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March 21, 2011

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IDAHO PUBLIC
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HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, Idaho 83702

Re: Case No. PAC-E-11-06

Dear Ms. Jewell:

Enclosed for filing in the captioned matter, please find an original and seven copies of Idaho Irrigation Pumpers Associations, Inc.'s Protest/Comments.

Sincerely,

Conrad J. Aiken for

ERIC L. OLSEN

ELO:rg
Enclosures
cc: Service List

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Attorneys for Idaho Irrigation Pumpers Association, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER REQUESTING APPROVAL OF REVISIONS TO ITS DISPATCHABLE IRRIGATION LOAD CONTROL PROGRAM	CASE NO. PAC-E-11-06

IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.'S PROTEST/COMMENTS

IDAHO IRRIGATION PUMPERS ASSOCIATION, INC. ("IIPA"), by and through its attorneys, hereby respectfully submits, pursuant to Commission Rule 203, the following protest/comments with regard to Rocky Mountain Power's ("RMP") proposed changes to the Irrigation Load Control Program, Schedule 72A (the "Program").

Introduction

In this case, RMP has proposed to make *significant* changes to its Irrigation Load Control Program (the "Program"). The Program was first introduced on the heels of the 2000-2001 Western energy crisis and began as a simple timer based program where all interruptions of irrigation pumps were accomplished on a specified day (or days) of the week and at predetermined times. This version of the Program sought to reduce RMP's summer system peak and RMP's corresponding need to build peaker plants and/or make expensive market power purchases to meet its summer peak by shaving irrigator load at the time and days of the week when RMP's summer system peak was most likely to occur. At its height, the timer based program provided approximately 48 MWs of summer peak load reduction.

The Program was later improved and greatly expanded to include the interruption of irrigation pumps by RMP dispatching the needed load reduction through the use of a load control devices or switches, e.g., internet, cell phone or satellite phone based switches, at the times and days RMP actually needs to shave peak summer load. Again, shaving load at the time of system peaks avoids RMP's need to build additional peaker plants and/or avoid possibly more expensive market power purchases to serve RMP's annual peak summer load. During the 2009 system peak, the Program resulted in approximately 260 MWs[1] of reduction in summer peak load and, during the 2010 system peak, the Program had available approximately 283 MWs of reduction in summer peak load.[2] However, in spite of having more irrigation pumps available for interruption in 2010, the realized reduction in peak was approximately 152 MWs[3], because RMP used a different dispatching protocol in 2010.

By all objective measures, the current Program has been a huge success from a cost effectiveness standpoint, from an execution standpoint, and from an irrigator participation standpoint. RMP's benefit/cost analysis of the Program was 5.45 under a Total Resource Cost Test.[4] This success can also be traced to several other key factors that were brought out in the New York Times 2010 online article entitled "Why is Idaho Power Paying Its Customers," a copy of which is attached hereto as Exhibit A. First, like Idaho Power, RMP has made a

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[1] RMP Schedule 72 & 72A Idaho Irrigation Control Programs final report 2009 page 11.

[2] RMP Schedule 72 & 72A Idaho Irrigation Control Programs final report 2010 page 19.

[3] RMP Schedule 72 & 72A Idaho Irrigation Control Programs final report 2010 page 23.

[4] RMP Schedule 72 & 72A Idaho Irrigation Control Programs final report 2010 page 18.

concerted effort to develop demand side resources as a result of the experience it gained from the Western energy crisis where the spot energy markets rose tenfold and from RMP following through with Commission orders to develop additional demand side resources.[5] Second, RMP along with the IIPA, Commission Staff, and individual irrigators have continuously developed and refined the dispatchable Program in ways such that it currently provides an appropriate level of monetary incentives to overcome the disincentives that irrigators face by participating in the dispatchable Program. The incentives under the Program need to be sufficient to overcome the increased labor costs, allow recovery of capital expenditures, if any, and offset potential crop losses an irrigator faces when participating in the Program. Irrigators have modified their behavior and have participated and relied on the Program.

PROTEST/COMMENTS

With all of the success of the Program has experienced, the saying, "If isn't broke, don't fix it," should be the guiding principal to be applied by the Commission in reviewing RMP's current filing. In fact, this is the third time that RMP has attempted to change this Program in as many months. First, RMP proposed essentially the same changes in Rebuttal testimony in filed in November of 2010 in its general rate case No. PAC-E-10-07. Then (after the Commission's Interlocutory Order in Case No. PAC-E-10-07 came out and did not order the changes that RMP had proposed to the Program), RMP filed Tariff Advise 11-01 on January 11, 2011, which sought the same changes. After discussions with the Commission Staff, RMP voluntarily withdrew Tariff Advice 11-01. On January 20, 2011 RMP then filed the instant case, seeking the same changes which it requested in its Rebuttal testimony in Case No. PAC-E-10-07 and in

[5] Kate Galbraith, *Why Is a Utility Paying Customers?*, New York Times online, January 23, 2010, at attached page 4.

Tariff Advice 11-01. In all three filings, RMP has requested significant, and detrimental, changes to the Irrigation Load Control Program with little or no support.

Specifically, RMP proposes to change the dispatchable program by (1) reducing the incentive payment to Irrigators from $30 per kW to $25.30 per kW, and (2) changing the Participation language of the tariff from one that is generally open to all willing Irrigators to giving the Company the right to exercise "its sole discretion based on criteria the Company considers necessary …". This Participation language change is of particular importance, given the Company's stated objectives over the last several months to reduce the size of the Program on a number of distribution circuits and to exclude all Irrigators that have pumps at or below 50 horsepower. With respect to these two changes, if the Company wants to continue to pursue these changes, then the IIPA requests that the proposed changes be addressed in a fully litigated case as opposed to a Tariff Advise, or under Modified Procedure.

There are also a number of tariff language changes as well as changes to the Opt-Out penalty/cost to be imposed. Unless specifically address below, the IIPA does not oppose these changes.

IIPA's comments on RMP's proposed changes to the dispatchable Program are broken down into two sections. The first section Protests the changes to the dispatchable Program which the IIPA adamantly does not agree. This section also deals with RMP's contention that it is having problems with some of its substations. The data that has been filed as a part of the Schedule 72 & 72A Irrigation Load Control Annual Reports demonstrates some of these problems. However, it is evident from the data that most of these problems have nothing to do with curtailment of Irrigation load. It is recommended that the Commission conduct an investigation into the operating performance of these substations.

The second section of the IIPA's comments deals with Comments associated with the less contentious issues of RMP's filing. Specific language changes are addressed and brief comments are made with respect to the appropriateness of these changes.

1. PROTEST:

A. RMP's Change to the Incentive Structure will Reduce Participation in the Program.

The Company proposals to change the dispatchable Program by lowering the incentive paid from $30 per kW to $25.30 per kW. In spite of what should be considered a good deal for the ratepayers[6] in general to be charged $30/kW in order to avoid a cost of over $80/kW ($73.09[7] x 1.1039 = $80.68), RMP is proposing to greatly lower the incentive paid as a credit for participation in the Program.

