

DONOVAN E. WALKER  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0357  
IDAHO BAR NO. 5921

Street Address for Express Mail:  
472 W. WASHINGTON  
BOISE, ID 83702-5983

Attorney for the Commission Staff

## **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-05-2</b>
<b>AUTHORITY TO INSTITUTE TIME-</b>	)	
<b>VARIANT PRICING PILOT PROGRAMS</b>	)	<b>COMMENTS OF THE</b>
<b>FOR CUSTOMERS PARTICIPATING IN</b>	)	<b>COMMISSION STAFF</b>
<b>THE AMR PHASE I IMPLEMENTATION</b>	)	
<b>PROJECT.</b>	)	

---

**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Donovan E. Walker, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 29717 on February 25, 2005, and submits the following comments.

### **THE COMPANY'S APPLICATION**

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 initially requested that the proposed Schedules 4 and 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.

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 specified in Schedule 1, while summer rates for the pilot programs will be significantly different.

#### **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, except July 4, 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 on no more than 10 days from June 15 to August 15, for a total of 40 hours.

Current base 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 base rate for Schedule 1 is 5.0863 cents/kWh for all kWh. Under the Energy Watch Pilot Program the over-300 kWh pricing block is eliminated and the proposed energy rate for all hours other than the Energy Watch Periods is 5.0863 cents/kWh. During Energy Watch Periods the proposed energy rate is 20 cents/kWh. 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:

<b>Time-of-Day Period</b>	<b>Definition</b>	<b>Energy Rate</b>
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 days, 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.

## **Lost Revenues**

In its Application the Company stated that it is not requesting recovery of reduced or lost revenues that may result from implementation of the pilot programs. However, the Company stated that the issue of lost revenues, and any mechanism that may be adopted to address lost revenues, should be fully investigated if either pilot program becomes permanent or is expanded beyond its current scope.

## **STAFF ANALYSIS**

The Company's stated goal of these pilot programs is to provide information to evaluate the impacts and benefits of time-variant pricing to residential customers. 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. Staff believes that these are proper goals, and through these pilot programs the Company will gain the experience and information necessary to evaluate further offerings of Time-of-Use (TOU) rates in the future.

The Application states that the 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. Staff did an analysis to determine the effect that both proposed rate schedules would have on eligible customers' bills. The analysis is based on actual use data collected over the last year from customers with AMR in the Emmett service area. It assumes that the participating customers will have no change in use, and removes both the customer with the largest bill increase and the customer with the largest bill decrease. The resulting change in bills for either pilot program would range from a \$14 decrease to a \$12 increase. In other words, the analysis shows that 99.6% of Schedule 4 bills and 99.9% of Schedule 5 bills would change, up or down, by less than \$10. Because of the dramatic difference between the critical peak rate and the rate for all other energy use (20 cents vs. 5 cents on Schedule 4), the effect that the proposal has on an individual customer is greatly dependent on when the energy is used. Therefore, independent of total usage, a customer might see either a bill increase or decrease in excess of \$10 if energy consumption changes during on-peak or critical-peak periods.

Using this same data, Staff also performed an analysis of the total projected revenue that the proposed Schedule 4 and Schedule 5 rates would generate if all customers participated in the pilot and their energy usage remained the same. The analysis showed that the proposed Schedule 4 rates would generate about 0.3% more revenue than the current rates and the proposed Schedule 5 rates would generate about 2.8% more revenue than the current rates. Given the small number of program participants (300), Staff believes that the total revenue effect will be insignificant. If there is a change in the actual revenue generated from the pilot, it is likely to be less for two reasons. First, the primary purpose of the proposed pilot is to encourage customers to shift energy usage away from the high priced peak periods, so to the extent that the program is successful, it will generate less revenue. Secondly, this is a voluntary program and customers will tend to participate if they believe their bills will be lowered. A few participants may generate higher bills than they would have under the existing Schedule 1 rates, but it is likely that the majority of participating customers will lower their bills under this pilot. This will tend to generate less revenue than a mandatory program.

Staff believes that Idaho Power's proposal to provide two Time-Variant Pricing Pilot Programs is consistent with the fact that the cost of providing power varies greatly from month to month and throughout the day. As Idaho Power's peak load continues to increase relative to its average load, it is becoming increasingly important to reduce energy use during peak periods by providing proper price signals or by directly controlling load. Both load shaping programs will help to mitigate the increasingly high costs that Idaho Power incurs to provide peak load capacity. With respect to TOU pricing options, there are many ways to structure a rate design, with each having its own advantages and disadvantages. Staff believes that the Company's proposal is a reasonable one. There is a sufficiently strong price signal to encourage load shifting, yet the rate differences, between peak and off-peak are not so aggressive as to be punitive to customers who fail to shift and/or reduce their energy use.

While Staff would like to see greater participation than the 300 customers, we believe this level of Pilot participation will provide sufficient information to evaluate TOU and therefore, we are not opposed to the 300-customer limit.

Staff notes that the Company is required to file an AMR Phase One implementation status report no later than the end of year 2005. Staff believes that an update of pilot activity along with a preliminary program assessment should be included in that report.

## STAFF RECOMMENDATION

Staff recommends that the Commission approve the Company's Application for Time-Variant Pricing Pilot Programs, Schedules 4 and 5, as proposed by the Company. Staff also recommends that the Company include a pilot status report with preliminary findings in its AMR Phase One implementation status report at end of year 2005, and a final report upon completion of the Pilot Program.

**DATED** this 11<sup>th</sup> day of March 2005 at Boise, Idaho.

A handwritten signature in black ink, appearing to read "Donovan E. Walker", written over a horizontal line.

Donovan E. Walker  
Deputy Attorney General

Technical Staff: Dave Schunke

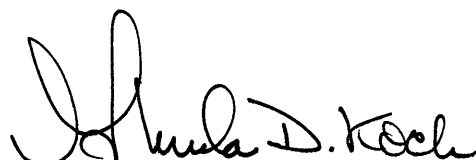
i:umisc:comments/ipce05.2dwdes

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 11TH DAY OF MARCH 2005, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-05-02, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

BARTON L KLINE  
SENIOR ATTORNEY  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070

MAGGIE BRILZ  
DIRECTOR, PRICING  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070

  
\_\_\_\_\_  
SECRETARY

CERTIFICATE OF SERVICE