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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF |) | |
| IDAHO POWER COMPANY FOR AUTHORITY |) | CASE NO. IPC-E-06-5 |
| TO CONTINUE ITS TIME-OF-USE ENERGY |) | |
| PRICING PILOT PROGRAMS |) | |
| |) | COMMENTS OF THE |
| |) | COMMISSION STAFF |
| |) | |

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Donovan E. Walker, Deputy Attorney General, in response to Order No. 30023, the Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on April 18, 2006, respectfully submits the following comments.

BACKGROUND

On March 3, 2006, Idaho Power Company 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 and initially set to expire on April 1, 2006. Order No. 29737, Case No. IPC-E-05-2. The Company proposed to extend the programs for an additional year, allowing those that participated in 2005 to continue if they so desire and also to solicit new participants. The Company also proposed some changes to program availability and rate

differentials for the time-of-day pricing periods.

On March 15, 2006, the Commission issued a Notice of Application and authorized the pilot programs to continue past the April 1, 2006 expiration date. Order No. 30001. The Commission directed Staff to advise on the need for further proceedings once the Company filed its report regarding the pilot programs. The Company filed its report on March 29, 2006.

OVERVIEW OF EXISTING PILOT PROGRAMS

Under the Energy Watch Pilot Program (also called the Critical Peak Period Pilot Program, CPP), Idaho Power allows volunteer participants to pay the less expensive non-summer rate (5.08 cents per kWh) instead of the summer rate (5.72 cents per kWh) except during the company's selected Energy Watch periods, when the rate would be 20 cents per kWh. The Company notifies participating customers either by telephone or by e-mail by 4 pm a day before the Energy Watch period is set to begin. Energy Watch periods can occur on any weekday from June 15 through August 15 for four hours between 5 and 9 p.m. Energy Watch periods will occur on no more than 10 days for a total of 40 hours.

The Time of Day (TOD) pilot program encourages volunteers to shift their use to off-peak periods when the rate is lower. In order to increase the financial incentive for customers to participate, Idaho Power is proposing to increase the differential between off-peak and on-peak rates. Off-peak times, during which the customer would pay 4.5 cents per kWh, would be from 9 p.m. to 7 a.m. on all days and during all hours on Saturday, Sunday and July 4. Mid Peak times, during which customers would pay 6.23 cents per kWh, would be from 7 a.m. to 1 p.m., Monday through Friday. On-Peak periods, during which customers would pay 8.24 cents per kWh, would be from 1 to 9 p.m., Monday through Friday. This program would be in effect for the summer season of June 1 through August 31.

According to Company reports, 76 of 79 participants in the Energy Watch program stayed with the program throughout last summer and 92 of 95 customers in the Time of Day program stayed on that program. Sixty percent of customers indicated they would participate again and 50 percent said they would recommend the program to others. The Company hopes to get up to 300 participants.

Idaho Power reports that customers in the TOD program saved about 5 percent on their bills and customers on Energy Watch saved about 10 percent. The Energy Watch participants were able to cause a statistically significant reduction in Idaho Power's overall load requirements

during peak hours when power is most expensive.

The Company submitted a short final report that summarized its internal evaluation of the two programs, supplemented by two reports prepared by outside firms. One of the outside reports is a mathematical analysis of the metering data, the other, the results of a survey of Emmett area residents on their knowledge of the Advanced (Automated) Meter Reading (AMR) installations and the related pilot programs implemented in the area.

The internal evaluation summarizes the design and operation of the program and identifies a few of the operational problems the Company incurred in implementing the pilot program. The Company indicated the program significantly exceeded manpower estimates in three areas. Software that was supposed to convert the hourly usage data into billable units failed to pass acceptance testing and this needed to be done manually for every participant. Similarly, if a participant had part of a month's billing on a regular meter, and the other part on an AMR meter, due to program timing, moves or other reasons, the Company had to manually compute the customer's bills. The other area with higher than expected manpower requirements was the effort required to notify participants in the Energy Watch program, via telephone, that the following day would be an "event" day, with higher prices in effect. The Company used live callers for the initial calling, followed by automated messages for those not reached in the initial live calling effort. The Company also used e-mail notification for some participants.

