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 IDAHO PUBLIC
 UTILITIES COMMISSION

Attorneys for Idaho Irrigation Pumpers Association, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
 OF IDAHO POWER COMPANY FOR)
 AUTHORITY TO INSTITUTE TIME-)
 VARIANT PRICING PILOT PROGRAMS)
 FOR CUSTOMERS PARTICIPATING IN)
 THE AMR PHASE I IMPLEMENTATION)
 PROJECT)**

Case No. IPC-E-05-2

COMMENTS OF IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.

The Idaho Irrigation Pumpers Association, Inc. (Irrigators), through counsel, submits the following comment on Idaho Power Company's (Idaho Power) proposed pilot programs for customers participating in the AMR Phase 1 Implementation Project.

INTRODUCTION

Although these pilot programs are being proposed for only residential customers, there are wide implication for all customer classes, including Schedule 25 which is the irrigation time-of-day program.

Idaho Power's Case No. IPC-E-03-13 was the first general rate case in many years and brought to light significant changes. Due to major growth in summer air-conditioning load (and customer growth in general) Idaho Power has become a capacity constrained system as opposed to the energy constrained system. As a result, a large portion of all demand related production and transmission costs were allocated to customer classes based upon the contribution to just three summer and two winter peaks.

One way to reduce the peak costs for both Idaho Power and the customers is to implement measures that will successfully and economically reduce the usage of electricity during both summer and winter peak hours. Such a reduction would not only reduce the cost of providing energy, but lower the costs to the effected customers as well.

In order to assess the effectiveness of Idaho Power's proposal in this case, it is helpful to examine how other peak load reduction programs have faired. One such program is the time-of-use pilot program for irrigation customers (Schedule 25) that was introduced a few years ago. According to the 2003 FERC Form 1, only 1% of the irrigation customers were taking advantage of this program, but these customers represented 4.5% of the energy consumed by irrigation customers.

There are two concerns regarding any such time-of-use program: (1) are the targeted customers able to take advantage of time-sensitive pricing; and, (2) is there sufficient monetary incentive for the customers to participate in time-sensitive pricing programs? Given the fact that larger irrigation customers are taking advantage of the program (only 1% of the customers but 4.5% of the usage suggests that the customers in this pilot are larger than average), it seems to indicate that least some irrigation customers are capable or interested in operating under time-sensitive pricing.

There is obvious concern whether there was sufficient incentive for irrigators (or any customer) to participate in such a program on a voluntary basis. The 2003 FERC Form 1 shows that the average price paid by Schedule 24 customers was 5.05 cents per kWh, while for Schedule 25 customers it was 4.88 cents per kWh. Mathematically, this works out to only an average savings of 3.5%. Unfortunately, this "average savings" is very deceiving. As pointed out above, these customers were much larger than the average customer and one would expect these customers to have higher load factors and thus lower rates anyway. It is actually, possible that many of the customers that took service on Schedule 25 could have paid higher rates than if they had stayed on Schedule 24.

Another place of comparison is PacifiCorp general rate case (PAC-E-05-1) pending before the Commission. Time-sensitive residential rates have been in effect for PacifiCorp's Idaho jurisdiction for a significant period. Presently approximately half of

the PacifiCorp's residential consumption is associated with Schedule 36 (Residential TOD), with the other half associated with standard residential service under Schedule 11. Approximately one-third of all residential customers take service under Schedule 36.

According to PacifiCorp's 2003 FERC Form 1, its Idaho Schedule 1 customers paid an average of 8.39 cents per kWh, while its time-of-day residential customers under Schedule 36 paid 6.66 cents per kWh or 21% less. This percentage would greatly increase if one were to take into account that the BPA reduced each of these rates by an equal cents per kWh.

TIME-OF-USE RATE PROPOSAL

Although Idaho Power's last rate case claimed capacity deficiencies during both winter and summer months and the Company weighted its demand factors accordingly, the proposed residential time-of-day pilot program only sets up time-sensitive rates for the three summer months. By contrast, the Schedule 36 rates in PacifiCorp's Idaho jurisdiction reflect both winter and summer time-sensitive rates.

It is important to compare Idaho Power's proposed residential time-of-day rates with rates presently in place for residential customers in PacifiCorp's Idaho jurisdiction. The following rates are in cents per kWh:

	<u>IPCo</u>	<u>PacifiCorp</u>
On-Peak	6.4781	10.4948
Mid-Peak	5.8090	NA
Off-Peak	4.9725	3.6168

The contrast between Idaho Power's proposal and the rates that are working well in the PacifiCorp jurisdiction is obvious. PacifiCorp provides a very distinctive price differential between on-peak and off-peak hours—on the order of three times. However, Idaho Power's rates only offer only a 30% price differential between on-peak and off-peak rates. The price incentive that Idaho Power is offering is minimal and appears inadequate.

