Idaho Irrigation Pumpers Association, Inc.

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THE IDAHO PUMPER

Idaho Irrigation Pumpers Association, Inc.
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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.

2012 looks to be a ***deceptively*** **quiet year for Idaho Irrigation Pumpers Association and its members.** IIPA successfully participated in the negotiations to settle Idaho Power Company and Rocky Mountain Power's 2011 General Rate Cases. Irrigation Load Control Programs on both systems will operate under the same terms and conditions as 2011. But, issues still on the table —peak load growth, cost-of-service, renewable generation costs— very much impact IIPA's mission to promote an inexpensive, reliable electricity supply.

Utilities who once evaluated their resource choices based on cost and reliability, now have to meet other criteria: environmentally friendly, publicly acceptable, politically mandated. Today's preferred resource is conservation, followed by demand-side management, and energy efficiency.

Renewable generation resources are changing where we get electricity, how we use existing generation and transmission, and what it costs. Two questions arise: can renewable ever fully, reliably meet base load generation needs? And, with or without state or federal subsidies and mandates, will they ever be as affordable?

Public Utilities Regulatory Policies Act of 1978 (PURPA): Many renewable projects are being built by developers, but utilities are mandated to purchase their electricity per the terms and conditions of this federal law. **In the absence of a federal Renewable Portfolio Standard (RPS) so far,** renewables are being built or purchased to meet state-mandated **RPS.** These mandates are not always based on cost or need. Interestingly, Idaho does not have an RPS; yet, the development of renewable in state may exceed what has been developed in some states who do.

Reliability: We need a reliable, affordable electricity supply for economic growth and recovery; but how much should utilities be investing in future growth at this time? Peak load continues to grow, but other electricity demand has slowed. Is this a long-term trend due to increased emphasis on conservation, DSM and energy efficiency or the more temporary effect of an economic downturn.

Affordability is a hot button issue for utilities and ratepayers right now. Back-to-back, double-digit general rate increases have ratepayers asking how much new electricity they need or can afford. IIPA, along with other agricultural, commercial and industrial ratepayers, appealed to the Idaho Legislature for more information about future projects.

Environmental impacts and associated costs are not limited to new construction or existing facility upgrades. The cost to close coal-fired plants, remove dams or mitigate for endangered species impacts are also passed on to ratepayers.

IIPA and its members are part of the solution to a reliable, affordable and environmentally friendly electricity supply. Thank you for your support.

IDAHO POWER COMPANY (IPCO)

ON JANUARY 1, IPCO rates increased by a uniform 4% as part of a negotiated settlement agreement between IIPA, other ratepayers, and Idaho Power to settle its 2011 General Rate Case Increase, and a considerable improvement over the almost 15% proposed for irrigators. The proposed 15% was necessary for IPCO to recoup their cost-of-service for irrigation that accounts for 23% of IPCO's summer peak, the most expensive electricity IPCO provides. Instead the controversial cost-of-service discussion was postponed until the next general rate case.

The uniform 4% general rate increase was further reduced to 3.44% when the parties agreed to treat the incentives it pays out to for demand response program like other power supply costs and shifted $11.3 million from the Energy Efficiency Tariff Rider to the annual Power Cost Adjustment.

IIPA supported the shift for several reasons, all important to the IPCO's continued commitment to demand response and the long-term value of Irrigation Peak Rewards Program: treating irrigation load control incentives like power supply costs puts this program on a par with e program on a par with the costs associated with other firm, dispatchable resources; ensures timely cost recovery for IPCO; eliminates a deficit in the Rider; reduced the Rider's cost to all ratepayers; increased the funding available to expand or create other programs. Interestingly enough, according to IPCO's Demand-Side Management 2011 Annual Report released on March 15, 2012, the company sees the most potential for new energy efficiency coming from existing programs instead of new ones.

