



consider in negotiating, and the Commission should examine in approving, these new large load contracts.

1. New contracts should encourage load shapes that avoid times of peak demand. For Idaho Power, new large loads present unique planning difficulties in light of the current capacity and energy constraints the company faces at certain times of the year. Idaho Power's 2009 IRP reveals current deficits for both average energy and peak energy during the summer months. See 2009 IRP at 88 – 89 (Figure 8.1 Monthly Average Energy Surpluses and Deficits with Existing Resources and Figure 8.4 Peak-Hour Deficits with Existing Resources). In the Application Idaho Power identifies five regulatory goals that under lay this request. *Application* at 4. Goals one and two are to “provide requested service consistent with system capability and the reliability needs of existing customers; [and] (2) provide options to the customer when the Company is unable to provide service as requested.” *Id.* ICL submits that shaping loads to avoid times of peak demands are the best way to achieve these stated goals.

The Commission should encourage Idaho Power to enter into contracts where new customers agree to fully curtail during peak hours. The Hoku Materials contract approved in IPC-E-08-21 provides for reduced energy deliveries during the summer for the initial few years until Idaho Power could acquire new generation and transmission. See *Staff Comments* at 2, IPC-E-08-21 (February 2, 2009). This is not the only reason to limit energy delivery during peak demand hours. Rather than continuing to add peak demand loads, Idaho Power should make every effort to reduce peak demand and these potential special contracts present a prime opportunity to do so. This could be accomplished through either planned operating characteristics, or through on-call curtailment similar to the Flex Peak program. Before approving any new special contract, the Commission should ensure it minimizes the impact to peak demand hours.

2. Idaho Power should require new large loads to maximize the efficiency of their facilities and processes. In all likelihood the new large loads Idaho Power will be entering into special contracts with will either be constructing new facilities or undertaking substantial renovations. The Commission should instruct Idaho Power to not lose the opportunity to lock in efficiency through construction and operation design. By locking in energy efficiency before the customer takes the first electron of energy deliveries, Idaho Power and the Commission will accomplish the first three goals underlying this request. When approving special contracts the Commission should examine whether the customer has pursued every economical means to reduce their demand, thereby limiting potential impacts to other ratepayers.

3. For service above 20,000 kW Idaho Power should strive to use market based prices. As stated in the Application, Idaho Power's third goal is to "mitigate the rate impact on existing customers by developing a rate structure that includes a marginal price component for an initial term of the service agreement." *Application* at 4. Because peak energy demands are driving electricity rates, ICL believes all rate structures should provide a strong price signal to those who drive peak demand. New large loads can potentially add large chunks of peak demand. The size of these chunks, and the customer responsible for them, will be uniquely identifiable when negotiating these special contracts. In order to achieve goal three, the Commission should instruct Idaho Power to establish contract terms where the marginal price and the initial contract term will fully account for rising energy prices attributable to each new customer.

Along these lines, ICL is encouraged by the Staff Comments concerning the Hoku Materials contract wherein Staff endorsed the use of market-based prices for energy demand above the tariff amount. *Staff Comments* at 4, IPC-E-08-21. While in that case Idaho Power and Hoku used the avoided costs rates, ICL believes the Commission should encourage Idaho Power to use market-based pricing such as the results provided by the AURORA model. These market-based

prices will more accurately capture the impact to other ratepayers caused by the new customer, thereby accomplishing goal three. When approving a new special contract the Commission should ensure the marginal price component accurately captures the impact to power cost caused by the customer.

4. Idaho Power should not adopt a uniform interim period for the marginal price component. The Hoku contract provided for an interim period of higher marginal cost rates followed by a longer term at the existing embedded costs rates. *Order No. 30748* at 3 – 4, IPC-E-08-21 (March 16, 2009). The Hoku contract used a four-year interim period, which the Staff stated was “somewhat subjective.” *Staff Comments* at 6, IPC-E-08-21. ICL agrees that selecting an appropriate interim period is subjective therefore; Idaho Power should not adopt any standard length. Instead, the interim period should encompass enough time to recover the increased power supply costs attributable to the special contract and allow the company to incorporate the new load into their resource planning process. Allowing for individualized interim period allows Idaho Power to achieve the primary goal of this application, “for specific cost-of-service information as well as the unique operating characteristics of customers of this size to be considered and captured within the terms of the agreement.” *Application* at 3.

In closing, ICL supports this Application. To accomplish the goals set forth in the application, ICL encourages the Commission to adopt the four suggestions described above.

DATED this 11th day of November 2010.

Respectfully submitted,



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Benjamin J. Otto  
Idaho Conservation League

## CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of November, 2010 true and correct copies of the foregoing COMMENTS OF IDAHO CONSERVATION LEAGUE were delivered to the following persons via the method of service noted:

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