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## VIA ELECTRONIC FILING AND U.S. MAIL

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PO Box 2148  
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**Re: Docket No. UM 1415**

Enclosed for filing in the above-referenced docket are an original and five copies of Idaho Power Company's Opening Comments.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Handwritten signature of Wendy L. McIndoo in cursive script.

Wendy L. McIndoo  
Office Manager

cc: Service List

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BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

**UM 1415**

In the Matter of  
  
PUBLIC UTILITY COMMISSION OF  
OREGON,  
  
Staff Investigation into Cost Methods for  
Use in Developing Electric Rate Spreads.

**Opening Comments of Idaho Power  
Company**

**I. INTRODUCTION**

Pursuant to the procedural schedule in Administrative Law Judge (“ALJ”) Lisa D. Hardie’s Ruling of August 8, 2011, Idaho Power Company (“Idaho Power” or “Company”) submits the following Opening Comments in the above-referenced proceeding. Idaho Power appreciates the opportunity to submit comments in this proceeding and supports the Public Utility Commission of Oregon’s (“Commission”) efforts to provide guidance to utilities and stakeholders regarding the development of mandatory time-varying rates in Oregon.

**II. BACKGROUND**

This docket began in 2009 and was originally intended to address approaches and methods for establishing rate spread and rate design for electric utilities. After holding several workshops, on February 3, 2010, Staff filed an unopposed motion to close the docket. That motion indicated that, while the workshops were constructive, the parties had reached no formal agreements and had decided that the issues being discussed were better addressed in utility-specific ratemaking proceedings.<sup>1</sup>

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<sup>1</sup> *Re Investigation into Cost Methods for Use in Developing Electric Rate Spreads*, Docket UM 1415, Staff Unopposed Motion to Close Docket (Feb. 3, 2010).

1 On July 8, 2011, the Commission issued Order No. 11-255, which denied Staff's  
2 motion and provided "direction to the parties narrowing the scope of the investigation"<sup>2</sup> by  
3 focusing on mandatory time-varying rates. Specifically, the Commission stated that it would  
4 "use this docket to develop a list of factors that the Commission will consider in deciding  
5 whether to approve a time-varying rate."<sup>3</sup>

6 Idaho Power fully supports the use of time-varying rates. As noted in Order No. 11-  
7 255 the issue of time-varying rates arose in Idaho Power's last general rate case, Docket  
8 UE 213. In that docket Idaho Power requested that the Commission adopt a seasonal rate  
9 structure, which the Commission declined to do.<sup>4</sup> In the Company's current rate case,  
10 Docket UE 233, the Company has again requested approval of a seasonal rate structure. In  
11 light of the Commission's past reluctance to approve time-varying rate structures, the  
12 Company is supportive of the efforts here to provide better guidance to the Company with  
13 respect to the factors the Commission will examine in deciding whether to authorize the  
14 imposition of mandatory time-varying rates.

15 **III. DISCUSSION**

16 Order No. 11-255 includes a Straw Proposal proposing both a list of factors relevant  
17 to time-varying rates and a list of proposed directives to utilities. The Commission seeks  
18 comments related to both. The Company's discussion is organized to generally track the  
19 factors and directives. This discussion also provides additional factors not specifically  
20 identified in the Straw Proposal but that the Company believes should be considered by the  
21 Commission when evaluating proposed time-varying rates.

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23 <sup>2</sup> *Re Investigation into Cost Methods for Use in Developing Electric Rate Spreads*, Docket  
UM 1415, Order No. 11-255 at 2 (July 8, 2011).

24 <sup>3</sup> *Id.*

25 <sup>4</sup> *Re Idaho Power Company Request for General Rate Revision*, Docket UE 213, Order No.  
10-064 at 6 (Feb. 24, 2010).

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2           **A.     The Ability to Determine the Amount of Demand-Side Resource and System Benefits of Time-Varying Pricing is Limited.**

3           As a general concept, the Company supports factors F-1 and F-2, both of which  
4 address the potential system benefits that can be provided by the use of time-varying pricing  
5 as a demand-response resource. By modifying their energy usage patterns by shifting or  
6 reducing usage in response to time-varying rates, customers will benefit from reduced bills  
7 and the utility will benefit from system efficiencies. Moreover, customers can use this time  
8 variant pricing information to alter their discretionary patterns of usage, increasing efficiency  
9 and lowering overall cost of energy to the system.

