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.

ENERGY LITE FUTURE: USING LESS, PAYING MORE IRRIGATORS OFFER ALTERNATIVE

Brace yourself for higher rates as Idaho utilities build, buy and pass on the cost of a growing population's increased demand for electricity. We have outstripped our large-scale hydropower system, the base for our low-cost electrical rates. Contrary to popular opinion, we cannot conserve enough, become efficient enough or add enough wind—and other renewables— to meet demand and sustain our economy.

However, the consequences of not investing in new generation and transmission have even more serious repercussions to our economy in terms of lost jobs, higher power costs and rates and potential rolling brownouts and blackouts. Only by combining conservation, energy efficiency and renewables with coal, nuclear, possibly even new hydropower, and the transmission to deliver new generation can we hope to keep the lights on. But it comes at a price.

Idaho Power Company (IPCO), said to be in the midst of the most significant expansion since the 1950's Hells Canyon Complex, **filed or implemented five ratemaking proceedings before July 1st this year. (See IPCO page 2)**

So, is there any good news on the energy front? Yes, if you're an Idaho irrigator, there may be. Energy efficiency will not replace building new generation and transmission, but it is cost effective, reduces peak demand and gives utilities time to develop other resources. **Appropriately designed and priced irrigation demand-side management (DSM) is one of the most viable and affordable options for Idaho utilities, irrigators and ratepayers.**

ROCKY MOUNTAIN POWER (RMP) reports that its Irrigation Company Option Forward Dispatchable program reduced peak load by a remarkable 218 megawatts this summer. Irrigators will receive over $6 million in credits for their participation. (See RPM page 2) In a slowing economy, DSM makes even more sense, especially if you want to lower peak demand—that seasonal, weekday high that occurs when air conditioning—primarily in the Treasure Valley— sets new records for electrical usage.

IDAHO POWER COMPANY appears reluctant to update its Irrigation Peak Rewards Program even while touting the fact that its demand-side management programs have outperformed expectations in both 2006 and 2007. Based on the savings being realized on RMP's system, an expanded irrigation DSM program could provide IPCO with more than the 170 megawatts ***and*** at significantly less than the approximately $64 million that ratepayers are paying for the new Danskin natural gas peaker built near Mountain Home.

The current energy picture remains challenging for irrigators, but the possibilities are exciting. We appreciate your membership. It keeps us at the forefront of these issues.

Lynn Tominaga, Executive Director

IPCO RATEMAKING PROPOSES TIERED RATE FOR IRRIGATION

IPCO's most recent general rate case, filed in June 2008, asks for a 15% overall increase for irrigators, including higher service, demand, and in- and out-of-season energy charges. Claiming the increase for irrigation should be over 30%, IPCO says it is giving irrigators a break. If approved, this latest increase will probably take effect in 2009.

This filing comes hard on the heels of IIPA's negotiated settlement last March where a proposed 20% increase was reduced down to 5%. However, that 5% quickly spiraled upwards as the company implemented four additional proceedings on June 1st: an average 10.7% increase from the annual Power Cost Adjustment (PCA), 1.37% increase to recover costs from the new Danskin natural gas plant near Mountain Home, 1% increase to the energy efficiency rider to fund demand-side management programs (DSM), and a less than 1% reduction for residential and small commercial customers from the Fixed Cost Adjustment. The FCA is a 3-year "decoupling" pilot aimed at ensuring conservation does not prevent IPCO from recovering the cost for their plants, personnel and infrastructure.

In the current rate case, IPCO wants to recover $88.6 million from irrigators on Schedule 24, the difference between the alleged cost to serve irrigation load and the revenue collected. IIPA has fiercely challenged the company's cost of service studies in recent years. With irrigation load declining, cost of service should not be increasing. Residential customers, not irrigation, are causing the growth in the summer peak. Peak demand—that time frame on hot summer days between 2 and 8 p.m. when air conditioning drives electrical use to record-breaking levels on IPCO and RMP's systems — has been increasing faster than the average system load. Irrigators do contribute to that peak, but at noticeably lower levels.

Another way IPCO proposes to reduce irrigation's impact to peak is by implementing a tiered rate or "load-factor based pricing mechanism." Tiered rates for irrigation are intended to encourage energy efficiency through the use of "right-sized equipment" and flatten load according to the company. Typically customers who use larger pumps that run for longer periods are more efficient. On the bill, IIPA estimates that irrigators whose monthly usage exceeds 328 kilowatts of demand would see a reduction in the range of 1-2 % price while those below 328 kilowatts would see a 1-2% increase.

IPCO says irrigators who are enrolled in IPCO's Irrigation Peak Rewards Program and qualify for the tiered rate reduction could benefit from both the incentive payment and lower energy charges. In the past IIPA has fought to keep the demand charge as low as possible and tied to total monthly usage as opposed to load factor. If shifting to load factor actually reduces irrigation's impact on IPCO's peak, it may also weaken the company's argument that irrigation rates must be increased to recoup our cost of service. After reviewing the proposal, IIPA concluded that a load factor mechanism may actually be a bigger problem in May and September than June, July or August when irrigation has the most significant impact to IPCO's summer peak. IIPA has not adopted a formal stand on the issue as yet.

PacifiCorp/Rocky Mountain Power: The Idaho Irrigation Load Control Program is generating some real excitement. Preliminary numbers indicate that the company is realizing 218 megawatts of load reduction. A company representative terms the achievement as remarkable, impressive, terrific. Out of 1566 metered agricultural pumping sites enrolled in DSM program in 2008, 1482 are enrolled in the new Dispatchable Option. The other 84 remain in the company's Scheduled Forward Option that accounts for about 1 MW of that load reduction. In exchange for allowing RMP to shut off their irrigation pumps to reduce peak electrical usage, irrigators are compensated at the end of the season at $30/kw. As of August 11, pumps have been shut down 36 hours in four hour blocks over nine days. The company anticipates issuing over $6 million in credits to those irrigators enrolled in the program.

