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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
PACIFICORP DBA UTAH POWER & LIGHT) CASE NO. PAC-E-03-14
COMPANY FOR APPROVAL OF PROPOSED)
CHANGES TO ELECTRIC SERVICE)
SCHEDULE NO. 72 IRRIGATION LOAD) COMMENTS OF THE
CONTROL CREDIT RIDER PROGRAM.) COMMISSION STAFF
_____)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Comment/Protest Deadline and Notice of Schedule 72 2003 Program Evaluation Report issued on December 10, 2003, submits the following comments.

BACKGROUND

On December 5, 2003, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed proposed changes to its electric Schedule 72 Irrigation Load Control Credit Rider Program. Also filed was a copy of the Company's Schedule 72 2003 Program Evaluation Report.

The Company in its filing recommends several changes to improve the Schedule 72 Program. The intent of the Company's recommendations is two fold: (1) streamline the

enrollment process and (2) mitigate potential customer concerns that may have limited customer participation in the 2003 Program. The Company proposes to:

1. Provide customers with a Load Control Service Agreement by January 15th of each year together with the Load Control Service Credit notification (the credit the customer would receive should they elect to participate). The Load Control Service Agreement will include the amount of credit the customer would receive during the upcoming irrigation season if participation is elected.
2. Require that customers sign and return the Load Control Service Agreement by February 15th of each year to indicate their intention to participate in the Program.
3. Notify participating customers of the scheduled hours for load control during the irrigation season by March 15th of each calendar year.
4. Permit participating customers to notify the Company of their intent to opt out of the Program without penalty by April 15th. Customers notifying the Company of their intent to opt out of the Program after April 15th would be subject to the terms of Special Condition No. 7, Early Termination (Schedule No. 72).
5. Not enforce the ineligibility for the 2004 irrigation season for customers who submitted an Intent to Participate Notification in the 2003 Program but subsequently failed to execute a Load Control Service Agreement. This proposal is based on the Company recommendation to eliminate the Intent to Participate Notification as part of the 2004 Program.
6. Limit the potential cost for participating customers under terms of Special Condition No. 8, Cost of Load Control Devices, (Schedule No. 72) to such costs only to the extent that they exceed one thousand dollars.

The Company requests an effective date of January 7, 2004 for its proposed Schedule 72 tariff changes. Should the Commission elect not to approve the proposed changes with the January 7, 2004 effective date, the Company would consider it an acceptable outcome to administer the Irrigation Load Control Credit Rider Program for the 2004 irrigation season based on the existing conditions of Schedule No. 72.

Accompanying PacifiCorp's tariff change request is a copy of the Company's November 28, 2003 Schedule 72 Program Impact Evaluation Report. The Evaluation Report filing is a compliance filing pursuant to Commission directive in Order No. 29209, Case No. PAC-E-03-3, wherein the Company was directed to submit a Report at the end of the 2003 irrigation season summarizing the results of the Schedule No. 72 Irrigation Load Control Credit Rider Program.

The Schedule No. 72 Irrigation Load Control Credit Rider Program was initially approved by the Commission in Case No. PAC-E-03-3, Order No. 29209. In that Order the Commission addressed the methodology used by the Company to calculate the proposed credits. The proposed credits are different for each month of the irrigation season to reflect the varying costs of power, and hence, value of curtailment, in each of the months. In valuing the shift of load from the super-peak to light load hours, PacifiCorp included a 30% uncertainty factor in recognition of uncertainties with respect to (a) the amount of load that actually shifted; (b) the hours of the day that load is actually shifted to; (c) the level of load control equipment failure; (d) unexpected differences between estimated load and actual load; (e) failure of customers to shift load; and (f) customer termination from the Program for previously failing to shift load. The proposed credits are thus 70% of the differences between expected super-peak and off-peak market prices. The Commission characterized the Company's proposal as essentially a time-of-use proposal and not a curtailment or buy-out proposal. The Program is also voluntary.

The Company intends to calculate the monthly credits for the 2004 irrigation season in early January 2004 and to provide that calculation to the Commission for its review and approval. The credit amount will be calculated pursuant to the methodology approved in Case No. PAC-E-03-3, Order No. 29209.

ANALYSIS -EVALUATION REPORT

The Company's Schedule 72 2003 Program Evaluation Report has been reviewed by the Staff. The Report indicates that 207 customers and 403 metered sites participated in the program. This represents about 10.3% of the customers, 9% of the metered sites and approximately 12% of the irrigation load. This level of participation results in an average load of about 21 MW that can be shifted or curtailed during the critical peak period, June 1 through September 15, Monday through Thursday for a six-hour period from 2PM to 8 PM.

The Company estimates that it has saved some 7,917,839 kWh during curtailment periods. While the Company states on page II-2 of the report that “program participants were not making up for the foregone irrigation by increasing irrigation in non-control periods,” it has not provided data to support such a finding. Given the Commission statement on page 5 of Order No. 29209 – “We find the proposal submitted by the Company ... recognizes that irrigator load in super-peak periods will be shifted to other times or off-peak periods” – the Company should further study the load shifting effect of the Schedule 72 program.