The major concern with respect to the proposal to lower the credit/incentive payment is what the impact upon the number of participants will be. It is surprising that such a major change (a near 20% reduction in the credit/incentive payment) would be given essentially no review/analysis by RMP. The testimony of Company witness Hunter in this case simply stated at page 7 regarding this reduction that:

> While the Company anticipates that the reduced participation credit will result in some customers electing to not participate in the Program, given the number of other factors that may impact a customer's decision to participate the Company is unable to provide an estimate of the impact on participation from the proposed reduction in participation credit.

---

[6] The IIPA has been willing to settle for a low credit compared to the cost that is avoided because, under the present treatment of this Program in rate cases the Irrigators are able to greatly reduce their peak demand responsibility and thus derive cost of service benefits as well because of the program.

[7] RMP Schedule 72 & 72A Idaho Irrigation Control Programs final report 2010 page 6.

As the Company has stated over the last several months, it wants to reduce the size of the Irrigation Load Management Program. There is no easier way to reduce a program than to simply reduce the credit/incentive payment.

The IIPA has heard a great deal of antidotal comments that suggest there may be a strong backlash (reduction in participation) if the credit/incentive payment is lowered. The IIPA would not expect a major drop in participation this year as many farmers are well into the planning process for this year and the Irrigation Load Control program would have been factored in. However, over time, it is anticipated that resentment for the program payments will grow and participation will drop off substantially. With these Irrigators having been on the program and then dropping out, it is far less likely that they will rejoin the program once they have left it. If RMP believes that it does not need the program in the short-run, but will need it in the long-run, the reduction in the credit paid is a short-sighted proposal. The new/reduced pricing scheme offered is guaranteed to permanently reduce the number of participants in such a way that they will not be available/willing to rejoin the dispatchable Program when the RMP decides that it wants/needs more DSM.

In the fall of 2009, IIPA and the Company had discussions regarding improvements to the terms of the dispatchable program and the credit amount to be paid. These discussions resulted in a Letter Agreement between the Company and IIPA making changes to the terms of the dispatchable program and extending the current pricing and participation schedule through the 2012 irrigation season. A copy of the Letter Agreement is attached hereto as Exhibit B. The IIPA is disappointed that the Company is not going to live up to its agreement to keep the pricing of the participation credit the same through 2012 as set forth in the Letter Agreement. We mutually came up with a 3-year agreement only 15 months ago and now RMP wants to unilaterally lower the credit. If the credit fluctuates, what assurance do irrigators have that the program will continue to benefit them in the future and that they should put forth the time and investment to participate in the program? The IIPA objects to the Company's proposal to reduce the credit amount under the Program from $30 per kW to $25 per kW for the 2011 irrigation season. One of the keys to the success of the Program was setting the credit at an amount that would be cost effective, i.e., the benefits exceed their costs under respective regulatory tests, but also encourage sufficient irrigator participation notwithstanding the irrigators' opportunity costs of increased labor expense and prospects of reduced crop yields. This is why the IIPA entered into the Letter Agreement to provide that credit certainty to participants and associated participation so as to maintain this valuable system demand-side resource. The IIPA believes that the Company should live up to its obligations under the Letter Agreement and that the credit amount should remain at its current $30 per kW level for the 2011 and 2012 irrigation seasons.

For all of the above reasons, the Commission should reject RMP's proposal to lower the credit/incentive payments from $30 per kW to $25.30 per kW. In other words, if it isn't broke, there is no need to fix it. The dispatchable Program is not broken so there is no need to fix it.

B. <u>RMP is Seeking to Unilaterally Limit the Size of DSM Program</u>

Contrary to what would be considered standard regulatory practice, in this filing, RMP proposes that it should be given unilateral control over who may or may not participate in the Program. RMP has stated that it wants to place a limit upon the amount of Irrigation Load Management that it should pursue in the future. Up until now, conservation and demand response programs have been considered desired alternatives to the construction of new, supply side resources. We have all heard repeatedly that demand side resources are an economical and thus, presumably, a desirable alternative to building new peaking resources. The testimony filed by RMP in this case makes it clear that the Company is hoping/planning to use a variety of means to reduce the level of participation in the Program. The following statement can be found on page 9 of Company witness Hunter's testimony regarding the Program:

> As discussed during the hearings in Case No. PAC-E-10-07, limiting participation to larger pumps should eliminate approximately 13 MW of participation. In addition to this, the reduction in the load control credit and the change in the opt-out penalty are likely to result in additional customers who elect to not participate in the Program. Additionally, during the public hearings held December 14th and 15th as part of the Company's 2010 general rate case, Program participants on canal systems indicated that the Program did not work for them due to flooding and water losses once water is in the canal. Accordingly, this may be another area of focus. However, ultimately the Company will need to review participation on a circuit by circuit basis to avoid the current over concentration of participation in any one area and use its discretion provided by the proposed language addition above (that similar to the language found in Idaho Power's tariff) to accept or reject participation requests in order to maintain voltage integrity and to maximize Program impact and economics. (Emphasis added)

Although thinly veiled, the reference to eliminating approximately 13 MW is associated with limiting participation to pumps over 50 horsepower. The 13 MW that is reduced only represents a very small fraction of the 283 MW of curtailable load that was available in 2010, but approximately 500 control units[8] and/or customers out of the 1,975 customers that participated in 2010.

For the last few years the IIPA has been working with canal companies in both the RMP and the Idaho Power service areas to develop methods of interruption and/or facility modifications such that the load management program can work for them. RMP's thought process seems to be counter to these efforts as it views the canal system problems as "another area of focus" for reducing participation in the Program.

The basis offered by RMP for its proposal to reduce Program participation centers around the single statement that "the Company began noticing voltage excursions outside industry

[8] See Company witness Hunter rebuttal testimony at page 7 in Case No. PAC-E-10-07.

acceptable standards during dispatch events."[9] The IIPA will address the voltage excursions that are taking place in the next subsection. This subsection will address how the proposed reductions in Program participation do not align with the concern that there may be voltage excursions.

Clearly the exclusion of all participants at or below 50 horsepower may help to relieve the claimed voltage excursion problem on some of the circuits, but this proposal is similar to doing brain surgery with a meat clever—this proposal would eliminate participants that may help the situation as well as those that would have no impact upon the situation. It seems that this proposal is more tied to RMP's admission that it has not kept current with its equipment needs for the Program, and thus needs to eliminate the 500 participants in the 50 horsepower and under category so that it can cannibalize these installations in order to keep the rest of the Program going. If mismanagement in procurement of equipment is involved, the smaller customers should not have to suffer.

The same can be said for the hope that a reduction in the credit/incentive will reduce some participation. Clearly a reduction in the credit/incentive will reduce participation, but not necessarily where RMP claims that it has any problems.