Residential and Small Farm Exchange: Earlier this year PacifiCorp, RMP's parent company, decided not to participate in Bonneville Power Administration's interim agreement to reinstate the residential and small farm credit. PacifiCorp decided the agreement presented an "unacceptable risk" to its customers while offering "virtually no reward." BPA continues its efforts to resolve the issue.

DEMANDSIDE MANAGEMENT PROGRAMS WIN-WIN FOR IRRIGATORS & UTILITIES

IIPA recognizes the value of demand side management programs (DSM) for both irrigators and utilities. The peak energy savings combined with incentive payments are a win-win for both the utilities, irrigators and ratepayers. Utilities may be able to delay or even avoid building peaking generation and buy themselves the necessary time to put more conventional generation, renewable resources and transmission on the ground; irrigators receive incentive payments that reduce their energy costs; and rates are lower for all electrical customers.

Irrigation DSM programs introduced over the last several years have exceeded the expectations from both Rocky Mountain Power and Idaho Power Company. **IIPA believes there is considerably more potential to reduce peak irrigation usage, if appropriately priced and designed.** Key to the success of any Irrigation DSM is financial incentives that more closely match the actual savings to the utility, broader eligibility criterias and flexibility.

Rocky Mountain Power's Forward Dispatch Program: A good example is RMP's highly successful Forward Dispatch Program. Forward Dispatch was designed and implemented as a pilot in 2007 based on input from IIPA representatives. As of August 11th, the company reports reducing its peak load by 218 MW. Irrigators will share over $6 million in credits in October.

Idaho Power Company's Irrigation Peak Rewards Program: IIPA is working with IPCO to discuss potentially redesigning the Irrigation Peak Rewards Program. **Better program design and proper incentives could result in higher participation from irrigators and significantly more energy savings to the company.** With a service territory approximately 2.5 times larger than RMP's, IIPA believes it is not unrealistic to assume there is at least 500 MW of peak reduction available.

IIPA sponsored a meeting with highlift river pumpers along the Snake River in May to identify issues that may prevent higher participation in the Irrigation Peak Rewards Program and potential remedies. Many highlift river pumpers use one pumping station to pressurize their irrigation system. Shutting down the pumping station for 4 hours cuts off power to every pivot. Repressurizing the irrigation system can take up to 8 hours. That's too long to stress the farmer's entire crop and the current payment does not offset the potential risk. Metering individual wells instead of pump stations, developing off-river storage, incentivizing off-peak pumping, and offering a credit that more accurately reflects the savings to the utility are all options that could increase participation. IIPA estimates the savings to IPCO from increased participation among highlift irrigators could be as high as 50%.

IIPA pitched a second proposal that would split the Irrigation Peak Rewards Program between pumpers who pump at or below 30 horsepower or over 30 horsepower (HP) at a separate meeting in June. Right now only irrigators pumping at or above 75 HP are eligible.

IIPA estimates that approximately 40% of the IPCO's irrigation customer class pumps at the 30 HP level. Designing a DSM program for those pumpers that is similar to IPCO's "AC Cool Credit" for residential customers would allow the company to cycle those smaller pumps on and off during the peak hours of 2 p.m. to 8 p.m. Irrigators would receive a credit on their monthly bill. IIPA believes the potential savings of 22/kw per 30 HP pump is worth some attention.

IIPA also proposed that any pump over 30 HP be eligible for a forward dispatch program like PacifiCorp's Forward Dispatch program and compensated at the same $30/kw credit for now.

Price, eligibility and flexibility are key issues regardless of pump size. IIPA proposes that irrigators on either program have the option of "opting in or out" of the program to better serve their irrigation needs. PacifiCorp allows irrigators to use this option two times before a penalty is assessed. IIPA believes that the flexibility to opt in or out is significant to the success of PacifiCorp's Forward Dispatch program.

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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.

Nez Perce Tribe To Oppose 2008 BIOP

Idaho water and electrical users face yet another challenge as the Nez Perce Tribe announces it will join environmentalists in court to oppose the 2008 Federal Columbia River Power System Biop. The tribe wants to see the 4 Lower Snake dams breached to aid salmon recovery. The tribe's position raises questions about the historic Nez Perce Agreement and Upper Snake River BiOp.

Greetings to all irrigation pumpers!

I wish to visit with you about electric energy and the reasons for all irrigation pump operators to consider electric energy conservation.

Those of you who participate in the Idaho Power Peak Rewards Program or Rocky Mountain Power's Irrigation Load Control programs are familiar with how a conservation program influences your farming operation. If you do not participate in the Peak Rewards Program, I urge you to consider the program as well as any other energy conservation plan offered by your power supplier.

The reasons for irrigation pump operators to consider energy conservation plans being offered by their supplier are based on the level of rates required to operate pumps. The rates are based on several factors one of which is cost of service at peak load hours. Irrigation pumps typically operate 24 hours per day; therefore, they are usually on at peak load. One way to lower the cost of service is for the pump to be turned off during the few hours of highest system demand. Any conservation program which can get the pump off the power system at peak hour needs to be considered by all irrigation pump operators so that enough pump load is off the system to help the power supplier meet their load. The greater the pump load reduction, the greater the chances of a reduced cost of service factor.

The irrigation pumper needs to become part of the solution instead of part of the problem at peak load hour by getting as many pumps off the system as possible. All irrigation pump operators need to participate as much as possible to achieve the greater the load reduction. Your rates depend on it!

Sid Erwin, IIPA Vice President