DECISION MEMORANDUM

TO: **COMMISSIONER KEMPTON**
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: **NEIL PRICE**
DEPUTY ATTORNEY GENERAL

DATE: **JUNE 12, 2009**

SUBJECT: **IDAHO POWER COMPANY'S APPLICATION SEEKING AUTHORITY TO IMPLEMENT A COMMERCIAL AIR CONDITIONER CYCLING PILOT PROGRAM, CASE NO. IPC-E-09-12**

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.

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 towards "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 PLC 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 at 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 increased 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 also 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; Attachment No. 1. The Company requests that the Application be processed through Modified Procedure "as expeditiously as is reasonably possible." *Id.* at 7.

STAFF COMMENTS

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 reported 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.*

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 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.

IDAHO POWER REPLY COMMENTS

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, under 200 kW in demand) and that 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 identify "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

Does the Commission approve Idaho Power's Application for authority to implement a two-year Commercial Air Conditioner Cycling Pilot Program? If so, does the Commission order that the pilot program be funded by Energy Efficiency Rider funds?

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