Of course, the concern with RMP's unilateral ability to reject any customer is that it allows the Company unlimited control with no parameters which can be communicated to the Commission or the customers. Such unlimited control will only lead to misunderstanding, mistrust, and ultimately argument. Ultimately, RMP would have a great deal of inappropriate control over the profit and losses of the Irrigation customers it serves—if Irrigator A and B have

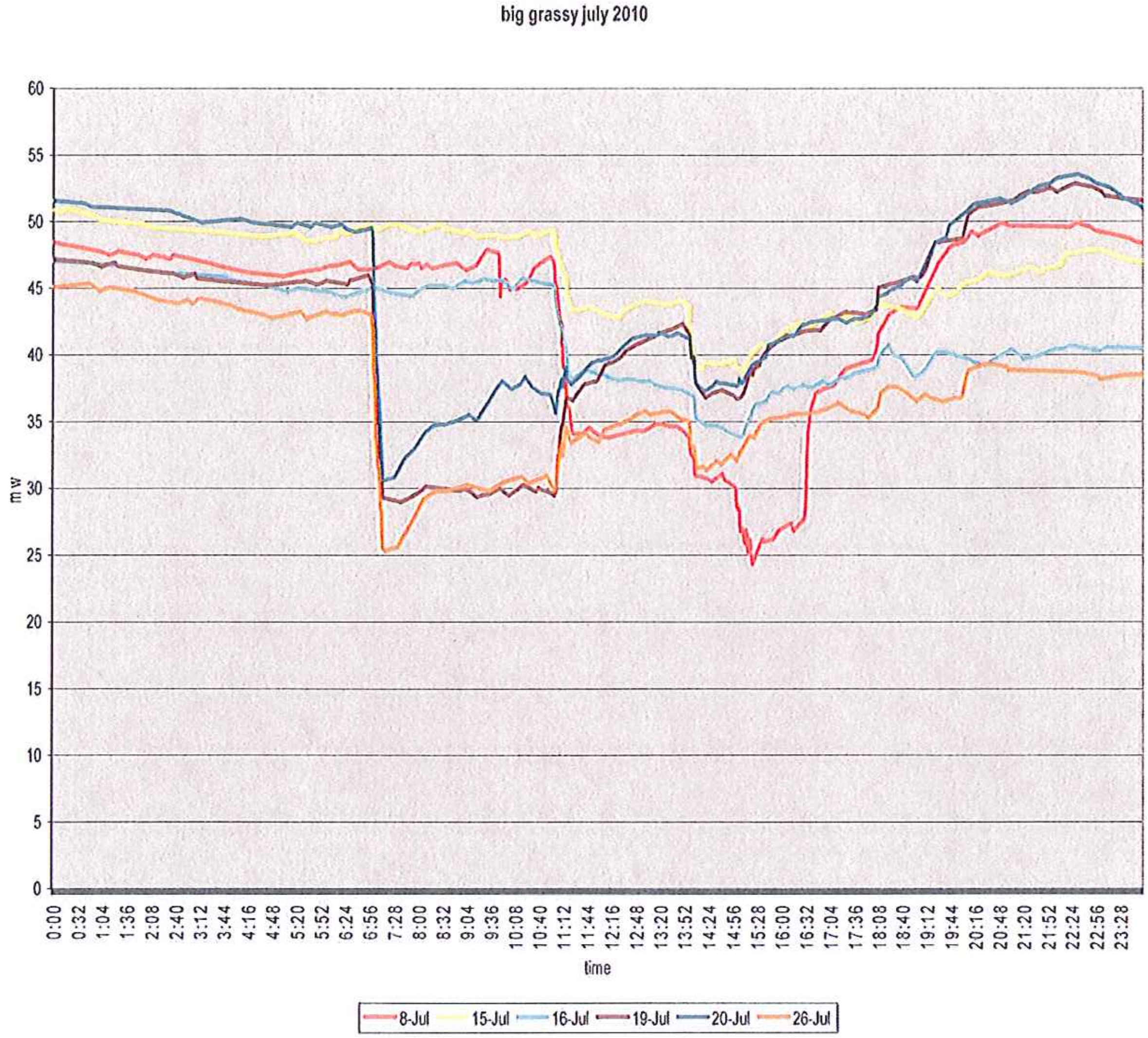
[9] Company witness Hunter's testimony at page 2.

identical operations, but A is allowed to participate in the Program, but B is not, there will surely be differences in profitably caused by the Company's treatment.

It should be noted that the proposed reduction in the Program should be considered a last ditch effort to solve this claimed voltage excursion problem. We are not at that point yet. RMP's 2009 Schedule 72 & 72A Idaho Irrigation Load Control Program Report at page 18 provided some recommendations to address this problem:

- Plenary discussions with RMP Area Planning (Idaho) has determined that a more intelligent stepping into and out-of dispatch events will correct the voltage spikes/sages currently occurring.
- Changes to dispatch protocol may be <u>an effective strategy to delay additional capital investment in infrastructure assets</u>. (Emphasis added)

From what is written in RMP's 2010 Schedule 72 & 72A Idaho Irrigation Load Control Program Report, it would appear that efforts were made to more intelligently step into and out-of dispatch events. However, these efforts do not seem to support the type of relief and Program concerns sought in this case. A case in point is the graph of the daily load presented on page 33 of that report for the Big Grassy substation for the six days of curtailment during July 2010:



From the above graph it can be seen that on three of the six days of interruption in July 2010 that approximately 50% of the load on the substation was removed within less than 30 minutes (starting at 7:00 a.m.). If the Company can reduce its load on Big Grassy by 50% in less than 30 minutes, why can't it fully reduce the Irrigation load on Big Grassy over a full hour? Why can't this load reduction be accomplished in an hour (or even 90 minutes) so that essentially all of the irrigation load can be taken off during the most opportune hours for the Company?

It was interesting to note in the recommendations found RMP's 2009 Schedule 72 & 72A Idaho Irrigation Load Control Program Report at page 18 that the above changes in the dispatch protocol were considered to "be an effective strategy to delay additional capital investment in infrastructure assets." From the three proposals that RMP has put forth since November 2009 to cut back on the Program, one can only conclude that the Company prefers to reduce participation as opposed to making infrastructure improvements. If the infrastructure improvements are more costly than adding new generation capacity, then reducing participation may be an option. However, RMP never has presented any information regarding what infrastructure improvements may be necessary, let alone the cost of such improvements.

The Commission should reject RMP's proposal to have the unilateral right to keep certain Irrigators out of the Load Management Program because: 1) such authority is counter to all reasonable regulatory principles; and 2) RMP has clearly not made a convincing case that there is a need to limit participation in the Program.

