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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, John R. Hammond, Deputy Attorney General, and submits the following comments in response to Order No. 29430, the Notice of Application, Notice of Modified Procedure, and Notice of Comment Deadline issued on February 18, 2004.

On February 5, 2004, Idaho Power Company (Idaho Power; Company), filed an Application, pursuant to Commission Rule of Procedure 52, for authority to institute a pilot program to permit the Company's customers to participate in its proposed Irrigation Peak Clipping Pilot Program (Pilot Program) by implementing Tariff Schedule 23. Idaho Power has proposed Tariff Schedule 23 become effective on March 6, 2004. In order to allow adequate time for interested persons and parties to comment on this matter the Commission suspended the effective date of Idaho Power's Tariff Schedule 23 until April 5, 2004 or until the Commission issues an Order approving, modifying or rejecting the Company's Application, program and tariff.

BACKGROUND

In Idaho Power's 2002 Integrated Resource Plan (IRP), the Company identified peak resource deficiencies facing its system in upcoming years. In the IRP, Idaho Power indicated it would target demand-side measures that address peak-hour demand reduction as a means of addressing those deficiencies. The irrigation summer load is a major portion of the Company's summer peak demand. Idaho Power believes the Irrigation Peak Clipping Pilot Program is a demand response program that could potentially reduce peak-hour demand by attempting to manage capacity instead of energy.

The purpose of the proposed Pilot Program is to interrupt power to selected irrigation pumps during peak weekday hours in the summer months in order to decrease the Company's system summer peak. The proposed Program would be an optional, supplemental service that would permit the Company to interrupt the power to all irrigation pumps behind a participating customer's metered service point on a regular basis with the use of an electric timer. In exchange for allowing the scheduled interruption, participating customers would receive a monthly monetary incentive based on kilowatts of reduced load.

STAFF ANALYSIS - GENERAL

Staff supports the Company's stated purpose for the Program to decrease the system summer peak load. Staff holds this is consistent with the objectives of the IRP and believes that programs like this should be aggressively pursued. Furthermore, Staff also believes the stated purpose is consistent with the Commission's recent statement in an Order regarding the Company's Bennett Mountain Plant:

Although we grant the certificate, we concur with the thrust of the Advocates and Staff comments regarding Idaho Power's obligation to aggressively consider alternatives to supply-side resources. We have not retreated from our belief that DSM and peak-load management programs offer viable alternatives to the incremental construction of peaking generation units. According to the Staff, the Company's most recent load-resource balance analysis demonstrate a significant need for capacity and associated energy (or load shedding/shifting alternatives) during peak hours in the summer and winter. Programs or procedures that reduce critical peak hourly demand have great value to both ratepayers and the Company. Idaho Power must vigorously pursue all available cost-effective DSM or other conservation programs.

Order No. 29410 at page 10.

STAFF ANALYSIS - LIMITED AVAILABILITY/PILOT PROGRAM

The Company states that the goal of the Irrigation Peak Clipping Pilot Program is to assess the efficacy of using timers on irrigation pumps to reduce summer peak and to assess customer participation, volunteerism, satisfaction, and retention, as well as to monitor any unintended consequences from the Program.

It is not clear to the Staff why a pilot is necessary to achieve these goals. 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. PacifiCorp's program, albeit more aggressive, is very similar to the one proposed by Idaho Power in this Application.

Staff contends the ability to reduce load through the method proposed by Idaho Power is well established and should not require a pilot program to verify the technology. PacifiCorp and Idaho Power, in its current A/C cycling program, are using similar technologies. It is also not clear why it is necessary to limit customer participation, via the pilot, in order to assess customer participation, volunteerism, satisfaction, retention or to monitor any unintended consequences from the Program. In fact, Staff contends that these and other issues can best be evaluated through a broadly available voluntary program. It may already be too late to make this Program available to all customers wanting to participate this irrigation season. Despite this, Staff believes it should be made available to the maximum number possible this year and to all irrigation customers for the 2005 irrigation season.

Staff position is consistent with two of the recommendations made by the Energy Efficiency Advisory Group were:

- Launch the Program as a full program rather than a pilot or add more service points to increase the size of the pilot.
- Consider expanding the hours of interruption or use the pilot to test whether to expand the hours.

