

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: DON HOWELL
DEPUTY ATTORNEY GENERAL**

DATE: FEBRUARY 14, 2013

**SUBJECT: PROPOSED SETTLEMENT STIPULATION REGARDING IDAHO POWER'S
REQUEST TO SUSPEND ITS A/C COOL CREDIT AND IRRIGATION PEAK
REWARDS PROGRAMS, CASE NO. IPC-E-12-29**

On December 21, 2012, Idaho Power filed an Application seeking Commission authorization to “temporarily suspend” its A/C Cool Credit and Irrigation Peak Rewards demand response programs for 2013. On January 10, 2013, the Commission issued a Notice of Application, Notice of Intervention, and Notice of Prehearing Conference. Timely Petitions to Intervene were filed by: Idaho Irrigation Pumpers Association, Idaho Conservation League, and Snake River Alliance. The Commission granted these Petitions to Intervene.

On January 29, 2013, the Commission convened a prehearing conference in this matter. The Parties urged the Commission to schedule a settlement workshop for February 6, 2013. After the settlement workshop, the Company, intervenors and Commission Staff (the “Parties”) filed a proposed settlement on February 14. The Parties agreed to suspend the two programs 2013 and urged the Commission to schedule further workshops to discuss future changes to the programs for years 2014 and beyond.

BACKGROUND

A. The Application

In its Application, the Company reported that its 2013 Integrated Resource Plan (IRP) shows that the peak-hour projected loads for the summer months does 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 Irrigation 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 envisioned 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 (Irrigation) and Schedule 81 (A/C) 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.

B. 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 program would allow the Company to save approximately \$749,000 in payments to participating customers. Drake at 16. Temporary suspension of the Irrigation program would save about \$10.9 million in 2013. The Company does not anticipate removing any of the customer load control devices but recognizes that customers may elect to no longer participate in the program. The Company 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 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.

¹ In the A/C program, customers receive a monthly billing credit of \$7.00 for each of the three summer months.

C. The Prehearing Conference

The Commission convened its prehearing conference on January 29, 2013. Idaho Power, the three intervenors, and Commission Staff attended and participated in the conference. The purpose of the prehearing conference was for the parties to advise the Commission on the appropriate manner to process this case. Order No. 32713 at 4. Despite the Irrigators' initial request that the Commission schedule a technical hearing to consider the proposed suspensions, all the Parties agreed at the prehearing conference that this Application could be processed without a technical hearing. The parties further agreed that a settlement workshop be held on February 6, 2013, so that the parties can discuss the short-term suspension issues (for 2013) and establish a schedule to address the longer term issues (2014 and beyond) of the two demand reduction programs. In addition, Idaho Power agreed that the Commission's suspension decision could be made no later than April 1, 2013.

THE SETTLEMENT WORKSHOP AND PROPOSED STIPULATION

The 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 request to suspend the two demand response programs for 2013. Based upon the settlement discussions, the parties agreed to suspend the two programs and the "incentive" payments for this year (Phase I), and schedule additional workshops to discuss further changes to the Company's demand response programs in 2014 and beyond (Phase II). On February 14, 2013, Idaho Power filed a proposed "Settlement Stipulation" on behalf of all the parties. 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 specific terms of the proposed settlement are set out below.

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 program. The purpose of the continuity payment is to encourage customers to continue their participation in the program while the parties conduct additional workshops to discuss the program for 2014 and beyond. As initially proposed by Idaho Power, 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 agree that irrigation customers who voluntarily participate in the Peak Rewards program will also receive a “continuity” payment to remain in the program 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, and three-day components will receive continuity payments of \$1.07/kW/season, \$1.88/kW/season, and \$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 under the program for 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 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, the Parties request that the Commission schedule a prehearing conference to set workshops and a procedural schedule so that the Parties and other interested persons may evaluate changes to the demand response

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, and \$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.

programs in advance of the June 2014 season. Stip. at ¶ 14. The Parties also agree that continuity payments made in 2013 should not be viewed as a precedent for future continuity payments. *Id.* at ¶¶ 9, 11.

The Parties stand ready to support the Settlement Stipulation. 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.

STAFF REVIEW

The Motion accompanying the proposed Settlement Stipulation requested that the Commission approve the Settlement Stipulation, schedule additional workshops for Phase II, and authorize the revised tariff schedules with an effective date of April 1, 2013. Motion at 3.

Rule 276 provides the Commission is not bound by a settlement agreement. IDAPA 31.01.01.276. 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 regulatory policy.” *Id.* When a settlement calls for Commission action, the Commission will prescribe an appropriate procedure to examine a proposed settlement. Rule 274.

Staff proposes that the Commission solicit public comment on the proposed Settlement Stipulation with comments due no later than March 11, 2013 (the standard 21-day comment period).

COMMISSION DECISION

1. Given the Parties’ proposed settlement of the Phase I issue, how does the Commission wish to process this case?



Don Howell
Deputy Attorney General

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