10          That said, the Company believes that the weight given to these factors should be  
11 limited because at this time the underlying data that would be used to support either factor are  
12 estimates at best. Currently, data demonstrating the amount of demand-side resource and  
13 system benefits can be drawn from relatively few pilot projects and larger pricing options  
14 offered by electric utilities across the United States. It is unclear based on the currently  
15 available data whether a pricing option can be modeled as a demand side resource. The  
16 impacts of pricing options that incorporate time-varying rates are contingent upon several  
17 factors including pricing design, communication techniques, relative rate levels, rate class or  
18 sector, knowledge and availability of enabling technologies. While the body of data that can  
19 be used to demonstrate the amount of demand-side resource and system benefits is growing  
20 and will continue to grow, any current estimates based on the available data will be  
21 speculative.

22           **B.     Customer Impact and Mitigation of Impacts Are Reasonable Factors.**

23          The Straw Proposal's factors F-3 and F-4 both address the customer impact of time-  
24 varying pricing and the means available to mitigate that impact. As with all changes in rate  
25 design, the Company analyzes the potential customer impact to ensure that the proposed  
26 rate design does not result in disproportionately adverse impacts to customers. The

1 Company will treat time-varying rates no differently. Likewise the Company generally  
2 explores mitigation that can lessen the impact of a new rate design. For example, the  
3 Company has used phasing in of new differentials in the past and believes that this type of  
4 mitigation can be an appropriate tool to lessen the immediate impacts of new rate designs.  
5 Because both these factors are already consistently used by the Company when proposing  
6 new rate designs, the Company believes they are reasonable factors for the Commission to  
7 use when evaluating time-varying rates.

8 **C. Implementation Costs are a Reasonable Factor to Consider.**

9 Factor F-5 examines the direct costs of implementing time-varying rates. These costs  
10 include the installation of necessary equipment and the implementation of necessary  
11 processes to facilitate time-varying pricing. The Company agrees that these are appropriate  
12 considerations. This is particularly true in the Company's Oregon service territory, which  
13 because its rural nature presents challenges to the imposition of time-varying rates for all  
14 customers. As part of the Company's Automatic Metering Infrastructure ("AMI") project Idaho  
15 Power installed smart meters for its Oregon customers. However, because of the high cost of  
16 retrofitting substations for AMI, including establishing the necessary communication networks  
17 with those substations, approximately 10 percent of Oregon customers do not have AMI  
18 meters.

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20 **D. The Ability to Communicate Time-Varying Rates to Customers is a Reasonable Factor.**

21 The Commission's proposed Factor F-6 addresses the ability of the Company to  
22 explain and communicate the new rate design to customers. The Company agrees that this  
23 is a relevant factor, which will impact the overall ability of time-varying pricing to encourage  
24 changes in customer usage or for customers to simply understand why rates are structured  
25 the way they are. Customer education is essential in order for time-varying rates to customer

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1 usage patterns, it is also helpful for customers to understand that the rates accurately reflect  
2 the actual cost of service.

3 **E. The Data Demonstrating Customer Response to Time-Varying Rates is**  
4 **Limited.**

5 Like Factors F-1 and F-2, portions of the Straw Proposal's Factor F-7 are problematic  
6 because the data that would be required to support them is simply lacking at this time. As  
7 discussed above, there is a limited amount of actual industry data available. Therefore, while  
8 the ideas underlying Factor F-7 are certainly reasonable, little weight should be given to this  
9 factor until sufficient data is available such that a party can actually demonstrate the customer  
10 response and its impact on the cost differentials.

11 With respect to cost differentials between time periods, the Company believes that  
12 this is a reasonable factor to consider when evaluating proposed time-varying rates.

