

THE IDAHO PUMPER

IT'S THE WATER & A LOT MORE

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.

IRRIGATION: Idaho has a reputation for developing innovative irrigation practices. In 1900 it was surface water practices; in 1950 ground water pumping, and in 2010 energy efficiency. In recent years Idaho Irrigation Pumpers Association (IIPA) and its members have collaborated first with Rocky Mountain Power (RMP) and now Idaho Power Company (IPCO) to develop dispatchable irrigation load control programs. Irrigators in a state with some of the lowest electrical rates in the nation are developing cutting edge conservation and energy efficiency programs. IIPA board member Sid Erwin and IPCO's irrigation load control program was featured in the New York Times this January.

INFRASTRUCTURE: But a healthy economy, thriving farms and businesses cannot rely exclusively on conservation and energy efficiency. So, even though demand has slowed in the current economy, our region's utilities are still building generation and transmission to meet anticipated growth. Low electrical rates may attract new business to Idaho, but only an available and reliable supply will keep them here and support our existing farms and businesses.

The low electrical rates that Idahoans have historically enjoyed are largely due to our hydropower system. We may have taken for granted hydropower's other attributes. It is a clean, renewable and almost emissions-free source of electricity and one of the most effective tools to integrate renewables like wind into the transmission grid. However, population growth and increased electrical usage are outstripping the capacity of that hydropower system while environmental issues and competing water uses further constrain it.

INNOVATION: Irrigators have long recognized the unique relationship between water for their crops, water for electricity, and electricity to pump water for their crops. The irrigation load control programs are an innovative way to conserve water and energy and reduce irrigators' electricity costs. Right now conservation and energy efficiency are considered the least-cost, least-risk resources in Idaho and the Pacific Northwest. These programs are crucial at least in the short-term to maintaining an adequate, reliable and reasonably-priced electrical supply.

INCENTIVES: Where it fits your operation, participating in these programs offers financial benefits to irrigators, utilities and other ratepayers. But, even with full participation—and we're not there yet—new generation and transmission will be needed and will be built and irrigators will help pay for them. How much you pay and how often the rates increase may be determined in part by how well you support these programs. IIPA urges your participation and, as always, thanks you for your support. *Lynn Tominaga, Executive Director*

IDAHO POWER COMPANY (IPCO)

BASE RATE MORATORIUM: Good news on two fronts for Idaho Power Company customers this year. IPCO agreed to freeze base rates until January 2012 and announced that customers may see some rate relief by June 2010 due to an anticipated credit from this year's Power Cost Adjustment. IIPA joined other customer groups in negotiating the moratorium to avoid significant rate increases and implement measures aimed at stabilizing IPCO's financial standing in the short-term. The PCA is expected to be lower because 2009 was a good water year.

DEBT/CREDIT RATING: Maintaining IPCO's financial stability is important to the company and the ratepayer. IPCO is borrowing and bonding its most significant capital expansion since building Hells Canyon Complex. While the terms of the moratorium will ease the sticker shock of paying for those investments, base rates are expected to increase significantly in the coming years as the company asks ratepayers to ante up their share for those investments.

INTEGRATED RESOURCE PLAN (IRP): The capital expansion is necessary to meet anticipated growth on IPCO's system. In its 2009 IRP, the company estimates that it will add about 200,000 new customers over the next 20 years and build or buy 3,000 megawatts (MW) to meet their electrical needs. The first major expansion, Langley Gulch, is a 330 MW natural gas plant that is being built near New Plymouth. Permitting and construction are scheduled to begin this year and be completed by 2012. Some customer groups, including IIPA, urged the company to at least delay building Langley Gulch due to the economic downturn, but IPCO moved forward with the Idaho Public Utilities Commission's (IPUC) approval.

DEMAND SIDE MANAGEMENT (DSM): The alternative to building infrastructure is incentivizing conservation and energy efficiency. IPCO's attitude toward DSM has shifted radically. The company's latest policy, in keeping with the State Energy Plan and at the behest of IPUC, is that all cost-effective DSM will be implemented before new resources are built. In 2006, Idaho Power estimated customers could achieve 78 MW of DSM by 2026. In the latest IRP, the company expects DSM to lower summer peak load by over 300 MW by 2012 and almost 500 MW by 2029, largely because of the irrigation load control program.

