

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-13-04
APPROVAL OF ITS AGREEMENT WITH)	
ENERNOC TO IMPLEMENT AND)	
OPERATE A VOLUNTARY COMMERCIAL)	ORDER NO. 32805
<u>DEMAND RESPONSE PROGRAM</u>)	

On March 7, 2013, Idaho Power Company filed a Petition requesting Commission approval of Amendment No. 2 to the February 23, 2009 Demand Response Agreement between Idaho Power and EnerNOC, Inc. The Agreement sets forth terms for EnerNOC to manage Idaho Power's FlexPeak Management Program, a voluntary demand response program targeting industrial and large commercial customers who are capable of reducing their electrical energy loads for short periods during summer peak load days. EnerNOC is responsible for developing and implementing all marketing plans, securing participants, installing and maintaining equipment, tracking participation and reporting results to Idaho Power. The Commission approved the EnerNOC Agreement in Order No. 30805 issued May 15, 2009, and later approved an amendment to clarify terms of the Agreement in Order No. 31098.

Idaho Power and EnerNOC propose amendments to the contract to cap the weekly nominated demand reduction at 35 MW, reduce the amount of dispatch hours available from 60 to 30 and event days from 20 to 10, and reduce the amount Idaho Power pays to EnerNOC per kilowatt. Idaho Power's Application asserts that capping the weekly MW of nominated demand reduction at the historical level of 35 MW "will ensure that current participation levels are sustainable while limiting future program costs associated with higher demand reduction levels that the Company has identified it does not need at this time." Idaho Power Petition, p. 5. The Company expects the changes to save program expenses of approximately \$500,000 in 2013.

Idaho Power's Petition is consistent with its recent proposals to curtail other demand response programs because the Company's load and resource balance, as identified in its 2013 Integrated Resource Plan, indicates no near-term peak hour capacity deficits until July 2016. On December 21, 2012, Idaho Power submitted an application in Case No. IPC-E-12-29 requesting authority to temporarily suspend the A/C Cool Credit and Irrigation Peak Rewards programs. A settlement workshop was held on February 6, 2013, with all parties agreeing that a temporary

suspension of the A/C Cool Credit and Irrigation Peak Rewards programs for 2013 program seasons is appropriate. The parties also agreed to conduct workshops to discuss further changes to the Company's demand response programs in 2014 and beyond. The FlexPeak program was not addressed in that case because the Company is under contract with EnerNOC and does not have the unilateral ability to suspend payment to EnerNOC prior to expiration of the Agreement in February 2014. Idaho Power Petition, p. 4.

On March 13, 2013, the Commission issued a Notice of Petition and Notice of Modified Procedure that established a comment period, extended to April 17, 2013, by motion filed by the Industrial Customers of Idaho Power (ICIP). Written comments were filed by Staff and ICIP. Idaho Power filed reply comments on April 25, 2013.

ICIP comments repeat similar concerns it expressed when the FlexPeak program was implemented in 2009 relating to two major areas: a comparison of the demand-side offers under the FlexPeak program with those under Idaho Power's Irrigation Peak Rewards, and lack of transparency of certain details of the FlexPeak incentive payments. ICIP Comments, p. 3. ICIP does not believe that disclosing the portion of incentive payments made to the commercial and industrial customers would damage EnerNOC's business model or cause substantial harm to the competitive position of EnerNOC. ICIP Comments, p. 6.

ICIP also expressed concern "about the continued viability of the FlexPeak Program once the contract with EnerNOC expires." ICIP Comments, p. 7. ICIP notes that Idaho Power currently is in a position of surplus generation, due in part to the addition of the Langley Gulch facility. ICIP asserts that demand response programs should not be ramped down simply because the utility is in a temporary surplus situation: "DSM programs, like FlexPeak, allow the utility to meet system demands in smaller increments and they smooth out the 'lumpy' nature of adding generation plant like the Langley Gulch plant." ICIP Comments, p. 11.

ICIP urges the Commission "to allow the FlexPeak Program to continue on its proven path of success," stating that "the effectiveness of the FlexPeak Program may well be harmed by Idaho Power's proposal." ICIP Comments, p. 12. This assertion is followed with: "switching programs such as the FlexPeak Program on and off again is surely to discourage future participation when such participation may be vital to Idaho Power's needs." *Id.* The initial term of the FlexPeak program ends next year, and ICIP recognizes the future of the program will be discussed later this year when the Company and interested parties convene workshops to review

all Idaho Power demand response programs. ICIP commits to “constructively participate in workshops and collaborate with all parties to insure that these and other programs are available to meet Idaho Power’s energy and capacity needs in a least cost manner.” ICIP Comments, p. 12.

On April 25, 2013, Idaho Power filed reply comments to address issues raised by ICIP in its comments. Idaho Power addressed ICIP’s assertion that it is not possible to evaluate the cost-effectiveness of the FlexPeak program based upon information that is publicly available. First, Idaho Power explained how its FlexPeak program evaluation and documentation information is publicly available, including through its Integrated Resource Plan and its annual DSM reports. The Company acknowledges that its participant incentive payment information is not publicly available, and the Company explains how the information that is available is sufficient to evaluate the effectiveness of the program.

Idaho Power disagrees with ICIP assertions that the Company has a “dismissive attitude” toward its demand response programs or that the Company intends to permanently curtail them. The Company is “mindful that these programs come at a financial cost and that it has an obligation to keep rates reasonable for the benefit of all customers.” Idaho Power Reply Comments, p. 7. The Company asserts it was faced with operating demand response programs costing customers more than \$12 million a year when adequate system capacity would exist to serve anticipated peak loads. By proposing to temporarily curtail its demand response programs, the Company asserts it chose a cautious course of action to best serve its customers by staying true to its mission of providing customers with reliable, responsible, and fair priced energy. *Id.* The Company stated it values its demand response programs and looks forward to the opportunity to discuss the future operation and funding of its three demand response programs in workshops this summer. The Company reiterated what is the issue in this case, that is, an amendment that will maintain the FlexPeak program so that it is fully operational and available to provide peak capacity during the 2013 program season. Idaho Power Reply Comments, p. 8.

The Commission has determined to approve the amendment to the Idaho Power/EnerNOC agreement to cap the weekly nominated demand reduction at 35 MW, reduce the amount of dispatch hours available from 60 to 30 and event days from 20 to 10, and reduce the amount Idaho Power pays to EnerNOC per kilowatt. The proposed amendment maintains the FlexPeak program in place while cutting program costs by approximately \$500,000 in 2013. In

light of Idaho Power's projected excess capacity in the near-term, the contract changes strike a proper balance between maintaining an effective demand response program and controlling costs that are passed on to Company customers. The Commission expects the demand response workshops convened this summer will be productive in assessing how best to continue the FlexPeak program in the future.

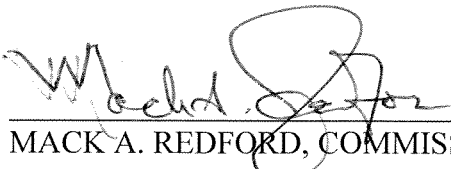
ORDER

IT IS HEREBY ORDERED that Amendment No. 2 to the Idaho Power/EnerNOC agreement to cap the weekly nominated demand reduction at 35 MW, reduce the amount of dispatch hours available from 60 to 30 and event days from 20 to 10, and reduce the amount Idaho Power pays to EnerNOC per kilowatt is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of 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.

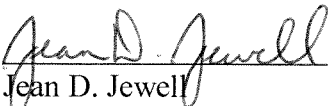
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of May 2013.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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