

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR AUTHORITY) **CASE NO. IPC-E-01-6**
TO INSTITUTE A PILOT PROGRAM TO)
ALLOW IRRIGATION CUSTOMERS TO TAKE)
ELECTRIC SERVICE AT TIME-OF-USE)
ENERGY RATES.) **ORDER NO. 28706**
)

On February 21, 2001, Idaho Power Company (Idaho Power; Company) filed an Application seeking authority to institute a pilot program to allow irrigation customers to take electric service at time-of-use energy rates by implementing Tariff Schedule 25, Irrigation Service, Optional Time-of-Use, Pilot Program (the "Program"). On March 8, 2001, the Commission issued the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline. Order No. 28664. The Commission Staff, Idaho Irrigation Pumpers Association, Inc.¹, and Montierth Farms filed written comments with the Commission. Idaho Power filed reply comments in response to the Commission Staff's comments.

IDAHO POWER'S APPLICATION

Idaho Power states that the purpose of the Program is to ameliorate the pressure on its system peak demands and associated financial consequences resulting therefrom. The Program will provide an appropriate price signal to the Company's irrigation customers to encourage them to shift their energy usage away from peak times. Idaho Power believes this shifting will reduce the Company's purchase power costs. Accordingly, Idaho Power believes that exploring the potential benefits of this Program is warranted.

The Program will be made available to all of Idaho Power's irrigation customers who are not participating in the Company's Irrigation Buy-Back Program or its Tariff Schedule 22 [Commercial] Energy Buy-Back Temporary Program. *See* Case Nos. IPC-E-01-3 and IPC-E-01-4. The Company also states that enrollment in this pilot program will be limited to 300 metered service points unless it chooses to waive this restriction.

¹ The Idaho Irrigation Pumpers Association was allowed to intervene into this case by Commission order. *See* Order No. 28674.

The Program tariff will have the same billing components and charges as Schedule 24 with two exceptions:

1. The irrigation in-season energy charges will no longer be one flat rate but instead be based on the hours in which the energy was utilized.
2. The installation of more expensive TOU (time-of-use) meter is required to participate in the pilot program. To contribute toward the increased cost of the meter as well as the increased meter reading and bill processing costs, a “TOU Meter Charge” of \$3.00 per month during the irrigation season will be assessed.

Application at p. 5, § VII.

Idaho Power contends that if the Program is successful it may reduce the amount of revenue the Company will receive. The Company further asserts that this reduction is not accounted for in Idaho Power’s Power Cost Adjustment (PCA) and thus it absorbs it entirely. Accordingly, Idaho Power requests authorization to include reduced revenues, resulting from this Program, as an adjustment to its PCA mechanism.

COMMENTS

Commission Staff

Consistent with its Comments, Staff recommended that the Schedule 25, Irrigation Service, Optional Time-of-Use Pilot Program be approved. However, Staff also recommended the following:

- As Program results become available, and assuming the results are positive, Staff recommended that Idaho Power be prepared to offer the Program to as many eligible irrigation customers as demand warrants and as quickly as the Company is able.
- Staff recommended that Idaho Power closely monitor daily and seasonal price variations and adjust either the months and/or the hours during which time-of-use rates will apply to work towards pricing that accurately reflects the true value of load shifting.
- For the initial phase, Staff recommended Idaho Power screen out customers judged to have minimal ability to shift load and those customers whose participation will not be beneficial.
- Staff recommended customers be permitted to participate in both the irrigation buy-back and the time-of-use programs.

- Staff recommended that Idaho Power offer the expertise of its own irrigation specialists to counsel irrigators if requested on irrigation practices and system modifications that could enable them to successfully utilize time-of-use rates.

Staff does not recommend that Idaho Power be allowed to recover lost revenues as a result of this Program.

Idaho Irrigation Pumpers Association, Inc.

The Irrigators state that they have participated in the development of this Program and strongly support it. The Irrigators believe that this Program could help reduce Idaho Power's power purchase costs and provide price incentives to those irrigation customers who can alter the design and method of their water delivery systems to shift use off-peak in return for lower energy rates. Finally, the Irrigators state that this pilot program should develop information that will help the Company determine if time of use rates should be offered more extensively to irrigation and other customers on a permanent basis.