C. Substation Infrastructure Problems Are Not Limited To Curtailments

The foundation of the Company's proposal centers around the claim that there were/are voltage excursions taking place at certain substations that are outside of industrially accepted standards. IIPA does not dispute that voltage excursions may take place, but the IIPA believes that those voltage excursions are regular occurrences and not necessarily related to curtailment of Irrigation load. As pointed out in RMP's 2010 Schedule 72 & 72A Idaho Irrigation Load Control Program report at page 9:

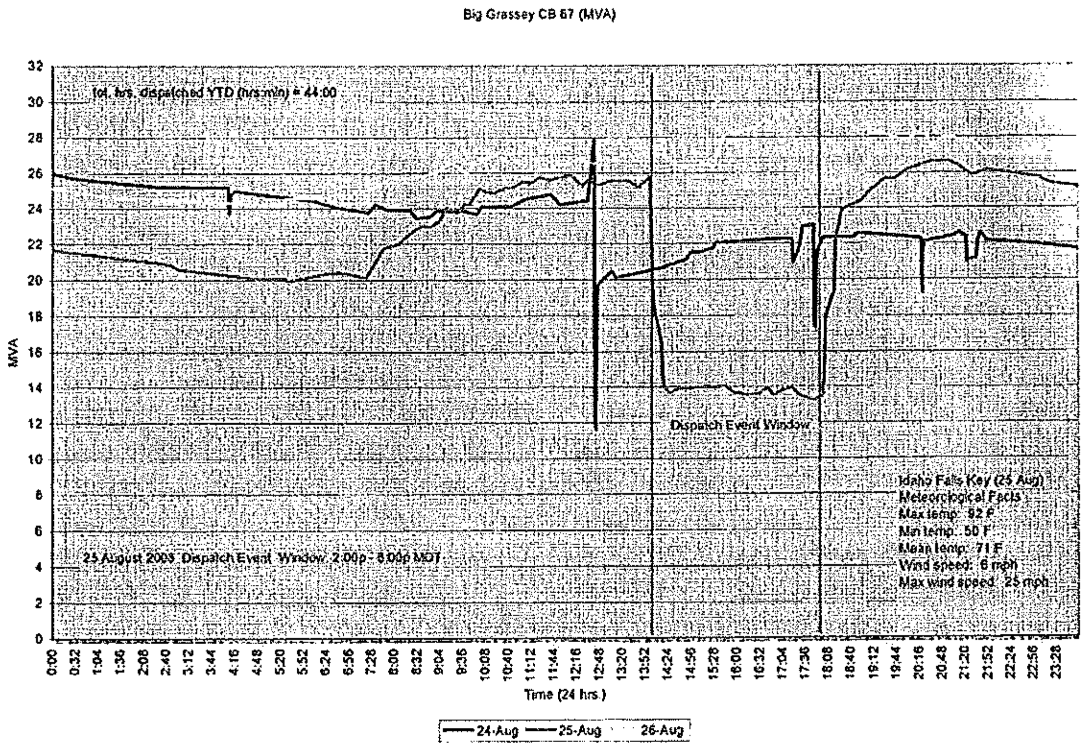
> "The distribution system in southeast Idaho that serves rural, primarily agri-irrigation areas has very little / no automation." (Emphasis added)

As pointed out in RMP's 2009 Schedule 72 & 72A Idaho Irrigation Load Control Program report at page 18, the proposed change to the dispatch protocol (spreading out when the interruptions begin and end) was viewed as "an effective strategy to delay additional capital investment in infrastructure assets."

However, going back to RMP's 2008 Schedule 72 & 72A Idaho Irrigation Load Control Program Report at page 24, it is possible to get a clear picture of the extent of the excursion/fluctuation problems at these substations. The following graph was taken from page 24 of the 2008 Report and it depicts the load on the Big Grassey substation on the day of a dispatch event that occurred on August 25, as well as the load on the substation for the day before and the day after:

Illustration Nine

Big Grassey Transmission Load Profile August 25, 2008 (CB 67-'Big Grassy')



As can be seen from the above graph, there were a number of significant excursions that took place on the Big Grassey substation. However, it should be noted that those significant excursions took place <u>the day before the interruption</u>, not during the interruption of even after the interruption. Other graphs that depict substation loads in the 2008 report reveal similar excursions and almost always not on the day of the interruptions.

The extent of these excursions/anomalies is also addressed on page 24 of the 2008 report. On that page the report attempted to demonstrate the changing Irrigation load profile that occurs over what is defined by RMP as the Irrigation Season (June 1 thru September 15). However, the presentation of Irrigation load data based upon these substations was marred by spurious data that resulted from these anomalies/excursions. With respect to removing this spurious data, the 2008 report noted:

> The Irrigation Management Team noted the overall drop in loads throughout the irrigation season. To further understand the impact of avoided loads, 60s SCADA data were collected from 6 June thru 15 September 2008. Daily maximum (max), minimum (min) and average (avg) values were culled from the data sets. <u>To avoid the plotting of spurious data observations</u> only within 5% of the max and min were used for plotting purposes. The effect of this data manipulation was to ensure the plot of more representative data and <u>to somewhat moderate excessive data anomalies created by momentary voltage fluctuations</u> on the distribution system. (Emphasis added and footnotes not included).

If there are enough voltage fluctuations to cause spurious data observations, then there is something more fundamentally wrong that voltage excursions occurring when interruptions occur. These voltage fluctuations do not only cause concern for the Company's distribution substation equipment, but for all of the customer equipment that is served by these substations. The IIPA suggest that infrastructure improvements may need to be the first order of business with respect to these substations.

2. <u>COMMENTS REGARDING LANGUAGE CHANGES:</u>

A. <u>Participation Section</u>

Although it has been well covered above, the <u>IIPA strongly objects</u> to any changes in the Participation section of the tariff. RMP should not be given the unilateral ability to determine who may participate and who may not participate in the Program. The Commission should maintain the existing language that does not restrict participation.

B. Applicability Section

Consistent with RMP's proposal to restrict participation, the first sentence in the Applicability section has been modified to only include those customers "selected by the Company". The IIPA objects and this new language should not be adopted.

The Company has proposed to drop the language that access to the internet is required. The IIPA has no objection to this proposed change.

RMP proposes to remove the language in subparagraph (a) dealing with motors 30 horsepower and smaller. Presumably this deletion is based upon the premise that the Company would have unilateral control over who may be in the program. The IIPA objects to this change.

RMP proposes to remove the language in subparagraphs (b), (c), and (d). The IIPA does not object to these changes.

C. Load Control Service Agreement Section

RMP has proposed a number of changes to this section. Generally speaking the IIPA objects with all of these changes with the exception of: 1) the substitution of the word "Program" for "Irrigation" in the last sentence of the first paragraph; and 2) the addition of the words "or this tariff is suspended or terminated" at the end of the first paragraph.

D. Load Control Service Credit Section

Generally speaking the IIPA does not object to these changes, with the exceptions that: 1) the tariff should not specify that the credit only applies to 2011; and the credit should be $30.00 and not the reduced value of $25.30.

E. Schedule Section

Generally speaking the IIPA does not object to these changes, with the exceptions that in the "Load Control Service Agreement" paragraph: 1) the words "and are selected" should not be added to the first sentence; and 2) at the end of that paragraph the words "to indicate their participation" should be retained and the proposed additional words "as an indication of their interest" should not be adopted.

F. Special Conditions Section

The IIPA objects to the proposed deletion of the "Load Control kW" paragraph as proposed by RMP.

The IIPA objects to the proposed deletion of most of the "Communication" paragraph as proposed by RMP.

With respect to the Opt-Out costs in "Liquidated Damages" paragraph, the IIPA agrees that the existing language is cumbersome for both the Irrigators and the Company to calculate what the cost of power would be at the time of a Dispatch Event. For this reason the IIPA agrees that a change should be made. However, the IIPA objects to the Opt-Out Costs proposed by RMP. From the IIPA's perspective, there has been very little opting-out and this should not be considered a problem. As pointed out by Company witness Hunter at page 8, only 2.9% of the customers were opting-out of control events. The opt-out provision is a very necessary backstop for participants enrolled in the program in order to address contingencies that may occur. An opt-out rate of only 2.9% demonstrates that Irrigators are not taking advantage of the option and therefore punitive penalties should not be necessary.

