

THE IDAHO PUMPER

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Funding

The Idaho Irrigation Pumpers Association is funded by voluntary contributions from individuals, corporations, associations and businesses interested in achieving the Association's goals and objectives of providing an inexpensive, reliable electrical power supply for Idaho's irrigators. Contributions to the Association are not classified as charitable but are deductible as a regular business expense. Less than 5% of the Association's funds are used for administration. The balance is used for legal and technical services.

Thank you for making the spring membership renewal campaign one of our most successful and supporting the programs we are developing. Idaho irrigators enrolled in Idaho Power Company (IPCO) and Rocky Mountain Power's (RMP) irrigation load control programs will share an estimated \$18 million in incentives and credits this year. Irrigators who participated report lower operating costs and stronger profit margins.

RMP filed a general rate case in May, proposing an overall average increase of 13.7 percent. RMP is trying to recover its investments to reduce the environmental impact of coal-fired generation along with new transmission, power supply costs and hydropower relicensing. *See RMP/page 3*

Idaho Power Company will not file another general rate case until at least 2012, but did recently ask the Idaho Public Utilities Commission (IPUC) to declare its \$50.7 million investment in energy efficiency and demand response for 2008 and 2009 as prudent. Customers pay for the programs; but without them, the company says we would have paid more. Irrigators received a significant portion of those dollars. *See Idaho Power Company/page 2*

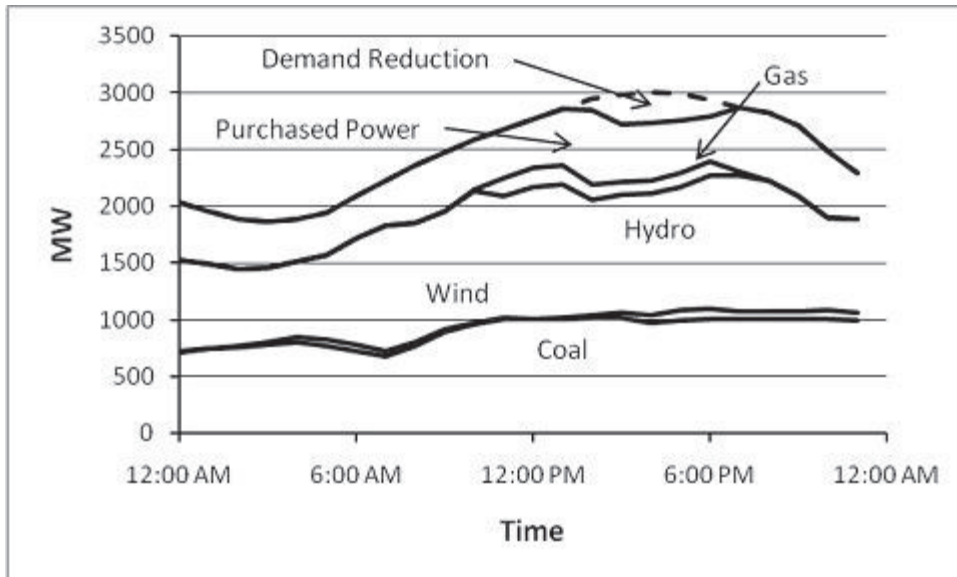
IIPA remains committed to ensuring an "inexpensive, reliable" electrical supply for irrigators, but today conservation, energy efficiency, and demand reduction are the new least cost resources. The Northwest Power Planning and Conservation Council's Sixth Power Plan estimates that 85 percent of the region's load growth could be met from conservation over the next 20 years.

Even if conservation, energy efficiency, demand reduction and renewables could replace coal, large-scale hydropower, and natural gas, it will take decades, not years; require new technology; and be very expensive. And non-firm renewables are not without environmental impacts. Are we sacrificing affordable, reliable and sustainable for cost-effective, intermittent and environmentally-friendly?

Some utility customers, including RMP and IPCO's, pay extra to encourage more "green power" and several western states have adopted renewable portfolio standards that require utilities to include renewables in their resource mix. Idaho does not, but that could be pre-empted by the passage of a federal renewable energy standard. The state benefits economically and environmentally from the development of wind, solar, geothermal and biomass, but customers will pay more.

By contrast, the 221 megawatts Idaho irrigators provided to IPCO this year and the 281 MWs to RMP are cost-effective, non-polluting, as fully dispatchable as coal, hydropower or natural gas, more reliable than wind, affordable, and most importantly reduce peak. Demand reduction is a least-cost resource because peak is the most expensive electricity a utility can build or buy. The question is how to use this resource effectively. Is irrigation load control an interim measure to use until utilities build new generation and transmission or part of the utilities' long-term resource mix?

