

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) **CASE NO. IPC-E-12-05**
APPROVAL OF MODIFICATIONS TO)
SCHEDULES 1, 4, AND 5 IMPLEMENTING) **ORDER NO. 32499**
A TIME VARIANT PRICING PLAN)

On January 19, 2012, Idaho Power Company filed a tariff advice proposing numerous modifications to tariffs relating to time variant pricing, specifically, Schedule 1, Residential Service; Schedule 4, Residential Service Energy Watch Program; Schedule 5, Residential Service Time-of-Day Program; and the Schedule Index. The changes are proposed in order to implement a Time Variant Pricing (TVP) Plan that Idaho Power enclosed with its proposed tariff changes. According to the Company’s Plan, the goal of a TVP structure is “to offer customers a choice of pricing plans while providing them with better tools to manage their energy usage, to provide the Company with the opportunity to further study the effects of a time variant rate on customers’ usage, and to help shape the Company’s future communication efforts.” TVP Plan, p. 1. During a pilot implementation, the Company will invite residential customers who have advanced metering infrastructure (AMI or advanced meters) installed, and sufficient usage history, to participate.

The Plan affects two residential time-variant pricing tariffs already in effect: Schedule 5, Time-of-Day pilot and Schedule 4, Energy Watch pilot. The Company proposes to begin a limited offering of the time-of-day rates during 2012 “in order to be able to limit the number of participants until Idaho Power’s new customer billing and information system is in place and in order to study TVP impacts on customer usage as well as Company costs and revenues.” TVP Plan, pp. 1-2. Schedule 5 will be capped at 1,200 customers in the greater Boise area during 2012, and the Company plans to expand the program in 2013. The Time-of-Day plan uses peak and off-peak pricing in the summer and non-summer months, and is designed to send price signals to customers that more closely reflect the cost of energy. The Time-of-Day structure “also provides customers the opportunity to take control of when they use energy and possibly lower their bill by shifting usage to lower cost time periods.” TVP Plan, p. 2.

Idaho Power is proposing to suspend the current Schedule 4, Energy Watch pilot tariff for approximately one year. The Company asserts that suspending the Energy Watch tariff and offering only the Time-of-Day Schedule during the first year allows a less confusing phase-in of the Plan. TVP Plan, p. 3. Idaho Power states that delaying the Energy Watch plan will enable the Company “to evaluate proper integration of a critical peak pricing program with other options provided for the Company’s residential customers (i.e., how Energy Watch and the Company’s residential demand response program (A/C Cool Credit) can best work together).” *Id.*

With the proposed modifications to the Time Variant Plan, the Company also proposed numerous minor changes to the Schedule Index. The term “Standard Plan” has been added to Schedule 1 to delineate it from the Company’s other residential options. Additionally, several alterations to the Schedule Index have been added to reflect past Commission orders.

Staff recommended that the filing be suspended and the tariff advice be treated as an application and processed under Modified Procedure with a 21-day comment period. IDAPA 31.01.01.134.02. Some of the proposed modifications are relatively minor, but some proposed alterations to the Time Variant Program are substantive and warrant further review. In addition, the Company proposed major modifications to implementation of the Energy Watch and Time-of-Use programs, particularly relating to selecting participant criteria. Proceeding by Modified Procedure allows interested parties an opportunity to provide comment and the Company an opportunity to provide additional information for the considerable programmatic modifications.

On February 22, 2012, the Commission issued a Notice of Application and Notice of Modified Procedure to process the Company’s Application. Written comments were filed by Commission Staff, Idaho Conservation League, U.S. Green Building Council Idaho Chapter, Snake River Alliance, and three members of the public. All of the comments support the Company’s proposal to implement the time variant pricing changes.

The Company’s Plan describes its schedule for fully implementing time-of-day rates. The Company’s current customer billing system is an impediment to expanding the time-of-day rate structure beyond 1,200 participants for 2012. Staff believes the proposal to start the time-of-day rates with 1,200 volunteers in the Boise area is sufficient for the Company to analyze the program.