Montierth Farms

Montierth Farms alleges that after discussions with Idaho Power it believed that the Company would allow it to participate in both the Time-of-Use Program and Irrigation Buy-Back Program. Later, a company official explained that Montierth could not participate in both programs. Accordingly, Montierth has filed comments requesting that the Commission require Idaho Power to allow them to participate in both programs.

Idaho Power Company's Reply Comments

First, the Company disagrees with Staff's recommendation that it screen out customers judged to have minimal ability to shift load and those customers whose participation will not be beneficial. Because the Company believes that the role of a pilot program is to be an experiment and not a strategy to produce a preconceived result "it is important to put no artificial parameters to the experiment such as the size of previous energy usage or other criteria limiting participation." Reply Comments at 2.

Second, the Company disagrees with Staff's recommendation that irrigation customers be permitted to participate in both the irrigation buy-back and time-of-use programs. The Company argues that if customers are allowed to take advantage of both programs it undermines any purposeful analyses of time-of-use pricing as there is no reason to believe that customers participating in the buy-

back program won't return to their typical energy usage and patterns in following years. Reply Comments at 3. Furthermore, the Company contends that by limiting enrollment in the time-of-use program to those customers not participating in the buy-back program there is an opportunity for a larger number of irrigation customers, in aggregate, to participate in the Company's various offerings. Reply Comments at 4.

Third, the Company disagrees with Staff's recommendation that Idaho Power offer the expertise of its own irrigation specialists to counsel irrigators if requested on irrigation practices and system modifications that could enable them to successfully utilize time-of-use rates. The Company asserts that the availability of Company personnel with irrigation experience to counsel irrigation customers will be extremely limited this season and because this is a pilot program it also cannot underwrite the risk of yield reduction or crop loss or other results, either as a result of participation in the pilot program or as a result of relying on the advice of Idaho Power personnel. Reply Comments at 4.

Fourth, the Company disagrees with the Staff's recommendation that it not be allowed to recover lost revenues as a result of this Program. The Company argues that of all its programs the time-of-use program has the most predictable and quantifiable lost revenues. Furthermore, the Company states that without reduced revenue recovery, there are no net incentives, significant or otherwise, for the Company to offer this Program. Finally, the Company argues that without recovery of reduced revenues it will be the only party to lose and it will have no choice but to withdraw this pilot program.

COMMISSION FINDINGS

This Program offered by Idaho Power represents the Company's continuing efforts to reduce the impacts of high prices in the wholesale market and low water conditions throughout the state. However, unlike other programs that Idaho Power is offering certain classes of ratepayers this summer, this Program is intended to be a pilot program for a long-term measure to mitigate peak usage. Although in its current form it is only a pilot program, the Commission believes that it has significant value and the potential to benefit both the Company and ratepayers through the reduction in power purchase costs over the long-term. Accordingly, the Commission approves Idaho Power's Application and Time-of-Use Program.

As data is gathered by the Company through operation of this Program during the 2001 irrigation season it will need to determine what changes need to be made in order to insure that the Program is successful. Until this review is completed the Company cannot know the ideal scope of the Program. Therefore, the Commission finds that because this is a pilot program it will not require the Company to offer it to any more than the 300 metered service points that it proposed.

The Commission finds that the Company is not required to adjust the months and/or hours during which time-of-use rates will apply based on daily and seasonal price variations, nor is it required to screen out potential participants of this Program by attempting to judge whether they have the ability to shift a large amount of energy consumption away from peak periods.

The Commission finds that in order to more accurately determine the impacts of this Program the Company shall be allowed to restrict this Program to irrigation customers who are not participating in either the Irrigation Buy-Back Program or the Energy Buy-Back Temporary Program. *See* Case Nos. IPC-E-01-3 and IPC-E-01-4. This restriction has the added benefit of allowing the Company to maximize the number of irrigation customers that can participate in its programs during this irrigation season. However, this finding has the unfortunate consequence of excluding Montierth Farms from participating in both this Program and the Irrigation Buy-Back Program. Although the Commission is sympathetic to Montierth's allegations it will not change the parameters of this Program for the reasons stated previously in this paragraph.

