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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Donald L. Howell II, Deputy Attorney General, submits the following comments.

BACKGROUND

On December 21, 2012, Idaho Power Company filed an Application seeking Commission authorization to temporarily suspend its A/C Cool Credit and Irrigation Peak Rewards demand response (or "DR") programs for 2013. The A/C Cool Credit program allows the utility to periodically "cycle" the central air conditioning units of participating residential customers during the summer months of June, July, and August. *See* Tariff Sch. 81. The Peak Rewards program allows the utility to turn off participating irrigation pumps for a limited number of hours during the three summer months. *See* Tariff Sch. 23. These two voluntary programs are designed to reduce loads during summertime peak-hour demand. Customers participating in these two programs are compensated with billing credits for the three summer months.

A settlement workshop was held on February 6, 2013, and attended by the Idaho Conservation League, Snake River Alliance and Idaho Irrigation Pumpers Association ("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 the proposed Settlement Stipulation on behalf of all the Parties.

STAFF REVIEW

Demand response programs are designed to reduce summer peak loads by *shifting* demand from on-peak hours to off-peak hours. The programs are not designed to save energy, although saving energy may be an ancillary benefit. Staff acknowledges that the efficacy of a demand response program depends upon adequate, voluntary program participation. Participants must find value in the program, either financially or intrinsically.

The Company has built a DR portfolio of approximately 400 MW of capacity,[1] and has incorporated DR as a resource in its past Integrated Resource Plans (IRP). In its 2013 IRP, which will be filed later this year, the Company projects a capacity surplus for the near future. Specifically, the IRP projects a peak-hour capacity deficit in 2016 of less than 100 MW, which will grow relatively slowly through 2022 to about a 400 MW peak-hour deficit.[2] The Company states there is no need to employ peak-hour load reduction resources like demand response. Application at 2-3. The Company's 2013 IRP load and resource balance raises significant concerns about the need to continue operating and maintaining a DR resource when it is not needed until 2016 and beyond.

The Stipulation, signed by all Parties in the case, essentially freezes program participation for A/C Cool Credit and Irrigation Peak Rewards while providing a "continuity" payment designed to retain existing participation. Neither program would be dispatched during the 2013

[1] According to the 2011 Annual DSM report, the following programs produce these reductions: A/C Cool Credit (24 MW); Irrigation (320 MW); and FlexPeak (59 MW). The Company's contract with third-party administrator, EnerNoc Inc., will expire February 2014. *See* Order No. 30805. The Company recently applied to modify the 2013 FlexPeak program. *See* IPC-E-13-04.

[2] The Company analyzes peak-hour loads using a 90^{th} percentile water and 95^{th} percentile peak-hour load. The forecast does not include the planned Boardman to Hemingway transmission project.

season. Stakeholders will continue discussions to collaboratively address all three of the Company's DR programs and decide how to move forward in 2014 and beyond. Additionally, the Parties agreed that continuity payments made in 2013 should not be viewed as a precedent for future continuity payments. Stipulation at ¶¶ 9, 11. As such, Staff supports the Stipulation to temporarily suspend the two DR programs for 2013 and convene Phase II workshops this year.

A. A/C Cool Credit Program

The Stipulation calls for suspending air conditioning cycling in 2013, providing a $1.00/month continuity credit to current participants, and prohibiting new customer participation in the program. It also specifies that an $85 reinstallation charge be assessed to current participants who request removal of the load control devices and subsequently re-enroll (thus requiring reinstallation of the load control device) through January 1, 2015.[3]

In place of the Company's original proposal to suspend participation credit, the Stipulation proposes a $1.00/month credit even though no cycling events will occur in 2013. Recognizing that future DR depends upon adequate voluntary participation, Staff believes that a $1.00/month continuity payment during the three summer months will help retain participants for a future program. While Staff acknowledges that A/C Cool Credit participants have not necessarily incurred program participation costs that justify a continued credit payment, Staff also recognizes that participants can withdraw from the program and adversely impact future program efficacy. Staff believes a minimum level of financial payment is appropriate to encourage continued participation while stakeholder workshops are conducted.

To mitigate current participants from withdrawing from the program and then re-enrolling in it, Staff supports an $85 reinstallation fee (the cost incurred to remove a residential A/C load control device) effective through January 1, 2015. Staff anticipates the $85 charge will discourage this behavior and reduce program expenses in the interim.

