

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-12-29
AUTHORITY TO TEMPORARILY SUSPEND)
ITS A/C COOL CREDIT AND IRRIGATION)
PEAK REWARDS DEMAND RESPONSE) ORDER NO. 32776
PROGRAMS)**

B. The Need for the Two Programs

In its Application, the Company reported that its 2013 Integrated Resource Plan (IRP) shows that the peak-hour projected loads for the summer months do not exceed the Company's generation resources. More specifically, the Company maintained that its new IRP does not show "a peak-hour deficit until July 2016 and therefore [there is] no need [to employ] peak-hour [load reduction] resources like" the A/C Cool and Peak Rewards programs in 2013. Application at 2-3. Consequently, the Company requested that it be allowed to temporarily suspend these two demand response programs for the 2013 season (including the billing credits)¹ while the Company works with stakeholders to re-assess the programs prior to the 2014 summer season. *Id.* at 5.

The Company envisions using a collaborative approach with interested stakeholders to develop and review changes to the two programs during calendar year 2013. "However, should the Commission deny the Company's request to suspend the two programs . . . , the Company stands ready to operate the programs in the summer of 2013." Application at 6. If the Commission approves the temporary suspensions, the Company would adjust its tariff Schedule 23 (Peak Rewards) and Schedule 81 (A/C Cool) to show that the customer incentive payments would be reduced to zero, no new program participants would be accepted in 2013, and that Idaho Power would not initiate any load control events for either program in 2013. *Id.* at 6-7.

C. Projected Costs and Savings

The Company included prefiled direct testimony in support of its Application. Idaho Power witness Theresa Drake stated that in 2012 the Company spent approximately \$5.5 million on the A/C Cool program and approximately \$12.3 million on the Irrigation program. Drake at 13, 19. She asserted that temporary suspension of the A/C Cool program would allow the Company to save approximately \$749,000 in payments to participating customers. Drake at 16. Temporary suspension of the Peak Rewards program would save about \$10.9 million in 2013. The Company does not anticipate removing any of the customer load control devices but recognized that customers may elect to no longer participate in the program. The Company

¹ Residential customers participating in the A/C Cool program receive a monthly billing credit of \$7.00 for each of the three summer months.

calculated that 15% of customers may elect to have their devices removed which would result in removal costs to the Company.

The Company also reported that it anticipates spending approximately \$650,000 on the A/C Cool program in 2013 for customer service inquiries, maintenance on the devices, customer service for program participants, and maintaining access to the data bases. *Id.* at 14. Additionally, the Company will be responsible for “software and license fees for the AMI switches.” *Id.* Likewise, the Company estimated it will spend between \$600,000 and \$900,000 on the Irrigation program to keep the load control devices operational. Drake at 19.

D. The Settlement Workshop

A settlement workshop was held on February 6, 2013, and attended by all the Parties and several members of the public. The purpose of the settlement workshop was to allow the participants to discuss Idaho Power’s Application to suspend the two demand response programs for 2013. Based upon the settlement discussions, the Parties agreed to suspend the two programs and the monthly “incentive” payments for this year (Phase I), and schedule additional workshops to discuss further changes to the Company’s demand response programs for 2014 and beyond (Phase II).

On February 14, 2013, Idaho Power filed the proposed “Settlement Stipulation” on behalf of all the Parties and a Motion to Approve the Settlement Stipulation. The Parties agreed that the proposed settlement represents a compromise of their respective positions. They assert that the settlement is reasonable and in the public interest and urged the Commission to adopt the Settlement Stipulation without condition or modification. The general terms of the proposed settlement are set out below.

THE PROPOSED SETTLEMENT

A. A/C Cool Program

The Parties agree that it is reasonable to award residential customers who participated in the A/C Cool Credit program a “continuity” payment of \$1.00 per month for the three months of the suspended program. The purpose of the continuity payment is to encourage customers to remain in the A/C Cool program this year while the Parties conduct additional workshops to discuss the program for 2014 and beyond. As initially proposed by Idaho Power, the parties agree no new customers will be entered into the program. In addition, the Company will not cycle the central air conditioning units of participating customers during 2013. In other words,

there will be no dispatching events. Finally, the Parties agree that customers who wish to discontinue their participation in the program may do so but the Company will assess a reconnection charge of \$85 for customers who discontinue and subsequently want to re-enter the program before January 1, 2015.² Stip. at ¶¶ 6-8.