IDAHO POWER COMPANY (IPCO)



Irrigation Peak Rewards, at least from IIPA's perspective, is probably IPCO's most successful demand reduction program. The graph to the left (*provided by IPCO*) depicts the company's summer peak on July 16th when the temperature in Boise reached 101 degrees. The dotted line near the top shows where about 260 megawatts (MW) of demand reduction kicked in; roughly 221 of it from

irrigation. Without the program, the company would have used other, likely more expensive, resources to meet that peak. The graph also demonstrates IPCO's commitment to a diversified resource mix including conventional, firm, base load resources (hydropower and coal), non-firm renewables (wind), purchased power and demand reduction.

Idaho Power is clear in what it wants from demand reduction. The programs must reduce summer peak, help ratepayers manage their usage, and be cost-effective. Cost-effective means less expensive than building or buying a supply-side resource.

Irrigation Peak Rewards is growing in terms of megawatts and participation. Combined with two other demand reduction programs and 16 energy efficiency programs, the company's savings have jumped from 48 MWs in 2007 to 61 MWs in 2008 and 218 in 2009. Final numbers for 2010 are not yet available, but more irrigators participated, reducing summer peak by an estimated 221 MWs. Energy savings are on target to meet IPCO's projected 260 MWs by 2012 and participation is exceeding expectations since the program was modified in 2009 to give irrigators more flexibility and higher incentives. Irrigators report those incentives are significantly lowering their operating costs and strengthening profit margins.

However, using IPCO's Demand-side Management 2009 Annual Report, only 374 (6 percent) of eligible irrigators and 1512 metered sites (9 percent) participated last year, with a peak reduction of about 160 MWs. But irrigation accounted for approximately 750 MWs, 12 percent of total usage and 23 percent of summer peak.

IIPA believes irrigators can and must further reduce their impact to summer peak to avoid higher rates. Peak Rewards appears to be a success even as IPCO is learning to use the program. Unfortunately the last two years, characterized by cool, wet weather, decreased demand due to the economy, and low wholesale prices, may not have fully demonstrated the program's value. IIPA wants Peak Rewards to be recognized as a peaking resource that, when used appropriately, is more cost-effective than new generation and transmission and part of a diverse and reliable electrical supply. IPCO will meet with Pumpers and the Idaho Public Utilities Commission later this year to discuss potential modifications to the program. IPCO is also expected to use its Integrated Resource Planning process to identify cost-effective resources and customer preference for programs like Peak Rewards going forward.

Quick Stats	
IPCO Irrigation Load Control 2010	
221 MW (estimated)	
2220 metered sites (estimated)	
3 separate dispatch events	
12 total hours of dispatch	
Approximately \$10 million in incentives	

ROCKY MOUNTAIN POWER COMPANY (RMP)

Rocky Mountain Power filing a general rate case was a matter of when, not if. What was surprising to Idaho Irrigation Pumpers Association was tying irrigation's 9.6 percent increase to cost of service.

The company proposed an overall average 13.7 percent increase in its May filing. RMP is trying to recover an estimated \$4 billion it spent on new generation including renewables, transmission, upgrades to existing facilities, and hydropower relicensing plus another \$87 million in power supply costs. The new investments were all put into service since settling its last general rate case in 2009. If approved, Idaho ratepayers would pay an additional \$27.7 million a year in base rates.

RMP is also asking the Idaho Public Utilities Commission to increase its rate of return from the existing 5.79 percent to 8.36 percent. The return on investment is important to the utility to obtain financing for future investments and to the ratepayer who must pay for them eventually. In the current economy, RMP and its parent company PacifiCorp have reduced, but not discontinued, future investments that are viewed as crucial to maintaining adequacy and reliability now and meeting future growth. Investments in renewables and many of the upgrades at existing facilities are aimed at reducing the environmental impact of coal-fired generation. Congress has yet to adopt a federal renewable energy standard, but several of the six states in PacifiCorp's territory have. Likewise no federal legislation exists to regulate climate change, carbon or greenhouse gas, but the Environmental Protection Agency (EPA) is developing rules to do so as the result of a recent U.S. Supreme Court ruling on their authority under the Clean Air Act.

Idaho Public Utilities will hold technical hearings on the general rate case in Boise, starting on November 30th, and followed by public hearings in eastern Idaho in December.

IIPA agrees irrigators should pay their fair share. But Pumpers will challenge the company's sales and revenue forecasts that, if normalized to account for cool, wet spring weather in both 2009 and 2010, should lower the proposed increase significantly.