The Company says that the A/C Cool Credit program cost approximately $5.5 million in 2012. About $749,000 was due to incentive payments and about $4.5 million was due to replacing 23,500 advanced metering infrastructure (AMI) switches. The Company says it still must replace about 8,000 switches, but that it has stopped replacing them until this case has been decided.

With program suspension, the Company anticipates spending about $650,000 in 2013 for customer service inquiries, maintenance on the devices, customer service for program participants,

[3] This fee applies only to current participants who have not relocated to a new physical residence.

maintaining data base access, and software and license fees for the AMI switches. Drake Direct at 14. This amount includes about $425,000, in costs associated with an approximate 15% dropout rate and corresponding device removal. However, the $425,000 cost may be less due to: 1) the continuity payments; and 2) $85 reconnection charge to re-enroll prior to January 1, 2015. In addition, program incentives are expected to cost about $105,000 (i.e., 35,000 participants x $3/participant). Total 2013 expenditures are thus estimated to be about $755,000. Temporarily suspending the A/C Cool program would allow the Company to save about $644,000 in incentive payments.

B. Irrigation Peak Rewards Program

The Parties agreed that irrigation customers who voluntarily remain in the Peak Rewards program in 2013 will receive a continuity payment based upon the four Peak Reward incentive options (three dispatchable, one timer option). Staff supports maintaining some level of payments to Peak Rewards customers, recognizing that irrigators may make up-front investment choices in order to participate. Such investment choices may directly relate to the irrigator's equipment, or indirectly relate to crop rotation decisions. Staff believes that participants who make these investments should be assured at least partial cost recovery similar to utility treatment of capital investments. To be eligible for a continuity payment, a Peak Rewards customer must have a metered service point enrolled in the program during the 2012 season and have the same metered service point active between June 15 and August 15, 2013. Stipulation at ¶ 11.

For 2013, Staff initially considered a monthly fixed credit of $2.27/kW/month, or $6.80/kW/season, with the ability to interrupt. The $6.80/kW/season would be about 25% of the current fixed credit. Staff arrived at that amount by comparing the Peak Rewards program to the levelized revenue requirement associated with the capital cost of an existing gas-fired peaking plant embedded in rates. A variable credit was calculated based on the forecasted summer natural gas price of $3.75/MMBtu. Staff believed this pricing structure would make the Peak Rewards program competitive with the Company's existing resources, and could be economically dispatched during the program season. After discussion with the other Parties, it was decided that drastically reducing customer payments while increasing program dispatch could detrimentally effect participant satisfaction and retention.

The Parties subsequently agreed to use Staff's methodology for calculating the fixed credit, with one modification. Though the Peak Rewards program runs from mid-June through mid-

August, the number of program days is 60, or equivalent to two full months. This modification reduced the continuity credit for Option 1 and 2 participants to \$4.54/kW/season. The \$2.27/kW/month credits for June and August will be prorated based on the number of program days that fall within the month. The credit payment will be based on the participant's 2013 billing demand. If approved, Option 3 participants will receive a continuity payment equal to \$4.54/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.

Participants in the Timer Interruption Option under the one-day, two-day, or three-day component will respectively receive continuity payments of \$1.07/kW/season, \$1.88/kW/season, or \$2.65/kW/season of 2013 billing demand.[4] *Id.* at ¶ 11. The stipulated continuity payments are 17% of the current credits, and were calculated based on the analysis utilized in determining the Option 1, 2, and 3 rates. Staff believes the payment levels are appropriate and reflect equivalent treatment to participants regardless of which option they participated under. Based on last season's participation, Staff anticipates continuity payments will be less than \$1.8 million, which is about a \$9.2 million savings when compared to 2012 incentive payments.

Peak Rewards customers who 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 Credit program, Peak Rewards program participants will not have their service interrupted, and no new irrigation customers will be accepted into the Peak Rewards program during 2013.

C. Post-2013 Programs (Phase II)

The Parties agreed that changes to A/C Cool Credit, Irrigation Peak Rewards and possibly the FlexPeak program for 2014 and beyond should be evaluated in Phase II of this case. The Stipulation asks the Commission to 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 before the June 2014 season.

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

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Stipulation and set an informal prehearing conference for the Parties.

Respectfully submitted this 11th day of March 2013.

For: Donald L. Howell, II
Deputy Attorney General

Technical Staff: Nikki Karpavich
Bryan Lanspery
Daniel Klein

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 11TH DAY OF MARCH 2013, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-12-29, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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