STAFF ANALYSIS – MULTIPLE INTERRUPTION OPTION

The Company states, “[t]he customers targeted for participation in the Program are those who have determined that they can have power turned off to pumps for four hours per week....”

Staff believes that the amount and frequency of interruption is an appropriate issue to be evaluated in the Program. Staff contends that it is premature to limit the irrigator's options to a single four-hour interruption. There are simply too many variables, including type of crop, soil type, climate and irrigation system design to have a one size fits all approach. One purpose of the pilot should be to evaluate how the Company and the irrigators might operate with different interruption options. Staff believes that an option with multiple interruptions could be offered with little or no added cost. Once a customer is selected to participate in the Program and is equipped with a timer it would be a simple matter to program the timer with the appropriate interruption frequency and period.

Staff recommends that Program participants be given the option of multiple interruptions within a week, with the incentive payment being adjusted accordingly. Staff believes this to be important in order to maximize the load reduction capability of the Program. In the first year of the PacifiCorp program, 10.3% of the customers participated (207 customers, 402 irrigation sites) with an average load reduction of 21 MW for June through mid-September. That is an average of 52 kW per participating site compared to an average of only 19 kW per participating site in the Idaho Power program.¹ The Idaho Power program, when fully implemented, anticipates 27 MW of load reduction from 1,400 participants. Staff believes the greater load reduction per participant is due, in large part, to the fact that PacifiCorp gets two interruptions per week per participant while Idaho Power is proposing only one.

Staff is not suggesting that a direct comparison can be made between the two service areas. Nor is Staff saying that all the irrigators participating in the Program will be interested or able to handle multiple interruptions. Staff is simply saying that this should be an option. Idaho Power has an urgent need for peaking capacity in the summer. This Program has a great potential to meet some of that peak requirement but it should be as flexible as possible to maximize irrigator participation and peak load reduction. At the end of the season the utility of this option can be evaluated and any necessary changes in the Program can be made.

¹ In informal discussions with the Company, Staff learned that Idaho Power intends to accept 200 metered sites in the Program rather than 200 customers as stated in its Application and proposed tariff.

STAFF ANALYSIS - THE INCENTIVE

The Company is proposing that participants receive a financial incentive for each month they successfully participate in the Program. The monthly incentive would be calculated by multiplying \$1.75 by the Billing Demand for the Metered Service Point that is enrolled in the Program. By comparison PacifiCorp's incentive, which varies by month, averages \$2.04/kWH for June, July and August. However, PacifiCorp interrupts 12 hours per week compared to Idaho Power's interruption of 4 hours per week. Staff believes that the incentive amount that Idaho Power proposes is reasonable.

The Company 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 energy reduction for the customer.

STAFF ANALYSIS - REPORTING

Idaho Power proposes to include the results of the Irrigation Peak Clipping Program in the annual report to the Commission detailing the EEAG activities. This report is due no later than March 15 of each year. That proposed schedule would make it very difficult to make any program improvements for the 2005 season that might be recommended as a result of the experience gained from the Program this year. Staff recommends that the Company file a report on this Program no later than December 1, 2004. 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. The report should provide sufficient detail to facilitate a meaningful evaluation of the various interruption options on a monthly basis.

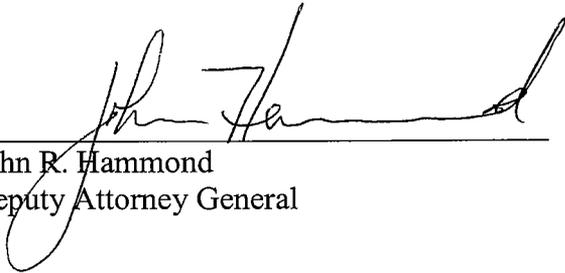
STAFF RECOMMENDATION

Staff recommends that the Commission approve this Program for the 2004 irrigation season with the following changes:

- Irrigation customers participating in the Program be given the option of multiple interruptions within the week.

- The Company provide an evaluation of the Program with any recommended modifications by December 1, 2004.
- The Program be made available to all customers for the 2005 irrigation season.

Respectively submitted this 10 day of March 2004.



John R. Hammond
Deputy Attorney General

Technical Staff: Dave Schunke

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10TH DAY OF MARCH 2004, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-04-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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