

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.

IRRIGATORS SLAMMED WITH RATE INCREASES IIPA SEEKS MEMBERS' SUPPORT & INVOLVEMENT

Idaho irrigators are being slammed with not one, not two, not three, but FOUR—yes, four—RATE INCREASES as the 2007 irrigation season moves into high gear. Close on the heels of our hard-won, costly successes fending off Idaho Power Company's 2005 and Rocky Mountain Power's 2006 general rate cases, **IIPA again faces multiple challenges with limited funds.**

In May Bonneville Power Administration suspended its residential and small farm credit, a move that may increase irrigation rates anywhere from an estimated 10% to possibly 60%, depending on whether you are an Idaho Power or Rocky Mountain Power customer and the size of your farming operation. *(BPA/page 4)*

On June 1st Idaho Power Company's annual Power Cost Adjustment went into effect, raising irrigation rates 14.5%. One week later **the company also filed a new general rate case**, asking for a 20% increase to base rates for irrigators plus higher service, demand and in-season/out-of-season energy charges. *(IPCO/page 2)*

June 8th also saw Rocky Mountain Power filing its general rate case in Idaho, seeking another 6.7% increase to irrigation rates in 2008 on top of a 5% increase this year and the suspended BPA small farm credit. *(Rocky Mountain Power/page 3)*

These rate increases challenge the economic viability of every irrigated farming operation in Idaho. While IIPA has successfully challenged, negotiated, and defended the irrigation customer class against proposed rate increases as high as 25% in recent years, **the push for rate increases for irrigators will continue** as new, competing uses for electricity and water along with a growing population force utilities to build new generation, distribution, and transmission or buy electricity to ensure supply, reliability and price stability for their customers.

IIPA's Executive Committee needs your input as we prepare for pending rate cases. A representative network of irrigators from both the Idaho Power and Rocky Mountain Power systems is needed to guide our intervenor strategy. To participate, please contact Mark Mickelsen (208-313-1295); Eric Olsen (208-232-6101); or Lynn Tominaga (208 381-0294). Hearings are scheduled this fall so the increases can take effect in 2008.

IIPA will argue that rate increases of this magnitude create "rate shock", especially after Idaho Power Company and Rocky Mountain Power already implemented rate increases this year, the suspension of the BPA small farm credit, and the rising fuel prices and water shortages that irrigators are also facing. We will also question why irrigators bear the brunt of growth on both systems when irrigation load is not growing.

Our immediate financial obligations were met thanks to our members' prompt, generous response earlier this year. **A special thanks goes out to Aberdeen-American Falls, Bingham, and Magic Valley Ground Water Districts** whose generous contributions recognize the close link between water and electrical supply and availability in a profitable farming operation. **However, challenging rate increases with limited funds means we need your support now. Please renew your dues today!** It's going to be a long, hot summer and a difficult fight ensuring Idaho's irrigation pumpers have reliable power at a reasonable cost
Lynn Tominaga, Executive Director

IDAHO POWER COMPANY (IPCO) PROPOSES 20% IRRIGATION INCREASE

IIPA Intervenes in General Rate Case: Irrigators could see a 20% increase if the rate case Idaho Power Company filed on June 8th is approved. The Idaho Public Utilities Commission will spend the next six months reviewing the application. Hearings are tentatively scheduled for November with any new increases expected in 2008.

While the overall average increase is an estimated 10.35%, irrigators would bear the brunt with a proposed increase that is a full 15.5% more than residential customers. **In addition to a 20% increase**, service and demand charges along with in-season and out-of-season energy charges would also go up.

The company wants to recover \$300 million invested in its electrical system since 2005 that includes 650 miles of new transmission and distribution lines, 10 new substations, equipment upgrades and environmental protection measures and relicensing costs at existing facilities. It also cites higher operating and maintenance costs as contributing to the requested increase.

IPCO is building new generation, transmission and distribution, and buying wholesale power to keep up with population growth and increased demand. It justifies the disparity of its proposed increase (4.5% to residential customers vs. 20% to irrigators) as necessary to "more closely align customers' rates with the costs of providing them electrical service." Irrigators who make up an estimated 12% of the company's total system energy sales and 30% of its summer peak are not the problem. Residential growth that includes winter heating, summer air conditioning, larger homes, and an increasing array of household appliances like computers are driving IPCO's increased investments in new electrical plants and the transmission to deliver that energy to high growth areas like the Treasure Valley.

Irrigation rates could increase 20% if IPCO's new general rate case is approved, a full 15.5% more than the proposed increase for residential customers.

In 2005 after IIPA successfully argued that irrigators were not contributing to increased demand and negotiated a proposed 25% rate increase down to nearly 14%, the Idaho Public Utilities Commission ordered the company to conduct cost of service workshops. In those workshops representatives from the various customer classes agreed that some disparity may exist in allocating the cost of growth among the different classes, but they could not agree on how to resolve that disparity.