IIPA is also challenging the company's treatment of its highly successful Irrigation Load Control program. The program benefits are shared system-wide with all states served by PacifiCorp while only Idaho ratepayers pay for it. Irrigation Load Control, the largest of seven conservation, energy efficiency or demand side management programs RMP sponsors in Idaho, is funded by an energy efficiency rider on every customer's bill. In 2009 the rider generated \$5.2 million that RMP estimates resulted in \$17.1 million in customer benefits. The estimated cost difference between electricity saved system-wide through one of these programs is about half the cost of electricity generated by a new plant (IPUC/ 5/14/10).

In July 2010 the rider increased from 3.72 to 4.72 percent. IIPA opposed the increase, even though irrigators will receive an estimated \$8.2 million in credits this year. Instead IIPA suggested treating the irrigation load control program as a system-wide cost in order to reflect the system-wide benefits and free up funds paid in Idaho for other efficiency programs. IPUC did not concur, but recognizes RMP and IPCO must recover prudent expenses and earn a justifiable rate of return from the programs.

Energy Cost Adjustment Mechanism (ECAM): Irrigation rates went up an extra 1.55 percent as RMP used ECAM for the first time to recover \$2 million in power supply costs. ECAM allows RMP to recover the cost of hydropower, coal, natural gas and market purchases incurred outside of base rates annually. If power costs are up, RMP collects a surcharge; if they are down, customers get a credit. In theory RMP recovers costs faster and is more financially stable while customers get a more timely signal about what electricity costs. The intended result is that RMP will file fewer general rate cases and ratepayers will not experience rate shock when they do. The ECAM cannot be used to increase company earnings.

Quick Stats

RMP Irrigation Load Control 2010

281 MW maximum participating load
2319 individually metered sites
15 separate dispatch events
51 total hours of dispatch
Approximately \$8.2 million in credits issued

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OUR OBJECTIVES

- The Idaho Irrigation Pumpers Association is a non-profit organization committed to insuring a reliable power supply at a reasonable cost for Idaho's irrigation pumpers.
- Programs of the Association are guided by a volunteer Board of Directors representing a broad cross section of Idaho irrigators and electrical energy users.
- The Association is committed to providing legal and technical representation for Idaho's irrigation pumpers before the Idaho Public Utilities Commission, the Idaho State Legislature and in other forums where the future and cost of our electrical supply is discussed.

RMP General Rate Case

To comment on the RMP General Rate Case, you may contact the Idaho Public Utilities Commission by fax, on-line or by mail.

Fax: 208 334-3762

Internet:

www.puc.idaho.gov

Click on the electric icon, 2, then "Open Electric Cases", then scroll down to Case No. PAC-E-10-07

Mail: IPUC

P.O. Box 83720
Boise, ID 83720-0074

Our web address has
changed. Visit us at
www.idah2o.org

BONNEVILLE POWER ADMINISTRATION (BPA)

Residential Exchange Program (REP): Until recently IPCO and RMP customers received an REP credit on their bill as a provision of the 1980 Northwest Power Planning Act to share the regional benefits of the federal power system. Investor-owned utilities (IOUs) lost that credit in 2007 and many thought it was gone for good. But, on September 8th, it was announced that an "Agreement in Principal" has been reached among public power and investor-owned utilities.

The parties to the mediated agreement included public power and IOU representatives who signed a confidentiality agreement so details are limited, but a final settlement could reportedly be reached as early as November 1st. Under discussion is an estimated \$2 billion to be shared among the regional IOUs and their customers on a fixed annual schedule through 2028. The benefit to each utility and its customers would vary and has yet to be determined. Congressional action may be requested to ensure that the settlement withstands challenges from its opponents.

Idaho Constitutional Amendment/HJR 7: Ten of the eleven cities who purchase electricity from BPA cannot sign their post-2011 power supply contracts. The Idaho Constitution prohibits cities and taxing districts from incurring long-term debt without a public vote passed by a two-thirds majority. There is an exception for expenses that are considered ordinary and necessary under Idaho law. But in July the Idaho Supreme Court ruled that the power supply contracts do not qualify under that exemption.

The 20 year contracts need to be signed by October 2011. Those cities with municipal electric utilities purchase as much as 80 to 90 percent or more of their electricity from BPA according to Idaho Consumer Owned Utilities. Without them, the cities may not be able to access BPA's low cost electricity and ratepayers could potentially face significant increases.

A constitutional amendment (**HJR 7**) on the November ballot would allow "power cities" to enter into multi-year contracts with BPA or other suppliers to purchase wholesale electricity. Should the provision fail, each city could hold an election next May. And failing that, BPA is aware of the situation and considering its options to assist them. Cities impacted by the outcome of HJR 7 are Albion, Bonners Ferry, Burley, Declo, Heyburn, Idaho Falls, Minidoka, Plummer, Rupert, Soda Springs, and Weiser.