PEAK REDUCTION: Irrigators contribute to IPCO's summer peak. Peak load is expected to grow considerably faster than average annual load. While shifting irrigation load off peak is considered a least-cost resource, building or buying to meet peak is probably the most expensive megawatt in a utility's portfolio. We, as irrigators, have to reduce our impact to IPCO's summer peak.

Irrigators enrolled in the Irrigation Peak Rewards program were pulling about 35 MWs off peak until last year. IPCO and IIPA worked collaboratively to redesign the program. And then, in spite of a wet June and technology problems, irrigators achieved 160 MWs of demand reduction. The company now estimates that irrigators could take 260 MWs off summer peak by 2012. IIPA believes that is a conservative estimate. We also believe that the program is one of the best opportunities an irrigator has to lower their electrical costs.

DSM programs like Irrigation Peak Rewards are funded with an energy efficiency rider, currently 4.75%, on residential, commercial, industrial and irrigation customers' bills. Between 2002 and 2007 IPCO paid out \$33 million in incentives for conservation and energy efficiency programs. The first irrigation energy efficiency program started in 2003 and was followed by the first load curtailment program in 2004. From 2003 to 2009 irrigators collected about \$25 million between the two programs.

RELATED MEASURES: IIPA also joined other customer classes, IPCO and the IPUC Staff in two other actions aimed at keeping rates reasonable. The first encourages the establishment of guidelines for the design, management and implementation of DSM activities. The second urges the IPUC to consider establishing competitive bidding guidelines and better oversight of IPCO's supply-side resource acquisitions to ensure that the company is investing in least-cost resources.

ROCKY MOUNTAIN POWER COMPANY (RMP)

RATE INCREASES: The most significant issue facing irrigators on the RMP system is an anticipated, but not yet filed, general rate case. The company has agreed not to file a general rate case in Idaho before May 1, 2010. However, last October RMP filed a rate case in Wyoming seeking to recover \$70.9 million or a 13.7% overall rate increase. A \$92.1 million or 9.1% rate increase in Oregon was pared down to \$46 million this January. PacifiCorp, RMP's parent company, wants to recover the cost of its investments in generation, distribution and transmission as well as improved emission control, rising fuel and power costs, and dam relicensing in its six state territory. It is seeking to recover these costs via a series of smaller, but more frequent general rate cases, assuming they may be easier for the ratepayer to absorb and more likely to be approved by state public utility commissions.

SUPPLY-SIDE RESOURCES: PacifiCorp is adding 1,423 megawatts of renewable energy (wind, geothermal and hydropower upgrades) plus new transmission to its energy portfolio. The company is moving away from coal and the potential emissions problems and costs.

DEMAND SIDE RESOURCES: In its most recent IRP, PacifiCorp expects to gain 900 MW from energy efficiency plus 105 to 325 MW from demand reduction, mostly from irrigation. Most of that irrigation load is in Idaho.

IRRIGATION LOAD CONTROL PROGRAMS proved to be highly beneficial to all Idaho ratepayers in the last general rate case. The irrigation load control program lowered the summer peak contribution for the irrigators. That reduction translated into an overall reduced load for the Idaho jurisdiction as well. Not only was the overall rate increase lower for all ratepayers; but, irrigators received the lowest increase among the affected customer classes.

RMP offers two load control options for irrigators: a Scheduled Forward Curtailment Option and a Dispatch Curtailment Option. Introduced as a pilot in 2007, the Dispatch Option expanded from 1,491 sites and 530 customers in 2008 to 1927 sites and 826 customers in 2009. There were six dispatch events last year: one in June, two in July and three in August. Participants received a credit of \$30 per kilowatt on their October statements. IIPA and RMP believe the program will continue to grow as irrigators become more familiar with the technology, the way the program operates, and realize that curtailment should not negatively impact their crops. RMP reports that to date no participants have reported crop loss in terms of yield or quality under row or field conditions.