IIPA also promotes voluntary opportunities for irrigators to participate in demand side management and energy efficiency programs that shift usage off peak or conserve energy as a way to lower the cost of service. Irrigators benefit financially. IIPA has worked extensively with IPCO representatives to enhance the flexibility and financial incentives offered to irrigators through its demand side management and energy efficiency programs. In its Demand Side Management 2006 Annual Report, IPCO reports the benefits from these programs are significant enough to accelerate the expansion of existing programs and add new ones.

Irrigation Peak Rewards: At 5 p.m. on July 5, 2007, when IPCO set a new all-time peak record of 3120 MW, Idaho irrigators were shifting an estimated 30 MW off-peak. This year 257 farming operations at 948 service locations are enrolled in this program and consistently shifting 30 to 40 MW off-peak. Irrigators who allow IPCO to interrupt service on weekdays from 4 to 8 p.m. between June 1 and August 30 are compensated \$2.01 per kW for a one-day interruption, \$3.36 for two days and \$4.36 for 3 days. In 2006 irrigators reduced average load by 23.9 MW and peak load by 31.8 MW. An estimated 1350 farming operations are eligible.

Irrigation Efficiency Rewards Program is aimed at helping irrigators improve the energy efficiency of new or existing irrigation systems. Last year 550 irrigators completed 1,235 upgrades or improvements, reduced peak load by 5.1 MW, and shared incentive payments totaling \$2,477,598.

With about 6,200 irrigation customers and 16,600 service locations on its system, greater participation among eligible irrigators might mean that IPCO could delay building new facilities, keep rates lower for everyone, and help IIPA negotiate better program benefits that include greater flexibility and financial incentives for participants.

Power Cost Adjustment: Irrigation rates already increased 14.5% this year as the annual PCA went in effect June 1, 2007 through May 31, 2008. **IIPA did not challenge the increase.** With the April to July water supply for Brownlee Reservoir forecast at 3.3 million acre-feet, nearly half the 30-year average of 6.3 maf, IPCO's hydropower plants will not produce sufficient energy to meet customer needs, so the company will turn to more expensive coal, natural gas and wholesale power purchases to make up the difference.

BPA Residential and Small Farm Credit (REP): Irrigators on the Idaho Power system receive a one-time annual credit to their account each December. The small farm benefits accrue from October 1 to September 30 and were suspended on May 1, 2007. **Irrigators may expect some reduced portion of the annual credit this year.** That amount is determined by the small farm credit account balance and customer usage.

PACIFICORP/ROCKY MOUNTAIN POWER 9TH CIRCUIT COURT RULING JEOPARDIZES SMALL FARM CREDIT

BPA Small Farm Credit Suspended: Irrigators could see a rate increase ranging from 25 to 60% after July 13, 2007 due to BPA's suspension of its residential and small farm credit. A surplus in Rocky Mountain Power's balancing account is expected to keep the monthly credit in place for the first part of the irrigation season. IIPA successfully urged the Idaho Public Utilities Commission to support distributing the existing account balance at "pre-termination levels" to lessen the impact of suspending the credit to irrigators.

General Rate Case Filed: On June 8th, Rocky Mountain Power filed a general rate case seeking an overall 10.3% increase effective January 1, 2008 to cover the "dramatically increasing cost of serving industrial, residential and irrigation customers." If approved, irrigators and residential customers could see a rate increase of 6.7% and industrial users a 14.5 to 24% increase. No increase is proposed for commercial users. The company says the rate increase would help recover its recent investments in a new natural gas-fired generation plant, three new wind farms, and a geothermal facility. It is necessary to cope with growing loads, environmental and reliability requirements, new transmission and distribution, and rising costs for fuel, wholesale power purchases and labor costs. Idaho Public Utilities Commission is expected to hold a public hearing on the proposed rate increase in October.

As an intervenor, IIPA will challenge the proposed increase using arguments similar to those used in the Idaho Power Rate Case. First, two base rate increases in two years coupled with the loss of the BPA credit constitute rate shock. Combined with the rising fuel costs and water shortages that farmers are also coping with, another increase seriously jeopardizes the economic viability of farming operations. The irrigation customer class is not contributing to the growth and should not be unfairly burdened with paying for it.

Increased investment or expansion of demand side management programs like the irrigation interruptibility programs can be an effective tool to avoid or delay building and buying additional resources.

Irrigation Load Control: PacifiCorp, which does business in Idaho as Rocky Mountain Power, indicates it will expand energy efficiency programs in its 2007 Integrated Resource Plan, including its irrigation load control programs. 55 MW of irrigation load control is listed as a base load resource with the stated intention of adding another 100 MW split between the east and west side of the system over the next decade.

Irrigation Load Control Credit Rider Dispatch Pilot: Introduced this year and limited to irrigators using a minimum of 1 MW, this pilot is reportedly oversubscribed for its targeted goal of 45 MWs. Grower response has been "nothing short of overwhelming" according to a company representative. A final report will be filed with the Idaho Public Utilities Commission later this fall.

