibility to choose a suitable pool of participants for this Pilot Program.

The Commission also finds the Company's proposed eligibility requirements to participate in the Program to be practical and reasonable. Thus, only those irrigation customers who take service under Schedule 24 for their Metered Service Point or Points that serve a water pumping or delivery system used to irrigate agricultural crops or pasturage are eligible to be enrolled in the Program. In addition, the Commission finds that a Metered Service Point must provide electric service to irrigation pumps with at least 150 cumulative horsepower to be eligible to be selected to participate in the Pilot Program. Furthermore, the Commission finds reasonable Idaho Power's requirement that each customer selected to participate enter into the Uniform Irrigation Peak Clipping Service Application Agreement. Finally, the Commission finds that Idaho Power's proposal to not enroll participants any later than July 1, 2004 to be logical and reasonable.

Based upon the Company's representations the Commission finds a four hour interruption of power to Metered Service Points of participating customers during the weekdays between 4:00 p.m. to 8:00 p.m. for June, July and August 2004 is reasonable for purposes of this Pilot Program. The Commission believes the four-hour interruption period will provide

⁴ Because the irrigation season for Idaho Power's Schedule 24 customers begins early in the year, the Commission encourages the Company to file its requests to implement DSM programs involving irrigation customers adequately in advance of the start of the season.

sufficient data to evaluate whether this period of time should remain the same or be modified in the future.

Based on the comments of Staff and Idaho Power's reply comments the Commission directs Idaho Power to provide participants the option of electing to have service to their Metered Service Points interrupted more than once per week. Accordingly, Idaho Power shall provide the customers whose Metered Service Points are selected to participate the following three options for participation:

- (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.

Idaho Power is directed to amend its Tariff Schedule 23 to reflect these options. Under these three options Idaho Power would still retain the sole right to select the day or days per week each participant's service will be interrupted.

Finally, Idaho Power is ordered to file a report with the Commission on or before December 1, 2004 regarding this Program. The report should include the number of customers participating, the number of metered service points participating, the amount of load under control, the amount of load reduction achieved, the number of times and the amount of load that failed to be interrupted when scheduled and the reason for the failure. The Commission also finds that the report shall provide a detailed cost breakdown, a cost-effective analysis, an assessment of customer satisfaction and any recommended changes that should be made to the Program should it be offered to customers in the future. The Commission also expects that this report will contain sufficient information to determine whether the costs of this Program were reasonably and prudently incurred and to allow for a meaningful evaluation of the Program.

ORDER

IT IS HEREBY ORDERED that Idaho Power Company's Application seeking authority to institute the Irrigation Peak Clipping Pilot Program is granted. In addition, the Company's request to implement the associated Tariff Schedule 23 is granted.

IT IS FURTHER ORDERED that Idaho Power shall modify its Program and tariff to include the three interruption options described above.

IT IS FURTHER ORDERED that within the eligibility requirements for the Program, the Company is given the discretion to select the participants for the Program and on what days during the week their power to their Metered Service Point or Points and irrigation pumps shall be interrupted.

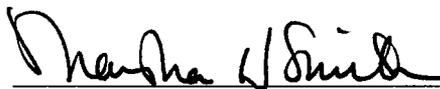
IT IS FURTHER ORDERED that Idaho Power shall file a report on this Program including the information discussed above on or before December 1, 2004.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{2nd} day of April 2004.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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