13 **F. The Commission Should Also Consider Whether the Time-Varying Rates**  
14 **Align Prices with the Actual Cost of Service.**

15 Although the ability of time-varying rates to impact customer usage is important, the  
16 value of time-varying rates does not hinge *only* on whether a customer responds to those  
17 price signals. On the contrary, the Company believes that the primary value of time-varying  
18 rates is in the fact that they more accurately reflect the cost of service. Indeed, this view is  
19 consistent with Commission policy which supports the alignment of prices with the actual  
20 costs of service.<sup>5</sup> Therefore, the Company believes that an additional factor that should be  
21 considered when evaluating time-varying rates is whether the proposed rate better reflects  
22 the actual costs of service.

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25 <sup>5</sup> See *Re Portland General Electric Co.*, Docket UE 93, Order No. 95-1216 at 9 (Nov. 20,  
26 1995) (“[i]t is our policy to make rates costs based” and therefore “[a]ttempts to aid particular classes  
of customers run counter to the aim of achieving cost-based rates.”).

1           Because properly designed time-varying rates better reflect the cost of service, these  
2 rates also reduce customer intra-class cross-subsidization. Customers whose usage occurs  
3 when the cost to serve is greater should pay the increased costs associated with their usage  
4 pattern. Conversely, customers whose usage occurs during low cost times should receive  
5 the associated benefits. Without time-varying pricing, customers using energy during low  
6 cost times subsidize those customers consuming power during high cost times. Basic  
7 fairness dictates that customers that are less expensive to serve because of their load pattern  
8 should see that lower cost reflected in their bills.

9           **G.       Seasonal Time-Variant Pricing Should Be Treated Differently.**

10          Idaho Power believes that seasonal pricing is a unique and more straightforward type  
11 of time-variant pricing and should therefore receive a lesser level of scrutiny than other types  
12 of time-variant pricing. The purpose of seasonal pricing is to send the proper price signals to  
13 customers indicating that system costs vary by season. Higher rates during months with  
14 higher power supply costs and higher peak usage, which drives the need for new peaking  
15 resources, sends important signals to customers that consumption during these months is  
16 more costly.

17          Also, seasonal pricing can be implemented with existing metering and billing systems.  
18 Indeed, all residential, commercial and industrial customers in Idaho have had seasonal  
19 pricing for several years using the existing metering and billing infrastructure. Similarly, in  
20 Oregon all commercial and industrial customers likewise have seasonal pricing using existing  
21 meters and billing systems.

22           **H.       The Hourly Production Cost Data Requested in Directive D-1 is**  
23           **Unavailable.**

24          Proposed directive D-1 calls for the submission of detailed information on the cost of  
25 serving Oregon customers. Although the Company can provide the monthly cost of service  
26 information, Idaho Power does not currently have hourly cost of service data at the requested

1 level of detail. Idaho Power has not determined how to apply fixed costs to hourly time  
2 periods and there are no agreed upon models available for this purpose.

3 **I. Time Variant Options are not Ripe for Inclusion in IRP.**

4 As referenced in proposed directive D-2 and D-3, the Commission is proposing to  
5 include pricing options in future IRPs. Although this might be a possibility in the future, at this  
6 time the ability to predict the impact of pricing options is still developing. It may be too soon to  
7 rely on the ability of pricing options to provide a resource needed in an emergency. Utilities  
8 need time to grow their pricing options and learn how customers react to pricing stimuli before  
9 relying upon a pricing option as a firm resource in long term planning.

10 **IV. CONCLUSION**

11 The Company appreciates the opportunity to comment on the Commission's  
12 proposed factors for evaluating time-varying pricing. The Company is generally supportive  
13 of the proposed factors, with the understanding that due to limited data some factors should  
14 be given less weight than others. And importantly, the Company believes that an additional  
15 factor should focus on whether the proposed time-varying price better aligns rates with the  
16 actual cost of service.

17 The Company looks forward to participating in the upcoming workshop and  
18 submitting additional comments thereafter.

19 DATED: September 8, 2011.

**McDOWELL RACKNER & GIBSON PC**



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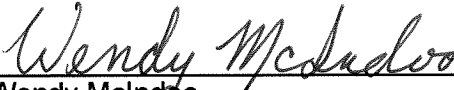
1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in  
3 Docket UM 1415 on the following named person(s) on the date indicated below by email  
4 and first-class mail addressed to said person(s) at his or her last-known address(es)  
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