For two opt-outs, RMP proposes that the credit be reduced to 90% (a 10% reduction in a $30 credit amounts to $3). For three opt-outs, RMP proposes that the credit be reduced to 70% (a 30% reduction in a $30 credit amounts to $9). By contrast, Idaho Power has recently changed its opt-out costs to simply $1 per opt-out. The IIPA favors the Idaho Power level of $1 per opt-out. If it appears that some Irrigators begin to start taking advantage of this amount, then the issue should be revisited.

The IIPA does not object to the remaining changes proposed by RMP.

CONCLUSION

The Program has evolved into a cost effective tool for RMP to reduce its summer system peak and avoid more costly supply side resources or market power purchases. The IIPA believes that the changes that RMP proposes are too narrowly focused on short term concerns of the system treatment of the cost recovery of the program to the exclusion of maintaining the Program in the long run by maintaining an appropriate credit level. As such, the IIPA urges the Commission to maintain the Program as is. In other words, the Commission does not need to fix the Program, because it is not broken.

DATED this 21th day of March, 2011.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By Conrad J. Aiken for
ERIC L. OLSEN, Attorney for
Idaho Irrigation Pumpers
Association, Inc.

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this _______ day of March, 2011, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

Jean D. Jewell, Secretary Idaho Public Utilities Commission P.O. Box 83720 472 W/ Washington Street Boise, Idaho 83720-0074 jjewell@puc.state.id.us	_______U.S. Mail/Postage Prepaid _______E-Mail _______Facsimile _______Overnight Mail ___✓___Hand Delivered
Ted Weston Idaho Regulatory Affairs Manager 201 South Main, Suite 2300 Salt Lake City, UT 84111 ted.weston@pacificorp.com	___✓___U.S. Mail/Postage Prepaid ___✓___E-Mail _______Facsimile _______Overnight Mail _______Hand Delivered
Daniel E. Solander Senior Counsel 201 South Main, Suite 2300 Salt Lake City, UT 84111 daniel.solander@pacificorp.com	___✓___U.S. Mail/Postage Prepaid ___✓___E-Mail _______Facsimile _______Overnight Mail _______Hand Delivered

Howard J. Aiken for
ERIC L. OLSEN

Why Is a Utility Paying Customers?

By KATE GALBRAITH
Published: January 23, 2010

BOISE, Idaho

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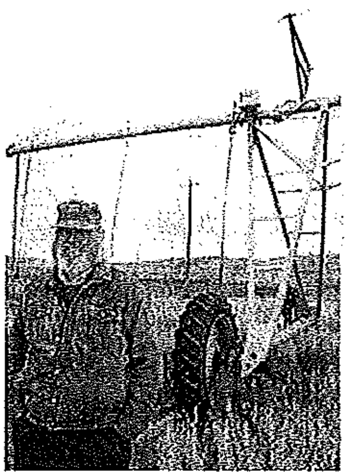


Paul Hosefros for The New York Times

Farmers like Sid Erwin take a risk by watering less when power demand is highest. But they like the upside: a rebate from the Idaho Power Company.

FOUR decades ago, when Sid Erwin began his career as an inspector at the Idaho Power Company, a string of new hydroelectric plants was pumping out power faster than locals could buy it. Soon enough, Mr. Erwin recalls, the utility began sending representatives to rural areas, urging farmers to use more electricity when irrigating their crops.

These days, Idaho's farmers are being paid to stop using power.

Sitting at a cluttered kitchen table in his home, Mr. Erwin — now a farmer himself — waved a bill showing that last July he received a credit of more than $700 from Idaho Power for turning off his power-guzzling pumps on some summer afternoons.

"It's a total turnabout," says Mr. Erwin, who lives in Bruneau, about 60 miles southeast of here. "I'm almost 70 years old and this has been a lifelong education to me."

Enlarge This Image

Paul Hosefros for The New York Times

Ric Gale of Idaho Power said that after an energy crisis, "everything turned a full 180."

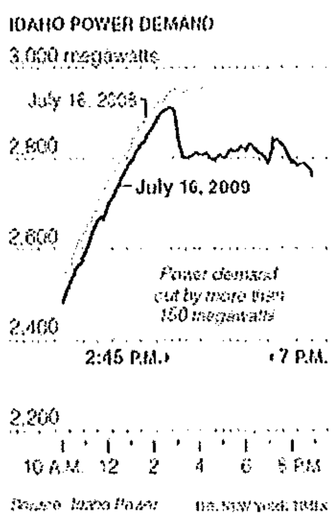
Enlarge This Image

Paul Hosefros for The New York Times

Water for Idaho's farmers, like Sid Erwin, often has to be brought uphill from the Snake River, or from wells, with electric pumps.

Taming Peak Demand

Idaho Power pays some customers to cut electric use at times of peak demand as a way to slow the need for new power plants. Here are the results from one day last summer



As saving energy becomes a rallying cry for utilities and the government, Idaho Power is in the vanguard. Since 2004, it has been paying farmers like Mr. Erwin to cut power use at crucial times, resulting in drop-offs of as much as 5.6 percent of peak power demand.

In a related program, it pays homeowners to turn off their air-conditioners briefly at times of high demand.

Other efficiency initiatives by the utility, including one promoting attic insulation, have saved about 500,000 megawatt-hours of power since 2002, according to the company — roughly equal to the amount used by 5,000 gadget-filled homes over eight years.

To pay for these and other energy-saving measures, Idaho customers — individuals and companies — are charged a 4.75 percent "energy efficiency" rider on their electric bills, one of the highest percentage charges of this kind in the country.

"It's clearly iconic in terms of a utility that's turned the corner," says Tom Eckman, the manager of conservation resources with the Northwest Power and Conservation Council, a planning group created by Congress. "They have gone from pretty much ground zero to a fairly aggressive program level."

The company's efforts are especially striking given that the push for energy efficiency is generally associated with coastal states like California and Massachusetts, not with a state whose electric rates are among the lowest in the country.

But the concept has rung true for Idaho's farmers, anglers and snowbirds — outdoor types who have helped keep the state nearly free of coal plants. They have been largely receptive to the utility's arguments that it is cheaper to save energy than to build new power plants.

"Every time they would build a plant, it would raise our rates," says Terry Ketterling, a farmer in Mountain Home, Idaho, who grows sugar beets, corn, wheat and alfalfa and who, like Mr. Erwin, participates in the irrigation payment program.

Energy experts say Idaho Power's efforts can be replicated by other power companies across the country. Steve Nadel, executive director of the American Council for an Energy-Efficient Economy, an advocacy group, estimates that about half of utilities now run programs that pay customers to cut use during peak periods. And companies like Enernoc, based in Boston, have sprung up that help utilities by outfitting stores and other businesses with devices to turn off lights or reduce power in other ways during a power squeeze.

But most utilities spend a much lower proportion of their revenue on saving energy than Idaho Power, says Ralph Cavanagh, a senior lawyer at the Natural Resources Defense Council, an environmental group.

