

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	
COMPANY'S APPLICATION SEEKING	)	CASE NO. IPC-E-09-12
AUTHORITY TO IMPLEMENT A	)	
COMMERCIAL AIR CONDITIONER	)	
CYCLING PILOT PROGRAM	)	ORDER NO. 30852
	)	

On April 16, 2009, Idaho Power Company ("Idaho Power" or "Company") filed an Application with the Commission, pursuant to *Idaho Code* §§ 61-502, 61-507, 61-508 and Commission Rules of Procedure 52, seeking authority to implement a Commercial Air Conditioner (AC) Cycling Pilot Program ("Program").

PROCEDURAL BACKGROUND

On May 12, 2009, the Commission issued a Notice of Application and Modified Procedure establishing a 28-day comment period for interested parties to submit comments regarding Idaho Power's Application. *See* Order No. 30804. Thereafter, Commission Staff and an Idaho Power customer submitted comments within the established comment period. On June 12, 2009, Idaho Power submitted reply comments.

THE APPLICATION

The Application describes the commercial AC Cycling Program ("Program") as a voluntary program directed toward "small commercial customers similar to its current residential air conditioner cycling program, Schedule 81." Application at 2. The Program was developed in response to "numerous inquiries and requests from its small commercial customers." *Id.* at 2. Idaho Power envisions that the Program will allow the Company to evaluate the "pros and cons of each type of cycling device[;]" ascertain the average kW reduction for each type of cycling device; and "determine the peak load reduction potential" of Program participants. *Id.* at 4.

Eligible customers include Schedule 7 and Schedule 9 secondary customers in Ada and Canyon Counties with a base load capacity under 200 kW. *Id.* at 3. Under the terms and conditions of the Program, Idaho Power retains discretion as to whether to select or reject Program participants. *Id.* Participating commercial customers can elect to either: (1) install a direct load control device ("Device") similar to the one used in the residential program; or (2)

install a Programmable Controllable Thermostat ("PCT") which allows "the Company to initiate AC Cycling." *Id.*

The Program will "run for two (2) Air Conditioning Seasons (June, July, and August), to allow sufficient data and operational information to be obtained in order to evaluate and consider offering a full scale commercial program." *Id.* at 2. The Company foresees that the Program will enable the Company to address its "summer peaking requirements" by reducing commercial AC use during the summer peaking period. *Id.* at 3. Additionally, the PCT may "help reduce overall energy use" which could result in "potential savings to all of the Company's customers." *Id.*

Upon installation of either the PCT or Device at the customer's place of business, customers will receive documentation and training on its use. *Id.* at 4. Thereafter, the Company will have the capability to "initiate a cycling event" by sending a radio/paging signal to the PCT or Device. *Id.* A power line carrier ("PLC") signal will be used for customers with installed Advanced Metering Infrastructure ("AMI"). *Id.* The radio/paging signal system will be replaced by a PLC system as AMI installation is completed or the paging type switches require service. *Id.* at 5. Cycling events may last up to four hours, continuous or in various segments, per day during the June-August AC season. *Id.* at 4. Cycling events are limited to a total of 40 hours each month and 120 hours per AC season. *Id.* Compensation for Program participation will consist of a \$7.00 monthly payment for Device participants and the receipt of a PCT for PCT participants. *Id.* at 5.

Idaho Power requests that the "costs of the Program be paid by use of the Energy Efficiency Rider funds collected under Schedule 91." *Id.* The Company estimates that the costs for the Program will be approximately \$325,500 for 2009 and \$340,800 for 2010. *Id.* In the Application, Idaho Power expresses its opinion that due to higher installation costs, as compared to the Residential AC Cycling Program, the commercial Program is not cost-effective at this point in time. *Id.* The Company's opinion regarding the peak load reduction capability for either the Device or PCT was informed by its consultation with other utilities operating similar programs as well as other organizations such as the Advanced Load Control Alliance. *Id.* at 6. However, the Company believes that the Program could become cost-effective if the "average load reduction of at least 2 kW is achieved at a 50 percent cycling rate. . . ." *Id.*

The Company will acquire data regarding the Program's potential to reduce peak load by "installing data loggers on a sample of pilot participants." *Id.* at 6. Idaho Power will also solicit and evaluate data regarding customer preference, level of comfort and overall satisfaction with the Program. *Id.*

The Application includes, as Attachment No. 1, a copy of a proposed new tariff Schedule 82 which includes a detailed description of the Program, terms and conditions for Program participation and the discontinuation of Program participation. *Id.* at 5; Atch. No. 1. The Company requests that the Application be processed through Modified Procedure "as expeditiously as is reasonably possible." *Id.* at 7.

COMMENTS

A. IPUC Staff

Staff recommends that the Commission not approve Idaho Power's Application for authority to implement a Commercial Air Conditioner Cycling Pilot Program. Staff Comments at 4. Staff notes that Idaho Power's "research indicated a wide range of load reduction capability has been achieved by other utilities' similar programs." *Id.* at 3. Idaho Power admitted in its Application that "a commercial Program may not be cost-effective" because Device and PCT installation costs are higher than the simple switch installation costs for the Residential AC Cycling Program. *Id.* "The Program would be cost-effective if an average load reduction of at least 2 kW is achievable at a 50% cycling rate. . . ." *Id.*

Specifically, Staff cites: (1) an October 2, 2008, meeting of its Energy Efficiency Advisory Group (EEAG) wherein "the Company estimated the potential demand reduction for a small commercial AC cycling program to range between just .88 kW and 1.54 kW per thermostat[:]" and (2) "the scant information provided in [Idaho Power's] Application" as support for its non-approval recommendation. *Id.* at 3-4.