IIPA continues to promote the expansion of these demand side management programs and increasing the incentives paid to farmers who participate in them. Idaho irrigators are in a good position to offer an alternative to building, especially as PacifiCorp projects that its system peak load will continue to grow faster than overall load and the eastern (Idaho/Utah) side of its system will grow faster than the west (Oregon/Washington).

Looking to the future, PacifiCorp questions whether enough generation and transmission is being built to keep up with a growing region and how regulatory requirements addressing climate change and greenhouse gases will affect energy prices. **PacifiCorp describes its 2007 Integrated Resource Plan filed on May 30th as a "roadmap"** for meeting customer needs over the next 10 years. Updated every two years and looking ahead 20, this IRP calls for accelerating the acquisition of 1400 MW of renewable resources, mostly wind and some geothermal, from 2015 to 2010 and expanding renewables by another 2000 MW by 2013. The company will add transmission, including 1200 miles of 500 KV transmission lines at an estimated cost of \$4 billion, to integrate more renewables into its system and move power from expanded operations like Wyoming's Jim Bridger to high growth areas in Idaho and Utah.

In anticipation of stricter emission controls and public fears that limit energy choices, PacifiCorp appears to be moving away from coal toward natural gas. Even amid concerns about price volatility and supply, natural gas offers the needed reliability and flexibility to integrate wind, has fewer emissions, less environmental impact, and is more acceptable to the public. Environmental and pollution regulations for carbon dioxide, sulfur dioxide, nitrous oxide, mercury, particulate matter, and regional haze could cost an estimated \$1.2 billion over the next 10 years as pressure mounts to address issues like greenhouse gases, global warming, and climate change. The company also is concerned about the practical and financial implications of meeting different regulatory standards in each of the six states included in its service territory.

In its recently filed IRP, PacifiCorp indicates it will add 100 MW of irrigation load control, beginning as early as 2010. The company includes 55 MW of irrigation load management as a base load resource 2007-2016.

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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 pumps.
- 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 pumps 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.

Hydropower has a diminishing role in meeting the Northwest's energy needs, but takes on new significance as utilities struggle to meet mandatory resource requirements for renewables (mainly wind), reduce their environmental impacts and mitigate for fish and wildlife.

Wind and natural gas seem to be the resources of choice as state and national policies and public opinion limit the use of coal.

Resource planners say that, in the right conditions, certain Northwest locations or utilities could experience shortfalls as early as 2008.



Bonneville Power Administration's suspension of its residential and small farm program (REP) this May could cause significant rate increases for Idaho irrigators who are already facing base rate increases on Rocky Mountain Power & Idaho Power systems in 2008. **Irrigators on the Rocky Mountain Power system could see increases ranging from 25 to 60% after July 13, 2007.** A surplus in the existing balancing account is expected to keep the credit in place for the first part of the irrigation season. **IIPA urged the Idaho Public Utilities Commission to support** the distribution of the existing account balance to ease the financial impact to irrigators who receive the monthly credit.

Irrigators on the Idaho Power system receive a one-time annual credit to their account each December. The small farm benefits accrue from October 1 to September 30 and were suspended on June 1. **Irrigators may expect some reduced portion of the annual credit this year.** That amount will be determined by the small farm account balance and customer usage.

BPA suspended an estimated \$328 million in annual benefits to six Northwest investor owned utilities shortly after San Francisco's 9th Circuit Court of Appeals determined the federal agency exceeded its statutory authority and inappropriately allocated those benefits to the detriment of public power users. In a related-decision, the Court also questioned whether BPA had appropriately funded fish and wildlife benefits. BPA is requesting a rehearing via the Department of Justice.

According to BPA, the REP has been controversial since its inception and is rooted interestingly enough in the 1970's energy crisis, a situation not all that different from today as the region again faces potential supply shortages and rising rates. Then BPA suspended firm power sales, not monetary benefits, to the region's IOUs, a move that eventually lead to the 1980 Northwest Power Act. According to the Power Act, all Northwest electricity consumers are entitled to share in the "at cost" benefits of the federal system and pay similar rates whether their energy comes from public or private sources.

Regional Dialogue: This is not the first court challenge to the REP, but is increasingly important as BPA defines its future role through its Regional Dialogue. BPA proposes no longer acquiring new resources and fully allocating existing ones among customers in an effort to encourage other utilities to build the resources to meet their future needs. This dialogue is already complicated by increased demand, higher rates, hydropower's diminishing role in meeting regional energy needs, projected shortages, and a changing regulatory, environmental, market and political climate. BPA rejected a suggestion to halt the Regional Dialogue until the REP issue is resolved, opting instead to move the discussions forward on parallel paths to lessen the potential impact to future rates. But it is expected to hold off on implementing a new REP formula for the 2012-2027 rate period and try to negotiate both short and long-term solutions that could allow the REP to be re-instated as quickly as possible.