B. Irrigation Peak Rewards Program

The Parties propose that irrigation customers who voluntarily remain in the Peak Rewards program will also receive a “continuity” payment based upon which of the four Peak Reward options is applicable. Option 1 and 2 participants will receive a continuity payment equal to \$4.54/kW/season or \$2.27/kW/month of 2013 participant billing demand. Option 3 participants will receive a continuity payment equal to \$4.45/kW/season based upon the lesser of the nominated demand for 2012 program season and the 2013 participant billing demand, or \$2.27/kW/month of the lesser nominated demand for the 2012 program season and the 2013 participant billing demand. Finally, participants in the Timer Interruption Option under the one-day, two-day, or three-day component will receive continuity payments of \$1.07/kW/season, \$1.88/kW/season, or \$2.65/kW/season of 2013 billing demand, respectively.³ Stip. at ¶ 11.

To be eligible for a continuity payment, Peak Rewards customers must have a metered service point enrolled in the program during the 2012 season and the same customer must have the same meter service point active between June 15 and August 15, 2013. *Id.* Peak Rewards customers that remove their load control devices or switches may be restricted from re-entering the program in the future. *Id.* at ¶ 12. Like the A/C Cool program, irrigators participating in the Peak Rewards program will not have their service interrupted during 2013. During the suspension period, no new irrigation customers will be accepted into the Peak Rewards program.

C. Post-2013 Programs (Phase II)

The Parties also agree that changes to A/C Cool, Peak Rewards and possibly the Flex Peak⁴ programs for 2014 and beyond should be evaluated in Phase II of this case. Consequently,

² The exception to the re-entry charge would be where a customer moves from one residence to another. Stipulation at ¶ 8.

³ On a monthly basis, the Timer Options for one-day, two-day, and three-day would receive a continuity payment of \$0.54/kW/month, \$0.94/kW/month, or \$1.33/kW/month of 2013 billing demand, respectively.

⁴ The Flex Peak program allows Idaho Power’s contractor (EnerNoc) to reduce the load of participating industrial and large commercial customers for short periods of the summer peak days. See Order No. 30805.

the Parties request that the Commission schedule a prehearing conference to set workshops and develop a procedural schedule so that the Parties and other interested persons may evaluate changes to the demand response programs in advance of the 2014 summer season. Stip. at ¶ 14. The Parties agree that continuity payments made in 2013 should not be viewed as a precedent for future continuity payments. *Id.* at ¶¶ 9, 11.

If the Stipulation is challenged by any person not a party to the Stipulation, the Parties reserve the right to file testimony, cross-examine witnesses, and put on such case as they deem appropriate. *Id.* at ¶ 16. Finally, the Parties request that the Commission issue its Order accepting and approving the Settlement Stipulation no later than April 1, 2013. *Id.* at ¶ 4.

COMMENTS

In response to the Notice of Proposed Settlement, the Commission received comments from about 15 customers, ICL and Commission Staff.

1. Customers. Many customers expressed “disappointment” with the Company’s Application.⁵ They addressed several issues about the proposal to discontinue the existing incentive payments including: (1) the Company’s initial proposal sends the wrong signal about energy conservation and efficiency to customers; (2) the Application sets back efforts to promote energy efficiency; and (3) the suspension of the existing monthly payment decreases the Company’s ability to attract voluntary participation in DSM/conservation programs. Several commenters took the Company to task for developing DSM programs and encouraging customers to participate in such programs, and then discouraging participation by discontinuing the incentive payments or possibly the programs themselves.

2. ICL. ICL recommended the Commission approve the Settlement Stipulation. It noted that about 30,000 customers participate in the A/C Cool Credit program. In conjunction with the Peak Rewards programs, these two programs provide over “350 MW of capacity to mitigate peak demands. After a decade of development and millions of dollars invested, ensuring the long-term viability of this resource serves the public interest. While stakeholders examine the program over the next year, allowing Idaho Power to incur reasonable maintenance expenses will help ensure the program remains viable.” Comments at 1.

⁵ The Commission received three customer comments after the settlement was filed. Two commenters urged the Commission to continue the incentive payments at their current levels as a means for participating customers to lower their summer bills.

ICL further asserted that a critical part of ensuring the viability of the A/C Cool Credit program is maintaining customer participation. Encouraging many residential customers to participate in this program is important because “each home provides a small amount of demand reduction. ICL supports providing the \$3.00 summer continuity [total] payment to encourage customers to remain in the program.” *Id.* at 2 (footnote omitted). ICL also looks forward to participating in the next phase of this case. As the two DSM programs mature, “the operations and incentive levels must adapt to maximize the value for Idaho Power and customers.” *Id.*

3. Commission Staff. Staff also supported the proposed Settlement Stipulation and urged the Commission to adopt it. Staff recognized that the demand response programs depend upon adequate and voluntary program participation. “Participants must find value in the program, either financially or intrinsically.” Comments at 2. Staff noted the Company’s initial proposal to discontinue incentive payments was based upon projected capacity surplus in the near future. Staff acknowledged A/C Cool Credit participants “have not necessarily incurred program participation costs that justify continued credit payment, [however] Staff also recognizes that participants can withdraw from the program and adversely impact future program efficacy.” *Id.* at 3. To encourage continued participation for 2013, Staff believes the \$1.00 monthly continuity payments are appropriate while stakeholder workshops are conducted. Staff also supported the reinstallation fee to discourage customers from leaving the program and re-enrolling in the future. Staff calculates that temporary suspension of the A/C Cool program would allow the Company to save about \$644,000 in incentive payments. *Id.* at 4.