Moreover, Staff believes that Idaho Power's plan to utilize a pilot program to gather the data to evaluate the Program's "potential cost-effectiveness" is unnecessary. *Id.* at 3. According to Staff, the data "may be obtainable less expensively through various survey and analyses techniques." *Id.* Staff reports that an Idaho Power representative revealed that the Company considered the survey and analysis approach, "but it ultimately decided to proceed with a two-year pilot, instead." *Id.*

B. Idaho Power Customer

On May 26, 2009, a manager of a Schedule 9 secondary customer submitted an e-mail regarding Idaho Power's Application. The customer stated, "I'm not sure that \$7.00 a month is enough incentive to get businesses on board." The customer believes that a larger incentive is warranted because small commercial customers like the business he manages will be able to shave more peak demand than a typical residential customer. The customer expressed interest in participating in such a program if a larger incentive were offered.

C. Idaho Power Reply

In response to Staff comments, Idaho Power stated that it "proposed this pilot program because of the urging and support it received from its Energy Efficiency Advisory Group ("EEAG"), of which Staff is a participant." Idaho Power Reply Comments at 1. The Company also noted that currently there are no demand response programs available for its small commercial customers (Schedule 7 and Schedule 9 Secondary, fewer than 200 kW in demand) and customers within this group have made requests for an AC cycling program. *Id.*

Idaho Power restated that it made "inquiries with other utilities and organizations that operate small commercial A/C cycling programs" and that the Company learned from these discussions that the average demand reduction for this type of program "ranged from about 1 kW to a high of about 9 kW per customer." *Id.* at 2. "Some utilities reported demand reduction savings in terms of per ton of cooling and these results have a range of 0.25 kW to 0.51 kW per ton." *Id.*

Idaho Power concedes that the "actual, achievable load reduction" is uncertain. *Id.* The Company would like to utilize the pilot program for "two A/C seasons" in order to determine if "any customer segments will deliver cost-effective peak demand reduction, . . . test customer option preferences, and . . . obtain real operational data about its own system." *Id.* at 2-3. The Company continues by stating that if a customer segment has achieved demand reductions exceeding 2 kW and customers are satisfied with the program, "the Company could possibly continue to implement a program." *Id.* at 3. If the Commission authorizes the Company to institute the pilot program then it requests that the program be funded by the Energy Efficiency Rider funds. *Id.*

COMMISSION DECISION AND FINDINGS

Based upon our review of the filings and the record in this case, the Commission denies Idaho Power's Application for authority to implement a Commercial AC Cycling Pilot Program. In doing so, the Commission finds that Idaho Power has failed to demonstrate that the proposed pilot program would serve as a useful and cost-effective tool to mitigate the increasing summer peak demand of its small commercial customers.

As the Company acknowledged in its filing, the achievable peak demand reduction of the proposed pilot program could vary greatly among its small commercial customers. The Company cannot reasonably assert that any segment of its small commercial customer class will ultimately provide the required demand reduction, 2 kW, justifying the Program's implementation.

The Commission wishes to emphasize that it is encouraged by the recent efforts put forth by Idaho Power in the development and implementation of demand reduction programs. During the past year alone, the Company has submitted several applications, e.g., IPC-E-08-16 and IPC-E-09-02, seeking the Commission's approval to implement measures aimed toward the reduction of its overall system demand.

Nevertheless, there exists a limited amount of Energy Efficiency Rider funds from which to finance such programs. Constrained by this fact, the Commission must be circumspect in its decisions authorizing the allocation and deployment of these funds. The deployment of Rider funds must be reserved for programs wherein the Company has made a more definitive showing that the costs of implementing the program will not exceed the benefits of demand reduction.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Idaho Power, an electric utility, and the issues presented in this matter pursuant to its authority under Title 61 of the Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

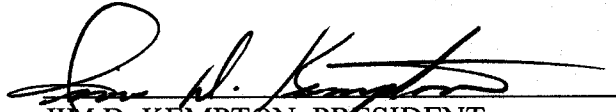
ORDER

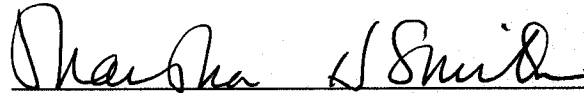
IT IS HEREBY ORDERED that the Application of Idaho Power Company for authority to implement a Commercial Air Conditioner (AC) Cycling Pilot Program is denied.

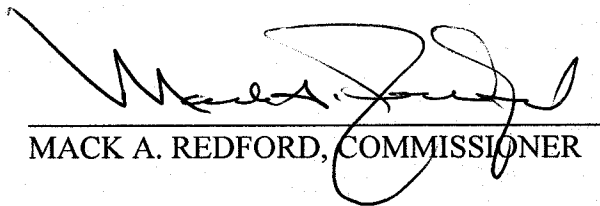
THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the

service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

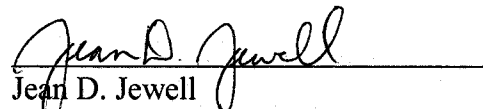
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of June 2009.


JIM-D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:IPC-E-09-12_np2