The Company indicates these processes would need to be automated if the program were to be expanded and would work on this during the pilot program continuation. The report recommends eliminating the live calling effort and expanding the e-mail efforts. It also recommends increasing the price differentials in the TOD program, implementing new marketing strategies, and limiting participation to customers with a monthly usage in excess of 300 kWh.

The report concludes that the Time of Day Pilot program participants had a small reduction in consumption during the peak period, and a savings in their bills. In contrast, the participants in the Critical Peak Period Pilot Program (CPP) significantly reduced consumption over the control group on the designated days, reducing peak load by an average of 1.33 kW per participant.

The survey report indicates the majority of Emmett area customers believed the Company provided sufficient information about the AMR installations and the two pilot programs. Slightly more than half of the participants in both pilot programs indicated their participation had not changed their lifestyle, and they indicated they would participate again.

Program participants in the TOD pilot program surveyed further cited changes in laundry practices as the area most impacted, while participants in the CPP pilot program identified household temperature or comfort as the area most impacted.

STAFF ANALYSIS

Idaho Power wants to extend the TOU Pilot to further evaluate program benefits, customer retention and to test ongoing demand reduction and load shifting potential. Staff agrees that many questions still need to be addressed before expanding these programs beyond the pilot phase and that further evaluation is appropriate.

Staff finds the proposed changes to these pilot programs will improve the program operation and also could provide valuable information regarding effect of pricing differentials on customer participation and program benefits. Limiting the program to households with at least 300 kWh of consumption will allow the company to focus its efforts on customers with a capability to shift significant loads. The proposed changes to the rate structure for the TOD pilot to significantly increase the difference between the peak and off peak prices should result in larger load shifts and provide additional information on the responsiveness of customers to pricing differences.

Staff appreciates the need to reduce the cost of customer notification for the Energy Watch Events and believes the recorded messages should be sufficient. However, we have some concerns about the elimination of the live operators in the initial notification and recommend that the automated message identify a number to call to speak with a live person if the customer has questions. The goal here is to properly inform customers of an event and maximize customer participation.

The other proposed changes primarily deal with administrative issues and should help keep the Company's cost of administration reasonable without impacting customer participation.

Staff recommends that the Company continue to improve its evaluation methodology to gain as much information during the pilot period as possible.

To that end, the Company should expand its customer survey to identify which actions were most useful and shifted the most usage and which actions were the most disruptive to customers. Additionally, the survey should query customers on whether minor changes, such as the start and end hours for the peak period would improve participation and whether they used automated devices, such as timers on water heaters or automatic set-back thermostats.

The Company should also provide an analysis of the distribution of savings by program participants to determine who was successful in shaving peak, why they were successful and how participant peak shaving for this program compare to programs offered by other utilities. Staff also believes that the Company should focus on making information on household energy use more available to program participants during program operation to identify what additional information would be useful in helping them make usage decisions.

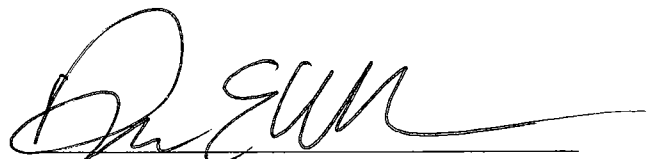
Staff agrees with the Company that the participation rate for both programs needs to improve given that less than 2% of the eligible households participating in either program and the total number of participants was significantly lower than the Company had targeted. Staff recommends that the Company continue to develop methods to improve participation and evaluate the effects. Further evaluations should determine if greater participation can be expected on a system-wide basis and whether lifestyle changes are an obstacle to participation and if so how it can be minimized.

Finally Staff recommends that the Company include administrative costs in its analysis of cost effectiveness and provide a more detailed analysis of its rate design alternatives.

STAFF RECOMMENDATIONS

Staff supports the continuation of these pilot programs with the proposed changes and the further evaluation of the capability of programs such as these to reduce peak usage. Staff recommends the Company work with Staff to develop an evaluation plan for these pilot programs that would address the issues noted.

Respectfully submitted this 1st day of May 2006.



Donovan E. Walker
Deputy Attorney General

Technical Staff: Dave Schunke
Wayne Hart

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 1ST DAY OF MAY 2006,
SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN
CASE NO. IPC-E-06-05, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO
THE FOLLOWING:

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