

DECISION MEMORANDUM

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

FROM: DONOVAN E. WALKER

DATE: MARCH 10, 2006

**SUBJECT: IDAHO POWER'S APPLICATION TO CONTINUE ITS TIME OF USE
ENERGY PRICING PILOT PROGRAMS – CASE NO. IPC-E-06-5.**

On March 3, 2006, Idaho Power filed an Application for authority to continue its two time-of-use energy pricing pilot programs for customers in the Emmett Valley. The pilot programs were approved in March 2005. Order No. 29737, Case No. IPC-E-05-2. The programs are currently scheduled to expire on April 1, 2006. The Company proposes to extend the programs for an additional year, allowing those that participated in 2005 to continue if they so desire and also soliciting new participants.

Because the current pilot programs are set to expire on April 1, 2006, the Company requests: processing its Application on an expedited basis; or alternatively, issue an interlocutory order extending the effectiveness of the pilot programs for a sufficient time to allow the Commission to fully consider the Application. If the Commission chooses to extend the effectiveness of the programs pending its consideration of the Application the Company requests a schedule that would allow an Order to be issued in mid to late April, to allow sufficient lead time to allow activation of the new programs by June 1, 2006. The Company requests processing its Application by Modified Procedure.

THE APPLICATION

The current programs, Schedule 4, Energy Watch Pilot Program, and Schedule 5, Time-of-Use Pilot Program, were approved in March 2005 to run through April 1, 2006. Order No. 29737, Case No. IPC-E-05-2. The programs are voluntary options available to all residential customers in the Emmett Valley who have AMR metering installed.

Idaho Power employed Northwest Research Group to conduct a customer survey and RLW Analytics to analyze the usage and billing data associated with these programs. The Company states in its Application that the detailed results of these pilot programs will be included in the Company's report to the Commission, to be submitted on or before April 1, 2006 in compliance with Order No. 29737. Application at 2.

The Company reports that a preliminary evaluation of the programs shows that the participant retention rate was high. The Energy Watch program began with 79 participants and retained 76 by the end of August 2005. The Time-of-Day program began with 95 participants and retained 92. Application at 3. Preliminary results suggest that on average customers benefited by participating in the programs. *Id.* Time-of-Day participants, on average, saved about 5 percent on their bills and Energy Watch participants, on average, saved about 10 percent on their bills when compared with control groups with similar usage taking service under Schedule 1. *Id.* The Company states that the energy load shift, or decrease in usage, for the Time-of-Day participants, although apparent, was not statistically significant. *Id.* The Energy Watch participants, on average, demonstrated a statistically significant demand reduction during the Energy Watch hours, reducing their household demand by 1.33 kW for all Energy Watch hours. *Id.* Additionally, the Company reports that preliminary evaluation of the customer survey indicates: participants were satisfied with the programs; 60% of those responding indicated they would participate again; and 50% responded that they would recommend these programs to others. *Id.*

The Company is not proposing any changes to the Energy Watch program, Schedule 4. Application at 5. The Company is proposing a change in the availability of both pilot programs, in that program participation be limited to those customers whose energy usage equals or exceeds 300 kWh for each of the most recent 12 consecutive billing periods or for all billing periods if the customer has less than 12 months of billing history. Application at 4. The Company is proposing to change the rates for the time-of-day pricing periods by increasing the price differential between on-peak, off-peak, and mid-peak rates. Application at 7. By increasing the differentials between time-of-day pricing periods, the Company intends to increase the financial incentive for customers to shift their energy usage. Along with its Application the Company filed proposed tariff sheets for both Schedule 4 and Schedule 5 that provide for the continuation and changes to the pilot programs.

STAFF RECOMMENDATION

Staff has reviewed the Company's March 3, 2006, Application and does not oppose a continuation of the pilot programs past the April 1, 2006, expiration and recommends that the Commission issue an Order that would allow the programs to continue past this date. However, Staff has not yet seen the report nor any detailed results compiled by the Company regarding the past year of operating the pilot programs. Staff is not yet in a position that it can recommend an appropriate time period for processing the Company's request or changes to the programs. The Company has stated that the detailed report will be filed by April 1, 2006. Staff will work with the Company on obtaining information about the pilot programs, and once Staff is able to review the report it can further advise the Commission regarding Modified Procedure and scheduling on this Application. Staff recommends that a Notice of the Company's Application be issued, as well as an Order authorizing the Company to continue the two pilot programs past the April 1, 2006, expiration date.

COMMISSION DECISION

Does the Commission wish to process this Application on an expedited basis prior to the April 1, 2006, expiration of the current pilot programs?

If not, does the Commission wish to issue an Order authorizing the continuation of the pilot programs past their April 1, 2006, expiration?

Does the Commission wish to issue a Notice of the Company's Application?

Does the Commission wish to authorize the use of Modified Procedure and establish a comment deadline?

Does the Commission wish to wait for Staff to review the Company's report and make a recommendation regarding Modified Procedure and a schedule for processing the Application?



DONOVAN E. WALKER