LaMont Keen, the C.E.O. of Idaho Power, acknowledges that the company, with its large cohort of farmers, has a different customer base than most other power companies. Still, he argues that the success of his programs shows that even utilities with large industrial loads can adapt.

"With the right incentives, people can and will modify their behavior in ways that are beneficial," he says.

The utility also has its share of critics: Big businesses sometimes wince at paying the efficiency charge. And some say the utility has dragged its feet when it comes to renewable energy — other than that generated by huge dams. Some detractors refer to Idaho as the "hole in the doughnut" on wind power — because most of its neighbors, like Oregon, Washington and Wyoming, have built far more wind farms.

"Very little has been developed in Idaho in the past six or seven years, whereas all the states around us have blossomed," says Kiki Tidwell, a self-described "Republican soccer mom" near Hailey, Idaho. Ms. Tidwell helped push through a shareholders' resolution to urge Idaho Power to plan for a low-carbon future.

To the surprise of even Ms. Tidwell, it passed last May, with 52 percent of the votes.

Mr. Keen notes that hydro is a clean resource and says Idaho Power — a subsidiary of the publicly listed Idacorp that serves parts of Oregon as well as most of Idaho — is working to ramp up wind production and reduce the carbon intensity of its operations.

IDAHO POWER has been used to getting its way: it's an old joke around Boise that Idaho is the only state named for a power company.

Until recently, getting its way meant adding power, which was cheap and plentiful, thanks in part to several new dams completed in the late 1950s and '60s. (One of them, called Hells Canyon, was where Mr. Erwin spent his younger days checking on cables and fittings during construction.)

A nasty shock arrived in 2000 and 2001, when peak-time energy prices on the open market rose about tenfold — not counting steeper, temporary spikes. The Western energy crisis was under way, with market manipulation woes in California compounded by a dry stretch for Idaho's dams.

"Everything turned a full 180," Ric Gale, the utility's vice president for regulatory affairs, said in an interview in Idaho Power's blocklike Boise headquarters, which is itself undergoing a floor-by-floor green retrofit.

Idaho Power and regulators held emergency meetings, and customers were soon hit with a temporary rate increase of about 44 percent. The utility paid big irrigators to shut down their electric pumps for the summer of 2001, figuring it would be cheaper than buying the power at high prices. An enormous phosphate plant in Pocatello was also in effect paid to temporarily shut down one of its energy-guzzling furnaces. The move hurt sales, and the company, FMC, decided later that year to close the plant permanently.

To avoid being caught short again, Idaho Power decided to give energy-saving measures a try. Another push came from the state's Public Utilities Commission, which ordered Idaho Power in 2001 to refocus on energy efficiency — something the utility had dabbled in during the 1990s.

PERHAPS more than any other group, Idaho's farmers have experienced at first hand the effects of the utility's transformation. Though Idaho's economy has diversified in recent years, more than a fifth of its land is devoted to farming — not only to grow Idaho's world-famous potatoes, but also crops like alfalfa, triticale and oat hay, all of which Mr. Erwin grows.

Vast amounts of energy are required to pump water up to the state's plains from the Snake River or from wells. The largest farms can use as much electricity as several thousand homes. During the summer, big farms keep their pumps on nearly 24 hours a day, seven days a week.

Until the 1970s, many farmers used gas-powered engines to force water uphill, according to Mr. Erwin. But by offering steep discounts, Idaho Power convinced many of them to

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put in electric pumps and use them to move water up even taller slopes; the discounts are still in effect. Irrigation accounts for 12 percent of Idaho Power's electricity load over all — and 23 percent during peak periods.

That's why, in recent years, Idaho Power decided that farmers could help it reduce the load on sunny summer days, when air-conditioners and other gadgets are on, by turning off their pumps for up to 15 hours a week.

This concept, called demand response, has gained traction in utility circles. In essence, it involves paying users to make small sacrifices when there is an urgent need for extra power (the "peak"). The utility can then rely on cutting some demand on its system at crucial times — and, in theory, avoid the cost of building a new plant just to meet those peak needs.

Over the course of the day, Mr. Gale says, "you can actually see the peak drop off when the program kicks in."

For farmers, however, this process isn't easy. Workers must be dispatched to turn the pumps on and off, and there is a risk of crop damage. "I may save on power, but it may cost me some on crop," says Mr. Ketterling, who pumps water up more than 600 feet from the Snake River. He spends about $1.8 million a year on electricity and estimates he shaved more than 30 percent off his bill over a six-week period last year by participating in the program.

Ordinary consumers have also been called upon to help with efficiency. These days, most utilities enclose fliers with monthly bills that offer energy-saving tips for appliances and light bulbs, but Idaho Power seems to have taken the campaign to an extreme.

Just before Christmas, the utility bought ads in newspapers flagging "naughty or nice" holiday gifts: an electric charger for a mobile device, for example, was "naughty," but a solar charger was "nice." Last October, Idaho Power offered free classes to Boise residents featuring energy-saving tips for cooking (ever tried a solar oven?) and demonstrations on sealing ducts.

Another program, begun last June after a yearlong pilot version, pays individuals 15 cents for each square foot of insulation they put in their attics. "That was a no-brainer," said Courtney Washburn, a Boise resident who works for the Idaho Conservation League and who received a letter from Idaho Power promoting the insulation rebate.

Ms. Washburn also participates in the utility's "demand response" program for air-conditioners. More than 32,000 Idaho Power households (out of nearly 407,000 total) have allowed the utility to control their air-conditioners at crucial times.

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On a hot summer day, Idaho Power can in essence push a switch that causes devices installed on participating air-conditioning units, like Ms. Washburn's, to cycle on and off for intervals as long as 15 minutes. Ms. Washburn says she has noticed no difference in temperature, even though a sweltering day is exactly when people want their air-conditioning most. Executives say the program lowers use during peak periods by about 1 percent. Participants are paid $7 a month during the summer.

Ms. Washburn says her electric bill has dropped by about 30 percent as a result of the attic insulation and the $7 credit.

FACED with a fast-growing population, Idaho Power has been unable to avoid building new power plants altogether; a new natural gas plant is in the works. But executives are pressing ahead with efficiency measures. The utility is asking regulators to make permanent a pilot program started in 2007 that allows Idaho Power to raise rates to make up for selling less power.

(This concept is known as decoupling and is celebrated by energy-efficiency advocates; Idaho was one of the first states to adopt it, after California, though Idaho Power's large industrial customers are so far exempt from the rate adjustments.)

But the aggressive pursuit of efficiency has prompted concerns in some quarters. Ray Stark, senior vice president of the Boise Metro Chamber of Commerce, says that not long ago a few companies, including a chemical producer, that had been considering operations in the state were told by Idaho Power that there was insufficient capacity to accommodate their power needs.

"That concerns us a great deal because we want to be competitive for economic development projects," said Mr. Stark, adding that he supports the efficiency push.

Mr. Gale said that capacity constraints were unrelated to the drive to save energy and that utilities can't always quickly accommodate a big new customer.