ON JULY 1, rates are expected to increase by another 3.35 % based on the **seven rate adjustment applications** IPCO currently has filed before the Idaho Public Utilities Commission

Annual Power Cost Adjustment: ***Placeholder***

Irrigation Incentives: IPCO paid out an $10.3 million in incentives to irrigators enrolled in its **Irrigation Peak Rewards Program** last year and an additional $2.3 million to fund 880 projects and in its **Irrigation Efficiency Rewards.** Those 880 projects in 2011 yielded a peak capacity savings of 3.8 MWs. In determining the incentive irrigators receive, IPCO measures the cost of program against the cost of building a 170 MW single combustion cycle (SCCT) gas-fired plant.

At a record 320 megawatts (MW) of peak capacity, Irrigation Peak Rewards is and always has been IPCO's largest demand-side management program. IPCO attributes the record participation in 2011 to changes that were made last year to the incentive that now includes a fixed and variable incentive. But the added cost of the variable incentive was the primary reason the program was not used in 2011; other factors included weather and summer peak demand.

2012: According to IPCO, enrollment appears to be slightly higher than 2011. Although it remains to be seen if the program will be used this year, IPCO wants to ensure that customers continue to understand how the program operates and maintain the integrity of the equipment.

2013: To that end, there has been some discussion about allowing IPCO to have a certain number of interruptions under the fixed cost incentive. A negotiating point for IIPA may be convincing the company that the program has value beyond a resource of last resort for summer peaking needs, but IPCO has expressed concerns that using the program too often could reduce participation due to the potential for crop loss.

Langley Gulch: When Idaho Power's Langley Gulch goes into service this July, ratepayers will get the bill for $390 million—$59 million annually. The 300-megawatt (MW) natural gas-fired plant will be used immediately for estimated summer peaking deficits of 28 MW in 2012, 169 MW in 2013, 224 MW in 2014. But irrigators can provide 350 MWs of annual summer peaking capacity for $12 million. However, IPCO says Langley Gulch can be used to improve system reliability and help integrate variable and intermittent renewable generation resources year-round. The uniform 7.1% to recover the cost to build Langley Gulch will be offset by a 3.2 % decrease from a revenue sharing mechanism this year.

ROCKY MOUNTAIN POWER COMPANY (RMP)

2011 GENERAL RATE CASE: IIPA and other customer classes were only able to negotiate a slight reduction to Rocky Mountain Power's (RMP) proposed general rate increase. The 2% reduction, down from 19.9% to 17%, was disappointing.

Rate Shock: However, to lessen the impact to ratepayers, RMP agreed to split the rate increase over two years. For irrigators, that means an 8.91% increase in 2012, followed by an 8.25% in 2013. RMP also agreed that it will not file another general rate case until May 31, 2013 and no new rates can go into effect before January 1, 2014.

Cost Recovery: RMP and its parent company PacifiCorp are planning an extensive expansion of its generation and transmission that includes renewables, natural gas generation, market purchases or power purchase agreements; demand-side management and energy efficiency, and upgrades to coal-fired plants.

Rate Certainty: A coalition of agricultural, commercial and industrial ratepayers, including IIPA, are questioning the level of build-out, especially in the current economy, as well as the economic burden that cost recovery will place on the ratepayers and the states where this build-out will occur. A reliable electricity supply is necessary for economic recovery, it must also be an affordable electricity supply.

There is also the question as to how the benefits and costs will be allocated across PacifiCorp's six-state territory. Idaho ratepayers will be responsible for 6% of the costs associated with any build-out. Some of the costs can be passed on as they are incurred; others will be recovered in rates when the facilities are put into service, meeting the "used and useful" criteria. The cost recovery associated with this build-out could become a tipping point for staying in business or expanding, which could actually delay economic recovery.

The coalition, led by Monsanto, introduced a bill this year **(H0554)** in the Idaho Legislature to require all investor-owned utilities to identify the estimated cost of new projects annually. The purpose of the legislation would be to give ratepayers the opportunity to assess how these costs impact their own business plans, comment on the need for those projects and consider alternatives.