IIPA and RMP are working together to fine tune the program, emphasizing on-going training and field support for the grower while addressing dispatch protocols like voltage spikes and dispatch windows for the company. Depending on how the proposed changes are addressed, a tariff modification may be requested. RMP's DSM programs are funded by an energy efficiency rider of 3.72% that appears on each residential, commercial, industrial and irrigation customers' bill.

ENERGY COST ADJUSTMENT MECHANISM (ECAM): IIPA supported the establishment of the ECAM which is similar to IPCO and Avista's PCA. ECAM will help RMP recover its power supply costs (mainly water and natural gas) by adjusting customer bills with a once a year credit or surcharge. The company will true-up the difference between its net and actual power supply costs by April 1st each year. Customers' bills will be adjusted up or down accordingly. RMP believes ECAM will help recover those costs more quickly and without filing more frequent general rate cases. It should also improve the company's borrowing ability, thus reducing the cost of its investments to the ratepayer. Ratepayers also receive a more immediate price signal as to what their power actually costs and are able to adapt their energy usage. RMP expects to seek recovery of an estimated \$2.2 million this April. If approved, irrigators would see a 1.55% increase on their bills. In exchange for implementing the ECAM, RMP agreed not to file a general rate increase in Idaho until after May 2010.

BPA RESIDENTIAL EXCHANGE PROGRAM (REP): BPA is still attempting to resolve the issues with its public-owned utilities that would allow investor-owned utilities like RMP to reinstate the REP credit. But, at this time, it appears unlikely that the credit will be reinstated for at least three to five years.

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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.

**IDAHO
IRRIGATION
PUMPERS
ASSOCIATION, INC.**
**will hold its
Annual Meeting
on
March 31, 2010
commencing at
11 a.m.
in the
Law Offices of Racine,
Olson, Nye, Budge &
Bailey
201 East Center St.
Pocatello, ID**



**We're on the web.
[www.idahowaterpolicy
group.org](http://www.idahowaterpolicygroup.org)**

Securing an affordable, available and reliable energy supply is crucial to developing and sustaining a healthy economy. As Idaho and the Pacific Northwest move to develop the resources to secure our energy supply and sustain our economy, there are two significant issues that are important to irrigators. What resource or resource mix will replace our existing, low-cost hydropower and who will pay for it.

Hydropower: Our hydropower system is often referred to as the "backbone" of Idaho and the Pacific Northwest's electrical supply. It is questionable as to whether or not any more large dams can be built, although Idaho is exploring the option. Competing uses for water and environmental concerns are constraining the existing system. Dam relicensing is expected to further decrease the water available for generation. Utilities will be required to divert more water away from generation and toward activities like flow augmentation for salmon, habitat for bull trout, and other water temperature and quality concerns. Changing use and time of use patterns along with concerns regarding climate change or variable weather patterns are expected to further impact reservoir storage, irrigation supply, and generation. The result will be higher electricity rates.

A Diverse Resource Portfolio: Utilities are replacing the lost hydropower generation with natural gas for base load along with renewable resources like wind, geothermal and solar. These resource choices are driven as much by affordability and reliability as environmental concerns and public preference. DSM is an alternative, but comes with a risk. If the targeted DSM does not show up, then utilities must know that supply-side resources are available to replace it.

Who Pays? As existing generation and transmission is fully subscribed, the question is who pays for new growth. In its 2009 IRP, IPCO notes that each new customer dilutes the existing resource base and increases the cost to all customers. How do you allocate the costs of growth among new and existing customers?

One of the most important tasks facing Idaho Irrigation Pumpers in the coming years will be to ensure that irrigators pay their fair share, but not more. That assignment is complicated by our strong presence on IPCO and RMP's summer peak. We must be able to participate in ratemaking issues with the utilities, Idaho Public Utilities Commission and Idaho Legislature. Your dues support our legal, technical and administrative activities to keep us at the forefront of the energy issues confronting our state and region. Please renew your dues today!