The Commission will not require the Company to offer the expertise of its irrigation specialists to counsel irrigators regarding irrigation practices and system modifications. We find that the irrigation customers are the experts with regard to their individual operations.

Creating a time of use service offering results in customers paying for usage at rates that more closely match the cost of providing service. Thus, if usage shifts from peak hours to off peak hours, costs to the Company should be reduced. It is incongruous then to add back additional revenue to the Company for "lost revenue." Furthermore, the Commission questions whether reduced revenue impacts will be material, at least initially because the Program's scope is limited and results are uncertain. Therefore, at this time the Commission will not order that the alleged reduced revenues resulting from this Program to be recovered through the PCA mechanism. However, the Company is allowed to raise this issue in a future proceeding to seek recovery if it considers the impact to be material.

Because the Company has threatened to abandon this Program if it is not allowed to recover potential lost revenues, the Commission reminds Idaho Power that it has the responsibility as a public utility to keep charges made for the services it provides “just and reasonable.” *Idaho Code* § 61-301. This responsibility in the current market situation includes the development and implementation of programs that reduce power supply costs. Failure to do so could be deemed imprudent. *See* Case Nos. WWP-E-92-1 and WWP-G-92-1, Order No. 24417. We commend the Company for devising and filing this and other innovative demand reduction programs. Furthermore, we are confident that these measures will be of great benefit in the coming months.

The Commission further finds that the direct costs of this Program may be treated as a purchased power expense in the Company’s Power Cost Adjustment (“PCA”) mechanism. In addition, the Company shall report to the Commission regarding the operation of the Program and its results in the coming months.

ORDER

IT IS HEREBY ORDERED that Idaho Power’s Application and Irrigation Service, Optional Time-of Use Pilot Program is approved.

IT IS FURTHER ORDERED that Idaho Power shall be allowed to limit the number of irrigation customers that participate in this Program as originally proposed.

IT IS FURTHER ORDERED that the Company shall not be required to adjust the months and/or hours during which time-of-use rates will apply based on daily and seasonal price variations during the pilot program.

IT IS FURTHER ORDERED that the Company shall not be required to screen out potential participants of this Program based on a customer’s ability to shift a large amount of energy consumption away from peak periods.

IT IS FURTHER ORDERED that the Company shall be allowed to restrict this Program to irrigation customers who are not participating in either the Energy Buy-Back Temporary Program or Irrigation Buy-Back Program. *See* Case Nos. IPC-E-01-4 and IPC-E-01-3.

IT IS FURTHER ORDERED that the Company shall not be required to offer the expertise of its own irrigation specialists to counsel irrigators regarding irrigation practices and how they may affect the results of this Program.

IT IS FURTHER ORDERED that the Company shall treat the direct costs of this Program as a purchased power expense in the Company's Power Cost Adjustment ("PCA") mechanism.

IT IS FURTHER ORDERED that at this time lost revenue resulting from this Program shall not be recovered through the Company's PCA mechanism. However, Idaho Power will be allowed to raise this issue in a future proceeding to seek recovery of lost revenues resulting from this Program if the impact is material.

IT IS FURTHER ORDERED that the Company shall have a duty to report to the Commission regarding the operation of the Program and its results in the coming months.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-01-6 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-01-6. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this day of April 2001.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

See Attached Dissenting Opinion
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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Dissent of
Commissioner Dennis S. Hansen
Case No. IPC-E-01-6

I hereby respectfully dissent from the majority opinion issued in this case. I find that Idaho Power's Time-of-Use Program is of value both to the ratepayers and the Company. However, I believe that in the administration of this Program the Company should screen out those irrigation customers judged to have minimal ability to shift their energy consumption away from peak periods and allow eligible irrigation customers to participate in both the irrigation buy-back program and this Program.

DENNIS S. HANSEN, COMMISSIONER