

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: JOHN HAMMOND

DATE: MARCH 18, 2004

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

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 proposed that 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.

On February 27, 2004, the Idaho Irrigation Pumpers Association filed written comments. On March 10, 2004, the Commission Staff filed its written comments. Finally, on March 17, 2004, Idaho Power filed reply comments.

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.

COMMENTS

Staff Comments

In its comments Staff stated its support for the Company's Program. Staff believed that it was consistent with the objectives of the Company's IRP and believes that programs like this should be aggressively pursued. However, Staff stated it is not clear to it why a pilot is necessary to achieve the goals of this Program. Staff pointed out that PacifiCorp's Irrigation Load Control Credit Rider Program – Schedule 72 (PAC-E-03-3 and PAC-E-03-14) was implemented during the summer of 2003 and was available to all irrigation customers the first year it was offered. Staff stated that this program was well received and considered a success by PacifiCorp, the Commission and most customers. Staff stated that PacifiCorp's program, albeit more aggressive, is very similar to the one proposed by Idaho Power in this Application.

Staff also believed that the duration and frequency of interruptions is an issued that should be evaluated in Idaho Power's Program. Staff stated it is premature to limit the irrigators' options to a single four-hour interruption. Staff alleged that there were simply too many variables including type of crop, soil type, climate and irrigation system design to have a one size fits all approach. Staff believed the purpose of the pilot program or programs should be to evaluate how the Company and the irrigators might operate with different interruption options. Staff believed an option with multiple interruptions could be offered with little or no added costs. Staff believed that once a customer is selected to participate in the Program and is equipped with a timer it would be simple matter to program that timer with appropriate interruption frequency and period. Staff believes by adjusting the Program in these two regards the Company would be able to maximize the load reduction capability of it.

Staff believed that the incentive amount that Idaho Power proposes to pay customers for interruptions is reasonable. In addition, the Staff noted that the Company expects that in almost all situations the energy consumption curtailed during the four hour period of interruption would be consumed either prior to or following the interruption, resulting in no energy reduction for the customer.

Staff stated that 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. Staff stated this 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 its operation this year. Accordingly, Staff recommended that the Company file a report regarding this Program with the Commission no later than December 1, 2004. Staff recommended that 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 that failure. Staff also recommended that the report should also provide a detailed cost breakdown, with a cost effective analysis, an assessment of customer satisfaction and any recommended changes to the Program. Staff stated that the report should provide sufficient detail to facilitate a meaningful evaluation of the various interruption options on a monthly basis.

Idaho Irrigation Pumpers Association

The Irrigators support the stated goal of Idaho Power's Program that will assess the efficacy of using timers on irrigation pumps to reduce summer peak and assessing customer participation, volunteerism, satisfaction, and retention, as well as to monitor any unintended consequences from participation. The Irrigators stated that they look forward to opportunity to review and evaluate the results of the Program reported by the Company to the Commission. The Irrigators also stated that it is their expectation that the Program could be modified as may be appropriate and instituted as a permanent program designed to be cost effective to the Company and also priced appropriately to create an incentive for participation by irrigation customers and fully and fairly compensate them for their resulting reduction in summer peak demand. The Irrigators also urge the Commission to promptly approve and implement the Program and Tariff Schedule 23 using Modified Procedure under the Commission's Rules.

Idaho Power Reply Comments

First, Idaho Power stated that as Staff pointed out in its comments, the Company only intends to accept 200 metered service points into the Program instead of 200 customers as stated in the Company's Application and proposed tariff. The Company stated that should the Commission approve the Company's Application and Program in the form Idaho Power intended it will submit a corrected Tariff Schedule 23 to reflect that it will accept up to 200 metered service points to participate in the Program.

Second, the Company stated that 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 and testing new equipment and technology that may be used in a fully developed program. The Company stated that using this method of evaluating and testing a new program 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 that through the pilot it will be able to assess the efficacy of this issue and many others. The Company stated that it would survey participants to determine their satisfaction with the Program and to judge whether increase hours of load reduction would be possible. The Company also stated that 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 in the Program. The Company 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.

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. The Company stated that allowing too many interruptions could encourage customers to attempt to reduce production to take advantage of the incentives. 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, Idaho Power 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.

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

Sixth, the Company disagrees with Staff's calculation that in the Program only a 19 kW per metered service point load reduction would be realized. Rather, the Company alleges that it expects the Program will realize a 109 kW load reduction per metered service point.

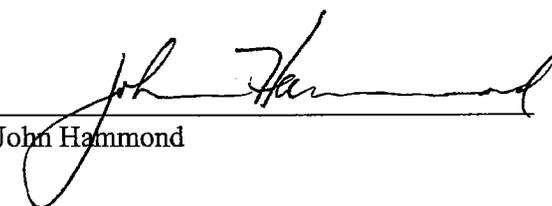
Finally, the Company stated that it can file a report with the Commission regarding this Program as recommended by Staff, by December 1, 2004.

COMMISSION DECISION

Does the Commission wish to approve Idaho Power's Application, Tariff and Program?

If so, does the Commission wish to make any modifications to the Program and tariff as proposed by the Company?

If the Commission approves operation of this Program does the Commission wish to require the Company to file a report about the results of the Program, as recommended by Staff, on or before December 1, 2004?



John Hammond

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