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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR AUTHORITY)	CASE NO. IPC-E-04-26
TO IMPLEMENT AN IRRIGATION PEAK)	
CLIPPING PROGRAM.)	
)	COMMENTS OF THE
)	COMMISSION STAFF

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 29644 on November 30, 2004, submits the following comments.

BACKGROUND

On November 1, 2003, Idaho Power Company filed an Application to implement a Pilot Irrigation Peak Clipping Program ("Peak Clipping" or "Program"). In February 2004, the Commission approved the Pilot Program, allowing interruption of electric power to agricultural irrigation customers in specific areas between the hours of 4 p.m. and 8 p.m., two or three days per week during the summer months. The Pilot Program expired on October 1, 2004. Based on the success of the Pilot Program, Idaho Power requests authorization to implement the Irrigation Peak Clipping Program throughout its service territory. The Program would permit the Company's irrigation customers to voluntarily allow the Company to interrupt power to all

specified equipment behind a customer's metered service on a regular basis. In exchange, participating customers would receive a monthly monetary incentive paid on the basis of the kilowatt reduction as measured by the customer's monthly billing demand; i.e. they receive a Demand Credit.

The purpose of the proposed Program is to interrupt power to selected irrigation pumps during peak weekday hours ("Interruption") in the summer months in order to produce a decrease in the Company's system summer peak demand. The Company's 2004 Integrated Resource Plan (IRP) identified the Irrigation Peak Clipping Program as a cost-effective capacity resource and included the Program in its final diversified resource portfolio. The IRP states that the Program will provide approximately 30 MW of capacity during the summer peak. The Company plans to operate the Program during the calendar months of June, July, and August. The Company will install a timer or timers on the customer's electrical panel(s) in order to interrupt service to all irrigation pumps at that Metered Service Point. The timers will be programmed to interrupt electrical service to the irrigation pump(s) on one, two or three regularly scheduled weekdays per week for a four-hour period between 4 p.m. and 8 p.m. These are the hours in which the daily summer peak demand normally occurs. Participants will receive a Demand Credit for each month they successfully participate in the Program.

Discussion

In 2004, the Pilot Program achieved an enrollment of 58 customers, 148 service points and the total demand reduction associated with the Program averaged 4,345kW from 4 - 8 pm over the course of the summer. The \$313,263 Program had a benefit cost ratio of 1.04.

This Program is fundamentally a load shifting or load shaping program. By reducing system peak, the Company can avoid purchasing more costly peaking resources. The success of the Program is, in part, dependent upon irrigators having sufficient capacity in their systems to interrupt during peak periods and make up for the lost water application during off peak periods. The Company found that "the Program does not result in a net effect on energy consumption for participating customers." Therefore, it appears that many irrigators have the operational flexibility or additional capacity in their system to participate in the Program and materially reduce peak loads.

Although the Pilot Program was shown to be cost effective and demonstrated irrigator ability to adapt to interruption, the Company is concerned about Program expansion and methods

used by irrigators to accommodate interruption. In its Application Idaho Power states, *"the Company does not wish to create an incentive for irrigators to oversize their systems in order to better manage a multi-hour load reduction. Over-sizing irrigation systems to compensate for the reduction of water applied during the load reduction period would result in a higher peak demand on the irrigator's system during all other periods and would negate the benefits of the Program."* (Emphasis added). Staff does not necessarily share the Company's concern. We believe that reducing demand during peak periods and increasing demand during all other periods does not **negate** the benefit of the Program, it **creates** the benefit of the Program. Obviously, it is not the intent of the Program to create higher demand in peak periods. However, Staff believes it is neither practical nor necessary to monitor the reasons irrigators are able to participate in this load shifting program. Whether they have additional capacity in their system, make changes in their crop or system operation or even accept decreased crop yield, these should all be decisions left to the irrigator. Staff continues to believe that the important issues in developing this program are creating program flexibility through multiple interruptions and optimizing a Demand Credit that is cost effective to the Company and maximizes irrigator participation.

During the Pilot Program, 40% of the Program interruptions occurred on irrigation systems owned by customers who selected the option for multiple days of interruption (Options 2 and 3). This large response to the multiple options occurred in spite of the minimal incremental incentive that was offered for multiple days of interruption. Irrigators being interrupted one day were paid \$1.75/kW; however, they were offered only an additional 13 cents to interrupt a second day and an additional 12 cents to interrupt a third day. The second and third days are as valuable to the Company as the first day, and cost very little to acquire because most of the Program costs are independent of the number of interruptions that are programmed into the timer. Multiple interruptions greatly increase the capacity and cost effectiveness of the Program and should be encouraged with a proper incentive.

The amount of the Demand Credit proposed by the Company seems reasonable when compared with what is being offered by PacifiCorp in its irrigation load control program, however Staff would like to see a more detailed analysis of the Demand Credit calculation in future reports. Staff believes that the derivation of the credit and other Program reporting should continue until the Program is well established. Staff recommends that the Company file a report on this Program no later than December 1, 2005. The report should include the number of

customers, 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 (realization rate). This information should be provided by geographic region and by interruption option. The report should also provide a detailed cost breakdown, with a cost effectiveness 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.

CONCLUSIONS

Staff supports the goal of the Peak Clipping Program, which is to decrease the system summer peak load. Staff believes the Program is consistent with the objectives of the IRP and believes that cost effective programs that reduce system peak should be aggressively pursued. Staff agrees with the Company that the Pilot Program was successful in cost effectively reducing peak demand. Staff also believes that the Company's proposed changes will improve the effectiveness of the Program. Staff is pleased that the Company is offering the Program system wide with the option for multiple interruptions within the week, which were recommendations of the Staff last year.

The Company also proposes to increase the amount of the Demand Credit and reduce the horsepower (HP) eligibility requirement from 150 HP to 100 HP. Staff also supports both of these proposed changes.

While Staff is supportive of the Program and the proposed changes, we believe the Company should continue to explore the possibility for added Program flexibility along with further increases in the Demand Credit for multiple interruptions.

RECOMMENDATIONS

- Staff recommends that the Commission approve the proposed changes in this Program for the 2005 irrigation season.
- Staff recommends that the Company continue to explore Program options and increasing the Demand Credit for multiple interruptions in order to increase Program participation.

- Staff also recommends that the Company continue to file a report on the results of the Program by December 1, 2005.

Respectfully submitted this 14th day of December 2004.



Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Dave Schunke

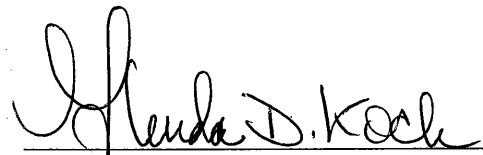
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF DECEMBER 2004, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-04-26, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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