If Idaho Power is truly serious about reducing its peak load (and thus costs) through time-sensitive pricing, rates differentials should be offered that will entice its

customers to substantially shift load or avoid consumption during peak hours. The proposal put forth provides little incentive to achieve the behavior modification desired. While the rate structure should be based upon cost of service, far greater price differentials is needed to achieve a significant change in behavior.

On the other hand, if it is not Idaho Power's goal to achieve some sort of usage shift or peak reduction, but merely to reflect time-of-day costs as it views them, then the Company's filing should have been quite different. If the Company believes that its costs to serve residential customers is broken out along the lines of its proposed rates, then the Idaho Power should provide cost of service information that supports such pricing.

Customer Feedback:

It is not clear in Idaho Power's filing if customers will be given a comparison of what their bill would have been had they not opted for the time-of-use pilot program. Customers need to know if their overall consumption pattern (changed or not) is making a difference in their overall bill. Customers should be given this feedback in a clear fashion in each bill they receive. There should be a simple comparison of each monthly bill under the time-of-day rate and what it would have been under standard service. There could also be a comparison of the total rate differential over the entire season. Customers should not be put on pilot programs without informing them as to whether the program is saving them a lot of money, making little difference, or costing them more money.

Designation Of On-Peak Periods:

For several years PacifiCorp has utilized time-of-day rate for residential customers year around. In its last rate case, Idaho Power indicated that it was capacity deficient into the foreseeable future during both the summer as well as the winter months. Why the Company has only chosen to propose a summer period time-of-day rate in this case has not been made clear.

The proposed mid-peak period time for the residential program goes from 7:00 a.m. until 1:00 p.m. By contrast, the mid-peak period time for the irrigation time-of-day program (Schedule 25) goes from 9:00 a.m. until 1:00 p.m. It would seem appropriate

that both time-of-day programs included the same hours. One would expect that system costs and programs to respond to those costs would be the same for all customer groups. Additionally, it would seem best to keep the length of the higher priced periods to a minimum so that customers have more of an opportunity to shift time of usage. If sufficient time to shift usage is not allowed by the program, it will greatly stifle any attempt by the customer to do so and reduce the effectiveness of the program.

It is also puzzling to note that the proposed residential time-of-day program considers Saturdays and Sundays as well as the Fourth of July as completely Off-Peak days. This is somewhat standard in the electric utility industry. However, this is also greatly different than what is found in the Company's Schedule 25 where there are no days which are exempt or considered Off-Peak. If time-of-day pricing is based at all on costs, one would expect that the cost profiles would be the same for all customers on the same system.

Taking this point one step further, the time-of-day "season" under Schedule 25 extends 4-months, while that for the proposed residential pilot covers only 3-months. It cannot be said that the reason for the Schedule 25 "season" being 4-months is that it is tied to the irrigation season in Schedule 24. Although Schedule 24 also has a 4-month "season", it is based upon individual customer billing periods, where Schedule 25 is strictly June 1 through September 30. Once again, there has been no justification provided as to why one group of customers would be subjected to time-of-day rates that extend from June 1 through August 31, while a second group of customer would be subjected to a June 1 through September 30 time frame.

CONCLUSION AND RECOMMENDATIONS

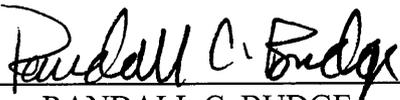
The Irrigators have consistently been proponents of time-sensitive rates and other programs that will lower over-all utility costs while providing incentives to customers. The proposed residential time-of-day program is consistent with these objectives and should be piloted to secure meaningful data then implemented system wide as soon as possible.

While supportive of the program, the Irrigators have raised questions, inconsistencies and possible shortcomings. The Irrigators do not seek a hearing or delay

in implementing the program. However the questions and inconsistencies raised should be fully explained by Idaho Power and thoroughly analyzed by the Commission before the pilot is adopted. This is necessary to insure the pilot generates results that are both meaningful and reliable in implementing a time-of-use program for residential customers system wide that will receive customer support and achieve the desired reduction in peak costs. Time-of-day rates for residential customers can and should be an important way of controlling the Company's growing peak load costs and allowing customer who cause costs to be incurred to pay for those costs. However, rushing into a program without fully knowing how it relates to other similar programs will do no one any good, and just delay the time when a good program can be put in place.

DATED this 10th day of March, 2005.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By 
RANDALL C. BUDGE

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 10th day of March, 2005, I mailed a true and correct copy of the foregoing document, postage prepaid, to the following:

Jean Jewell, Commission Secretary
Idaho Public Utilities Commission
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Idaho Power Company
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