The rising efficiency charges have also raised corporate eyebrows. Don Sturtevant, the energy manager for the J. R. Simplot Company, the potato processor, said he cringed when Idaho Power raised the charge last June to 4.75 percent from 2.5 percent, though he said the company benefited from the program.

If the utility raises the charge again, Mr. Sturtevant said, "it's going to be a challenge."

A version of this article appeared in print on January 24, 2010, on page BU1 of the New York edition.

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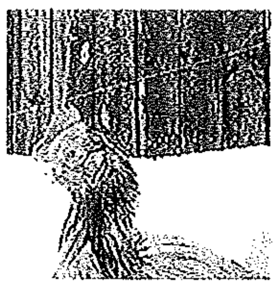

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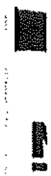

Let Out

ROCKY MOUNTAIN POWER

Jeffrey K. Larsen
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801.220.4907

October 15, 2009

Idaho Irrigators Pumper's Association
201 East Center
PO Box 1391
Pocatello, ID 83204

Attn: Mark Mickelsen
Eric Olsen

Re: Idaho Tariff Schedule 72A Dispatchable Load Control Service Credit Rider Program Settlement Terms

Dear Mark and Eric:

The purpose of this letter agreement is to memorialize the October 6, 2009 discussions between representatives of Rocky Mountain Power ("Company") and the Idaho Irrigation Pumper's Association, ("IIPA"). The Company and IIPA collectively are referred to herein as the "Parties". At that meeting, the Parties discussed the results of the dispatchable irrigation program to-date and negotiated the post-2009 terms of such program.

For the 2008 and 2009 irrigation seasons the dispatchable irrigation program was governed by the stipulation to Rocky Mountain Power's Case No. PAC-E-07-05, approved in Order No. 30482 by the Idaho Public Utilities Commission. Tariff Schedule 72A was modified to reflect the terms of the stipulation. Since Tariff Schedule 72A does not address the terms for irrigation seasons after 2009, the Parties have agreed to the following changes in the terms and conditions of the dispatchable irrigation program under Tariff Schedule 72A to address the post-2009 treatment of the program:

1. extend the current participation schedule for the irrigation seasons through the end of the 2012 irrigation season;

2. revise the dispatch program season from the current period of June 1 to September 15 to a new period of June 1 to August 31 of each year; and,

3. revise the available dispatch hours from the current period of 2:00 PM to 8:00 PM to a new period of 11:00 AM to 7:00 PM. The change in times will help facilitate phasing in and out of dispatch events as well as provide additional time to the pumpers to check that their irrigation system is operating correctly before it gets dark;

Furthermore, the Parties agree to these terms and conditions as reflected as revisions to the current Tariff Schedule 72A, with all other terms and conditions remaining unchanged as specified in the attached tariff sheets. The Parties will support these changes to Tariff Schedule 72A in a tariff advice filing made by the Company for Commission approval and represent that they are in the public interest.

Sincerely,

Jeffrey K. Larsen
Vice President Regulation

The Parties have negotiated the changes to tariff Schedule 72A in good faith and by their signatures below acknowledge and agree to the terms as detailed above.

ROCKY MOUNTAIN POWER

By: ______________________ Date: 10/15/09

Jeffrey K. Larsen
Vice President Regulation
201 South Main Street, Suite 2300
Salt Lake City, UT 84111

IDAHO IRRIGATION PUMPER'S ASSOCIATION

By: ______________________ Date: ______________________

Eric Olsen
Attorney for IIPA
201 East Center PO Box 1391
Pocatello, ID 83204

4. revise the available dispatch hours from the current period of 2:00 PM to 8:00 PM to a new period of 11:00 AM to 7:00 PM. The change in times will help facilitate phasing in and out of dispatch events as well as provide additional time to the pumpers to check that their irrigation system is operating correctly before it gets dark; and,

5. continue to provide results of the Dispatchable Irrigation program in the DSM report filed annually with the Idaho Commission.

Furthermore, the Parties agree to these terms and conditions as reflected as revisions to the current Tariff Schedule 72A, with all other terms and conditions remaining unchanged as specified in the attached tariff sheets. The Parties will support these changes to Tariff Schedule 72A in a Tariff Advice filing made by the Company for Commission approval and represent that they are in the public interest.

Sincerely,

Jeffrey K. Larsen
Vice President Regulation

The Parties have negotiated the changes to tariff Schedule 72A in good faith and by their signatures below acknowledge and agree to the terms as detailed above.

ROCKY MOUNTAIN POWER

By: ____________________ Date: 10/21/09
Jeffrey K. Larsen
Vice President Regulation
201 South Main Street, Suite 2300
Salt Lake City, UT 84111

IDAHO IRRIGATION PUMPER'S ASSOCIATION

By: ____________________ Date: 10/26/09
Eric Olsen
Attorney for IIPA
201 East Center PO Box 1391
Pocatello, ID 83204

ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

ROCKY MOUNTAIN POWER

ELECTRIC SERVICE SCHEDULE NO. 72A

STATE OF IDAHO

Dispatchable Irrigation Load Control Credit Rider Program

PURPOSE: This optional tariff allows Customers to participate in a dispatchable control service interruption program in exchange for a Load Control Service Credit (LCSC). Customers participating in this program will be considered participants in the Irrigation Load Control Credit Rider program.

PARTICIPATION: Prior to participation, and in order to qualify under this Schedule, Customers must execute a Load Control Service Agreement (LCSA) with the Company. Participants in the dispatchable program will be considered program participants for subsequent years unless the Customer explicitly communicates the desire to no longer participate in the Load Control Credit Rider program.

APPLICABLE: To qualifying Customers served on Schedule 10 and who have continuous access to the Internet from May 1 through September 15. Access to the internet beginning May 1 is required to allow for program information sharing, training, and communication testing in advance of the control season. In addition, Schedule 10 Customers participating in the dispatchable program must:

(a) Meet minimum irrigation equipment motor load size of 30 Hp. The Company may evaluate individual pumps or motors smaller than 30 Hp to determine if participation is cost-effective or necessary because such pumps are part of a larger participating system.
(b) Use advanced 2-way remote control equipment as specified by the Company to manage ALL pumping requirements throughout the Company defined Irrigation Season (June 1 through September 15).
(c) Participate in Company-defined training to set up their pump sites for dispatch.
(d) Incur air time communication charges for communication transactions exceeding 70 per month. Charges for communication transactions in excess of 70 per month will be deducted from the Customer's LCSC.

~~IRRIGATION~~DISPATCHABLE PROGRAM SEASON: This rider is applicable ~~only during the Irrigation Season~~ from June 1 to August 31~~September 15~~, annually.

(Continued)

Exhibit B to IIPA Comments
Case No. PAC-E-11-06

ROCKY MOUNTAIN POWER
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ELECTRIC SERVICE SCHEDULE NO. 72A – Continued

LOAD CONTROL SERVICE AGREEMENT: The Customer and Company will execute a LCSA for irrigation load control participation. The LCSA shall specify the Load Control kW amount that each of the Customer's sites shall curtail during each Dispatch Event. The agreement will also include typical costs that the Customer may incur for Early Termination. Once executed, the agreement shall remain in force for subsequent Irrigation Seasons unless explicitly canceled by the participating Customer. Cancellation of an existing LCSA may occur only between September 16 and May 30 each year.

