

DECISION MEMORANDUM

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

FROM: DONOVAN E. WALKER

DATE: FEBRUARY 14, 2005

**SUBJECT: APPLICATION OF IDAHO POWER TO INSTITUTE TIME-VARIANT
PRICING PILOT PROGRAMS FOR AMR CUSTOMERS – CASE NO.
IPC-E-05-2**

On February 2, 2005, Idaho Power Company filed an Application seeking authority to institute time-variant pricing programs for customers participating in the Advanced Meter Reading (AMR) Phase I Implementation Project. The Company requests that its Application be processed by Modified Procedure. In its Application the Company requests that the proposed Schedule 4 and Schedule 5 be approved effective March 4, 2005 and remain effective until April 1, 2006. However, the Company subsequently agreed and consented to an extension of the March 4, 2005 effective date and agrees with Commission Staff's proposed procedural schedule set forth below.

THE APPLICATION

Idaho Power proposes two pilot programs for customers currently participating in the AMR Phase I Implementation Project in the vicinity of the cities of Emmett and Letha, Idaho (Emmett Valley). The two proposed programs are: (1) Energy Watch Pilot Program, proposed Schedule 4; and (2) Time-of-Day Pilot Program, proposed Schedule 5. The Company proposes that both programs be offered to customers on an optional, voluntary basis.

The Application states that, consistent with its prior commitment to investigate and file with the Commission time-of-use pricing programs that utilize the capability of the AMR technology, the Company has designed two new residential pricing programs that utilize the hourly energy consumption data made possible by the AMR implementation. The goal of the pilot programs is to provide information to evaluate the impacts and benefits of time-variant

pricing, to residential customers. Customers participating in the voluntary programs may experience reduced electric bills, while the Company may experience reduced power cost expenses by providing energy to customers during less expensive time periods. The Application also states that the programs will enable the Company to measure customer interest in and satisfaction with the programs, as well as implement and test electronic data transfer, billing, and metering systems that are necessary to successfully offer programs which rely on hourly meter readings.

The Company proposes that cumulative enrollment in the two programs be limited to 300 metered service points, consisting of approximately 150 customers for each pilot program. Service under the two pilot programs would be available starting June 1, 2005, and continue through April 1, 2006. The Application also proposes that interested customers be required to notify the Company of their desire to participate by May 15, 2005, and that selection for the programs be on a first-come, first-served basis. Under both programs the energy rates for non-summer months would be the same as those customers on Schedule 1 service, while the summer rates would differ for those in the pilot programs.

Energy Watch Pilot Program – Proposed Schedule 4

Under this program customers would pay a substantially increased flat rate for energy consumption during a designated Energy Watch Period. Energy Watch Periods will be determined by the Company. Program participants will be notified of the declared Energy Watch Period by 4:00 p.m. the day ahead by telephone and, where available, by e-mail. Energy Watch Periods can occur on any weekday from June 15 through August 15, and will be for the hours of 5:00 p.m. to 9:00 p.m. The Company proposes that the Energy Watch Periods will occur no more than 10 days from June 15 to August 15, for a total of 40 hours.

Current rates under Schedule 1 for residential customers are 5.0863 cents/kWh for the first 300 kWh and 5.7253 cents/kWh for all kWh over 300 kWh during the summer. The non-summer rate for Schedule 1 is 5.0863 cents/kWh for all kWh. Under the Energy Watch Pilot Program the proposed base energy rate for all hours other than the Energy Watch Periods is 5.0863 cents/kWh. During Energy Watch Periods the proposed base energy rate is 20 cents/kWh. The over-300 kWh pricing block will be eliminated. Customers participating in the Energy Watch Pilot Program would continue to pay the monthly service charge of \$3.30.

Time-of-Day Pilot Program – Proposed Schedule 5

Under this program customers would be given the opportunity to reduce their electric bills by shifting their summer usage, based upon three different price categories, from “on-peak” periods, when the cost to provide energy is highest, to the “off-peak” periods, when the cost to provide energy is the lowest. During the non-summer season, the pricing would be the same as that under Schedule 1.

The three time-of-day periods for the summer season are defined and priced as follows:

Time-of-Day Period	Definition	Energy Rate
On-Peak	1:00 p.m. to 9:00 p.m., Monday through Friday	6.4781 ¢ per kWh
Mid-Peak	7:00 a.m. to 1:00 p.m., Monday through Friday	5.8090 ¢ per kWh
Off-Peak	9:00 p.m. to 7:00 a.m. on all day, and all hours on Saturday, Sunday, and the Fourth of July	4.9725 ¢ per kWh

The summer and non-summer seasons are defined the same as under Schedule 1, with the summer season beginning June 1 and ending August 31. Customers participating in the Time-of-Day Pilot Program will continue to pay the monthly service charge of \$3.30.

STAFF RECOMMENDATION

Staff recommends that this Application be processed by Modified Procedure with comments due on March 11, 2005.

COMMISSION DECISION

Does the Commission wish to process this case by Modified Procedure as recommended by Staff?

Donovan E. Walker

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