The reported cost of the program for 2003 was \$550,900, or about \$70/Mwh super-peak. This includes \$23,093, about 4%, for administration, management, evaluation, and reporting; \$250,223, about 45%, for field expenses; and \$277,584, about 50 %, for participation credits. Participation credits are projected to remain stable in future years and all other costs except field expenses are projected to escalate only slightly. The field expenses are expected to decline in future years because first year expenses included the initial installation of equipment. While the report listed the cost of recruiting new participants as a part of the field expenses, the Company has clarified that any recruiting cost was minimal. Due to lower expected field cost, the estimated project cost for 2004 is \$386,370 or \$49/Mwh super-peak.

The report indicates that the Program was cost effective in the first year from the perspective of Total Resource Cost. From PacifiCorp’s perspective however, the first year was not cost effective because of the high first year field costs. For the participants, the report states (page III-3) that “the Program is cost effective in the first year, providing benefits of over \$657,000 at no cost to the participants.” The benefits to the participants are clear, however, Staff believes there are also participant costs, even though they may be indirect and sometimes difficult to quantify. Such costs could include increased labor, change in cropping patterns and yield reduction. If there were no costs, all irrigators would participate. As it is, each irrigator must evaluate his individual situation and weigh the benefits against the cost. Staff believes this next season will be important in determining if the program remains successful. If the participants choose to participate again, it will confirm that they believe the program is cost effective for them. Because the circumstances differ with each irrigator, it is important for the Company to vigilantly survey irrigation customers and continue to monitor the program, watching for program modifications that might add value for both the participants and the Company.

The Load Control Credit is a key piece of this program. The Company intends to calculate the monthly credit for the 2004 irrigation season using the same methodology used last season, which was approved in Case No. PAC-E-03-3. Specifically, the Credit is based on 70% of the difference between super-peak market prices and off-peak prices. Order No. 29209 notes at page 4: "PacifiCorp included a 30% uncertainty factor in recognition of uncertainties with respect to (a) the amount of load that actually is shifted, (b) the hours of the day that load is actually shifted to, (c) the level of load control equipment failure, (d) unexpected differences between estimated load and actual load, (e) failure of customers to shift load and (f) customer termination from the program for previous failing to shift load. The proposed credits are thus 70% of the difference between expected super-peak and off-peak market prices."

Staff believes this valuation methodology offered a reasonable credit for use in the program during the 2003 irrigation season. However, questions related to the methodology, including whether 70% is the proper discount, should be addressed in greater detail in the 2004 evaluation report that we believe should be filed by December 1, 2004. Staff recommends that these individual uncertainties be evaluated, quantified where possible and the amount of the discount adjusted accordingly. The analysis should be based on the experience of both years, 2003 and 2004.

Staff believes this is an important program that will become even more important in the future as BPA irrigation credits change and the cost of super-peak energy increases. It will be critical to have program options like this for irrigation customers to be able to exercise some control over their electric bills and for the Company to control power supply costs. Over the next couple of seasons it will be important to familiarize more irrigators with this program and to continue to refine it, including reevaluating the credit calculation.

ANALYSIS – PROPOSED CHANGES

The current Schedule 72 tariff requires that the Company provide customers notice of the Load Control Service Credit (LCSC or credit) amount by January 15. Customers are required to notify the Company of intent to participate by February 15. On March 1 the Company notifies customers of the load control schedule and customers must return a signed agreement by March 31. Failure to execute an agreement after submitting an "Intent to participate" makes customers ineligible to participate in the program the following year.

March 31. Failure to execute an agreement after submitting an "Intent to participate" makes customers ineligible to participate in the program the following year.

In its filing, the Company recommended six changes, listed in the Background of these comments, that Staff believes would improve the schedule 72 program. The proposed changes would require that the Company not only provide customers with notice of the credit by January 15, but also provide them with the Agreement by that date. Second, rather than submit to the Company an "Intent to Participate," the customers would return signed agreements by February 15. Third, Notice to the customers of the Load Control Schedule would occur on March 15 rather than March 1 and, fourth, the Company would add a provision that allows customers to opt out of the program without penalty by April 15. The Company also proposes to eliminate the requirement that customers failing to execute an agreement after submitting an "Intent to Participate" would not be eligible to participate in the program the following year. The last change proposed by the Company would require customers to only pay the cost of installation and control devices in excess of one thousand dollars. Previously the customer was required to pay all these costs.

RECOMMENDATIONS

Staff recommends the following:

- The Company should improve program evaluation by studying the extent and effect of load shifting that results from implementation of the 2003 and 2004 curtailment programs. The results of the study should be presented to the Commission and irrigators by December 1, 2004.
- The Company should provide an evaluation of the individual uncertainties used to establish the 30% discount in calculation of the Load Control Credit. Where possible, these uncertainties should be quantified and the amount of the discount reevaluated.
- The Company should survey the irrigators and continue to monitor the program, watching for program modifications that might add value for both the participant and the Company.
- The Commission should approve the six program changes proposed by the Company.

Respectfully submitted this 30th day of December 2003.

A handwritten signature in cursive script, appearing to read "Scott Woodbury", is written above a horizontal line. To the right of the signature, the word "for" is written in a similar cursive style.

Scott Woodbury
Deputy Attorney General

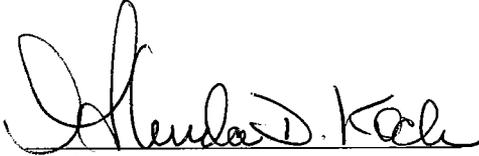
Technical Staff: Dave Schunke

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 30TH DAY OF DECEMBER 2003, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-03-14, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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