LOAD CONTROL SERVICE CREDIT: The LCSC for a participating site shall be calculated and issued to the participating customer in the form of a check, or as a credit against the participating site account if an outstanding account balance exists that is 30 days or more past due two weeks before the credit issuance. The LCSC will be issued no later than October 31 following each irrigation season. The LCSC is composed of a Fixed Annual Participation Credit that shall remain fixed throughout the Irrigation Season each year. The LCSC shall be computed at the conclusion of the Irrigation Season by multiplying the Fixed Annual Participation Credit times the Load Control kW at the Schedule 10 metered pump site. The Load Control kW shall be computed by taking the most recent 2-year demand (kW) average for that particular site. In situations where the pump has been replaced and/or re-wound the kW shall be computed by taking the manufacturer's revised nameplate Hp and converting it to kW using standard engineering conversion metrics.

The Fixed Annual Participation Credit for 20108, 2011 and 201209 is based upon total program participation volumes as defined in the table below (Participation Credit Schedule). The participation credit is increased for each tier of program participation volume to encourage participation in the program.

Participation Credit Schedule

Program Participation Volumes (MW)	Participation Credit ($/kW-yr)
Less than 150	$23.00
150 to less than175	$26.00
175 or greater	$28.00

SCHEDULE:

Notification of Credit: The Company will provide notification of the total LCSC to all eligible Schedule 10 customers by February 15 each year.

Load Control Service Agreement: Concurrent with the Notification of Credit referenced above, the Company will provide a LCSA listing the amount of the credit the Customer will receive for the irrigation season if they elect to participate in the program. Customers who have not previously entered into a LCSA with the Company and who desire to participate in this load control program shall sign the LCSA and return it to the Company by April 15 to indicate their participation.

(Continued)

Exhibit B to IIPA Comments
Case No. PAC-E-11-06

ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

ELECTRIC SERVICE SCHEDULE NO. 72A – Continued

DISPATCH CONDITIONS: The Company shall have the right to implement a Dispatch Event for participating customers according to the following criteria:

(a) Available Dispatch Hours: ~~2~~11:00 ~~P~~AM to ~~8~~7:00 PM Mountain Daylight Savings Time
(b) Maximum Dispatch Hours: 52 hours per Irrigation Season
(c) Dispatch Duration: Not more than four hours per Dispatch Event or twelve hours per week
(d) Dispatch Event Frequency: limited to a single (1) Dispatch Event per day
(e) Dispatch Days: Monday through Friday (inclusive)
(f) Dispatch Day Exclusions: July 4 and July 24

DISPATCH COMMUNICATIONS: The Company will provide day-ahead notice of intent to dispatch as well as day-of confirmation communication prior to the dispatch event. Communications will be made via voice, text or email messaging depending on each Customer's communication preference.

SPECIAL CONDITIONS:

Load Control kW: The Load Control kW amount for the ~~2007~~ Irrigation Season shall be computed as follows:

1. The maximum kW for the past two (2) years (or available history) for each of the four irrigation months shall be averaged by month (June 1 through September 15).
2. The average monthly values calculated in Step 1 above shall be averaged.
3. The output of Step 2 above shall be multiplied by the appropriate participation credit as defined in the Participant Credit Schedule above.

Outages: Uncontrolled outages or other types of interruptions do not qualify for payment under the tariff.

Ownership of Control Equipment: The load control equipment remains the property of the Company. Customers may, at their discretion, purchase complementary control components that can work with the Company's foundational control units. To the extent possible, the Company will cooperate and work with local equipment distributors in facilitating such additional equipment.

Communication: The Company will pay the cost of air time communication for up to 70 transactions per month. Additional Customer communication with irrigation control equipment is permitted. The cost of such transactions will be the Customer's responsibility but will be managed through the Company (Note: Customer air time communication costs, if any, will be calculated as a reduction to the LCSC).

Liquidated Damages: Customers are permitted to 'opt-out' of five (5) Dispatch Events throughout the Irrigation Season. Customers electing to 'opt-out' of a scheduled dispatch event may do so on the program's web page, by contacting the program's call center, or by notifying a program field technician. Each 'opt-out' event will incur a cost resulting in a reduction to the Customer's LCSC. The costs will be calculated based on the $/MWh the Company otherwise has to pay for power at the time of the Dispatch Event. Such $/MWh prices will be provided by day ahead on-peak price as published at http://theice.com and will be based on the established Four Corners trading hubs.

(Continued)

Exhibit B to IIPA Comments
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ELECTRIC SERVICE SCHEDULE NO. 72A – Continued

Liquidated Damages: (continued)

'Opt-outs' will be computed at the conclusion of the irrigation season and will be included as a reduction to the LCSC payment issued to the Customer prior to October 31 each year. 'Opt-outs' beyond those identified above are not permitted. Violation of the Liquidated Damages provision shall result in Early Termination under the terms of Special Condition-Early Termination, forfeiture of the entire LCSC.

Liability: The Company is not responsible for any consequences to the participating Customer that result from a load control Dispatch Event or the failure of load control equipment.

Use of Load Control Equipment: The Customer shall be required to exclusively use the 2-way load control equipment to manage their irrigation equipment through the duration of the Irrigation Season.

Load Shifting: Customers participating in this program may not shift irrigation loads to other facilities served by the Company or purchase replacement production from another facility served by the Company. The Company reserves the right to determine if the participating customer site is in violation of Special Condition-Load Shifting. Violation of the Load Shifting provision shall result in Early Termination under the terms of Special Condition-Early Termination, forfeiture of the entire LCSC, and removal from the program for the remainder of the Irrigation Season.

Control Equipment Damage / Sabotage: The Company reserves the right to determine if load control devices were intentionally damaged and/or bypassed to limit load control. Violation of this clause shall result in early termination under the terms of Special Condition-Early Termination, forfeiture of the entire LCSC, and removal from the pilot program for the remainder of the Irrigation Season.

Early Termination: If the Customer is terminated from the program the Customer shall be responsible for reimbursing the Company for costs associated with participation in the program. Such costs include, but are not limited to, direct and indirect labor costs associated with enrolling the Customer in the program, labor costs for installing the equipment, labor to investigate intentional damage to load control devices, removing the Customer from the program, and will not include costs for replacement power. Customers required to pay costs associated with early termination under terms of this Special Condition will be provided with a statement detailing such costs.

Free Riders: Customers may not participate in this program with accounts and meters that would not have used power during the Irrigation Season irrespective of participation in the program. The Company reserves the right to determine if the participating customer is in violation of the Special Condition-Free Riders. Violation of Special Condition-Free Riders shall result in Early Termination, forfeiture of the LCSC, and removal from the program for the remainder of the Irrigation Season.

ELECTRIC SERVICE REGULATIONS: Service under this Schedule will be in accordance with the terms of the Electric Service Agreement between the Customer and the Company. The Electric Service Regulations of the Company on file with and approved by the Idaho Public Utilities Commission, including future applicable amendments, will be considered as forming a part of and incorporated in said Agreement.

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