Staff also supported maintaining some level of payments for Peak Rewards customers because “irrigators may make up-front investment choices in order to participate” in the program. *Id.* at 4. Consequently, Staff believed it is appropriate to encourage Peak Rewards participants to remain in the program and be assured partial cost recovery. Although Staff initially thought the A/C Cool and Peak Rewards programs could be dispatched, Staff agreed with others that reducing customer payments while still dispatching the programs could “detrimentally affect participant satisfaction and retention.” *Id.*

DISCUSSION AND FINDINGS

The process for considering settlement stipulations is set out in our Rules 271-277, IDAPA 31.01.01.271-277. When a settlement is filed, the Commission will prescribe the

appropriate procedure for consideration of the settlement. In this case, the Commission issued a Notice of Proposed Settlement and solicited public comments on the settlement. Rule 274.

Rule 276 provides that the Commission is not bound by the parties' Settlement Stipulation. The Commission will "independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest or otherwise in accordance with law or in accordance with law or regulatory policy." *Id.* The Commission may accept, reject, or modify settlement provisions. Moreover, proponents of settlements carry the burden of showing that the settlement is reasonable and in the public interest. Rule 275.

Based upon our review of the Application, the proposed settlement and the comments, we find that the record is comprehensive and further proceedings are not necessary. After reviewing the record, we find that the settlement is fair, just and reasonable. We find that the proposed settlement is designed to encourage program participants to remain in their respective programs. In particular, we find that providing continuity payments as proposed for both residential and irrigation participants for 2013 adequately balances the need to maintain the two demand response programs while the Commission and the parties evaluate the programs for 2014 and beyond. We note that the settlement was supported by all of the parties to this case.

We also appreciate the thoughtful comments offered by customers about encouraging and maintaining participants in the A/C Cool and Peak Reward programs. When we initially authorized the pilot A/C Cool program in 2003, we recognized that DSM programs are powerful tools in managing peak loads and mitigating the impact of potential rate increases. Order Nos. 29207 at 8; 29702. In particular, reducing the peak summer loads lessens the utility's reliance upon purchasing power or constructing supply-side generation. We are disappointed that the Company proposed to discontinue their use completely.

We are concerned about implementing measures in the short-term that may reduce the effectiveness of both programs. Valuable time and resources were used to develop effective DSM programs, and we do not want to impair the effectiveness of these programs in the future when the Company's peak loads surpass its supply resources. This is especially true after the Company recently replaced most of the older A/C control devices. For example, as one customer indicated, it may be cheaper for the Company to cycle the air conditioning units than to purchase or generate power from its own supply resources.

We adopt the Parties' recommendation to convene workshops this year to evaluate the two DSM programs for 2014 and beyond. Staff counsel will convene an informal prehearing conference for the Parties to develop a schedule for the workshops. It is important for the Company and other interested parties to consider actions that will continue the viability of the programs as DSM resources. The Parties may also want to review whether there are better metrics to evaluate the cost-effectiveness of these programs.

Finally, we find merit in the customer comment about utilizing the A/C Cool and/or the Peak Rewards programs this summer in response to unforeseen emergencies. Although the Company does not believe it will need to use these programs in 2013, we doubt that it has perfect foresight. Conditions and circumstances may occur that could be helped by use of these programs. We direct the Company to consider whether these programs might be utilized to respond to system emergencies in 2013 and in the future. Without addressing the actual merits of dispatching these programs during an emergency, "continuity" payments might be adjusted to reflect the use of the DSM programs in responding to emergencies in 2013.

ORDER


IT IS HEREBY ORDERED that the Commission approves the parties' Settlement Stipulation. Idaho Power shall file conforming tariffs within 14 days from the service date of this Order.

IT IS FURTHER ORDERED that the Commission shall open a new docket for the purpose of evaluating the A/C Cool Credit and Irrigation Peak Rewards programs for 2014 and beyond. The parties to this case shall be deemed parties in the new case. Staff counsel will convene an informal conference so the parties can propose a schedule for the processing of this case.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-12-29 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 or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

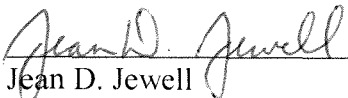
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 2nd
day of April 2013.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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