

DECISION MEMORANDUM

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

FROM: WELDON STUTZMAN

DATE: DECEMBER 17, 2004

**RE: APPLICATION OF IDAHO POWER COMPANY TO INSTITUTE
IRRIGATION PEAK CLIPPING PROGRAM, CASE NO. IPC-E-04-26**

On November 1, 2004, Idaho Power Company filed an Application requesting authority to implement an Irrigation Peak Clipping Program to be effective next year. The Commission previously approved a pilot clipping program in effect during the 2004 irrigation season. The Company in its recent Application provides information about the pilot program, which the Company believes was very successful in decreasing the Company's system summer peak demand. On November 30, 2004, the Commission issued a Notice of Application and Notice of Modified Procedure to process Idaho Power's Application. Written comments were filed by the Commission Staff and by the Idaho Irrigation Pumpers Association.

In its comments, the Staff reviewed the success of the pilot program and the changes to the program the Company proposes to implement statewide for 2005. The program would be operated during the months of June, July and August, and will allow the Company on one, two or three regularly scheduled weekdays to interrupt power for a four-hour period between 4:00 p.m. and 8:00 p.m. Customers who participate will receive a demand credit each month they successfully participate in the program. Under the pilot program, participants were paid \$1.75 per kW as a demand credit. Under the program as proposed, the demand credit would increase to \$2.01 per kW of demand for one day of interruption, \$2.51 per kW for two days, and \$2.76 per kW for three days per week of participation. In addition, the Company proposed to lower the minimum size of metered service point to be eligible to participate. Under the pilot program, the customer was required to have a pump of 150 horsepower to participate; under the new proposal, the size is reduced to 100 horsepower. Staff stated that it believes the Company's changes will

improve the effectiveness of the program, but recommended the Company continue to explore the possibility of additional flexibility in the program. Accordingly, Staff recommends the Commission approve implementation of the program as proposed by Idaho Power, but also recommends the Company file a report on the program results no later than December 1, 2005.

In its comments, the Idaho Irrigation Pumpers Association also supports implementation of the Company's Peak Clipping Program. The Irrigators believe the Company should continue to monitor the program and provide additional information about specific issues. Specifically, the Irrigators question why the schedule of interruptibility is limited to four hours per day on one, two or three days per week during only the months of June, July and August. In addition, the Irrigators question how the demand credit was determined and the number and type of irrigation customers eligible for the program. The Irrigators also encourage Idaho Power to consider ways to provide more flexible options and thus greater participation in the program. The Irrigators concluded by stating they "highly favor" system-wide implementation of an Irrigation Peak Clipping Program for the upcoming irrigation system. The Irrigators, however, believe the program should be less rigid and provide greater flexibility and choice in the number of hours available for interruption and the number of days available each week to encourage participation. The Irrigators state that additional information is needed on these issues. Thus, the Irrigators recommended approval of the program, but believe that additional time is needed to address the questions it raised.

In reply comments, Idaho Power stated it agrees with the recommendation of the Staff that the Company file a report on the results of the system-wide program by December 1, 2005. The Company also stated its agreement with the recommendations made by Staff and the Irrigators to continue to evaluate the potential for more program flexibility and further increases in the demand credit.

Based on the comments filed, Staff recommends the Commission approve the Irrigation Peak Clipping Program as proposed by Idaho Power, and also require the Company file a report on the program no later than December 1, 2005. Staff believes the reporting requirement is responsive to the concerns raised by the Irrigators. Staff will continue to discuss the issues with Idaho Power and the Irrigators as the program is implemented next year.

COMMISSION DECISION

Should the Irrigation Peak Clipping Program as proposed by Idaho Power Company be implemented, along with the requirement that Idaho Power file a report regarding the effectiveness of the program no later December 1, 2005?



Weldon Stutzman

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