Staff expressed concern that customers who volunteer to participate will be those who will financially benefit from the rate structure without adjusting their usage behavior. The Company estimates a potential decrease in revenue of \$1.03 to \$651.25 per customer for those who use time-of-day rates. This creates a potential revenue decrease in the range of \$1,200 to \$781,500 for 1,200 participants. Idaho Power states it will conduct a comprehensive financial and usage analysis and propose a true-up mechanism. Staff recommended the report be submitted to the Commission prior to the Company revising or expanding its residential time-variant pricing tariffs.

Staff expressed disappointment that the Company plans to suspend Schedule 4, Energy Watch program, for approximately one year. Staff believes Schedule 4 has been a successful resource for peak load reduction, although Staff recognizes there is value in customers becoming more comfortable with a new rate design before adding an additional layer of complexity. Staff recommended the Commission approve the Company's Application to implement its 2012 Time Variant Pricing Rollout Plan, including the expansion of Schedule 5, Time-of-Day program to 1,200 participants and the temporary suspension of Schedule 4, Energy Watch.

The Idaho Conservation League (ICL) also supports the Company's Time Variant Pricing Plan and provides specific recommendations for implementation of the variable rates. Regarding the temporary suspension of Schedule 4, ICL states that it "believes decisions to exclude customers from rate plans requires careful consideration." ICL Comments, p. 2. ICL supports the Company's proposed changes to the time variant pricing schedules. ICL describes the changes as simpler to understand while still providing price signals that can affect customer energy usage. ICL expressed concern, however, that Idaho Power is sending mixed messages about its goals for Schedule 5, Time-of-Use. ICL believes the time-of-use rates can reflect cost of service and also provide customers an opportunity to lower their bills while shifting usage. ICL encourages Idaho Power to reconsider the rate differential in Schedule 5 to provide a stronger price signal.

The U.S. Green Building Council Idaho (USGBCI) filed comments supporting implementation of the time variant pricing plan. USGBCI supports the plan "because we believe it will advance energy efficiency and reduce the utility's need to purchase expensive power on the open market to meet high peak demand." USGBCI Comments, p. 1. Like ICL, the USGBCI

encourages the Company to promote the program aggressively to ensure enough customers participate and to have an impact on peak demand.

The Snake River Alliance (SRA) also supports implementation of the time-of-day rates. SRA believes the pricing plan will help the Company familiarize customers with the benefits of peak reduction and could ultimately lead to sizeable reductions in peak use. SRA also recommended the Company expand its outreach program to encourage customers to participate.

On the record in this case, the Commission approves the changes Idaho Power proposed to its tariffs Schedule 1, Schedule 4, and Schedule 5. The changes are proposed to implement the Company's Time Variant Pricing Plan, and provide a reasonable approach to phasing in time variant rates for residential customers. Experience the Company gains by providing time-of-day rates to 1,200 customers during 2012 will enable the Company to identify program changes, if appropriate, before expanding the program in 2013. To assist Staff in its review of the program, Idaho Power is directed to provide its analysis of the 2012 Time Variant Plan results to Staff prior to filing further revisions to the Company's time variant pricing tariffs.

ORDER

IT IS HEREBY ORDERED that Idaho Power Company's changes to its tariffs Schedule 1, Residential Service; Schedule 4, Residential Service Energy Watch Program; Schedule 5, Residential Time-of-Day Program; and the Schedule Index, are approved. The Company is directed to provide its report analyzing the 2012 Time Variant Plan results to Staff prior to further revising its time variant pricing tariffs.

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 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. 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 27th
day of March 2012.



PAUL KJELLANDER, PRESIDENT

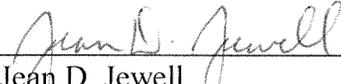


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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