Instead of legislation being adopted, RMP and the coalition negotiated a compromise. Customer groups may now make a written request to receive an estimate of the annual percentage of increase in electric rates that RMP expects to file in that state. The estimate will be based on PacifiCorp's 10-year budget and address the percentage of the proposed increase that will be spread to the customer class making the request. In return, the customer group agrees to treat the information as "sensitive" and not to publicly disseminate it. Idaho Power and Avista may follow suite, using PacifiCorp's format as a starting point.

Irrigation Load Control: Due to the agreement between IIPA and RMP, the program will continue as it did in 2011. IIPA expects to meet with RMP later this year to discuss the program's operation in 2013 and beyond. In its 2011 IRP, PacifiCorp indicates that it will acquire up to 250 MW of Class 1 Demand-side management from commercial curtailment and irrigation/residential load control. Its commitment to DSM is subject to economic review. One could speculate whether economic review means whether or not PacifiCorp can recover the costs of Idaho's irrigation load control program through its multi-state process. PacifiCorp is also reported to be exploring the feasibility of an irrigation load control program on the western side of its territory.

Rate Stability: To further stabilize rates, RMP announced this spring that it will not seek a rate increase under its annual Energy Cost Adjustment Mechanism (ECAM) from all but its two largest customers. RMP says that any increase this year would be offset by a significant decrease next year, so it is recommending to the Idaho Public Utilities Commission (IPUC) that no increase is necessary except for Agrium and Monsanto, whose increases will be amortized over several years. Similar to IPCO's Power Cost Adjustment, ECAM allows RMP to recover variable power supply expenses annually.

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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.

IIPA Announces 2012 Annual Meeting

May ??, 2012

Time

Racine Law Offices
???
Pocatello, Idaho

We're on the web.
www.idah2o.org

Integrated Resource Planning: IPCO and RMP use Integrated Resource Plans (IRPs) to forecast their future electricity needs. Resources that are evaluated by cost, reliability and, in recent years, environmental attributes. Utilities seek a resource mix that includes both renewable and traditional resources. .

Renewable resources are often built by developers, not utilities, whose costs are subsidized by state and federal incentives or mandates to purchase that do not necessarily reflect the cost or need. **The Public Utilities Regulatory Act of 1978 (PURPA),** intended to encourage small projects, is key to renewable development taking place. In the absence of a federal **Renewable Portfolio Standards,** some states have adopted their own **RPS.**

The debate over how much renewable energy is enough and how to appropriately price is playing out in Congress where developers are lobbying hard to extend the production tax credit, in the Idaho Legislature where several measures were introduced and failed this year to address renewables and PURPA, and the Idaho Public Utilities which has opened a generic case open to address PURPA pricing.

Idaho Power recently estimated that these renewable projects could cost its as much as $850 million in additional costs over the next 10 years. The 989 MWs of wind it purchased is almost more than its total minimum system load. Wind in the However, there are some indicators that the industry is or has peaked as utilities have meet their RPS mandates, the PTC's future is uncertain, and California is limiting the amount of renewable energy that can be imported into the state.

Environmental Attributes: Public policy, in the form of rules and regulations is also impacting how electricity is produced and its costs. PacifiCorp estimates that removing the Klamath Dam could cost $300 million; Idaho Power's share of the costs to close the Boardman coal-fired plant will cost $1.8 and its investments to update Jim Bridger are $8 million. Bonneville Power Administration estimates its cost to meet the requirements of the National Environmental Protection Act (NEPA) have more than doubled since 2009 and exceed $10 million. A 425 MW wind project, China Mountain, south of Twin Falls has been delayed indefinitely due to concerns about sage grouse and bull trout habitat. Utilities, and in many cases their customers, are urging Congress to revisit legislation like NEPA, the Endangered Species Act, the Clean Water Act, the Clean Air Act and to address the actions of federal agencies like the U.S. Environmental Protection Agency (EPA) that are increasing the cost of electricity and doing business.