

IN THE MATTER OF THE CONTINUATION )  
 OF IDAHO POWER COMPANY'S A/C COOL ) CASE NO. IPC-E-13-14  
 CREDIT, IRRIGATION PEAK REWARDS, )  
 AND FLEXPEAK DEMAND RESPONSE )  
 PROGRAMS FOR 2014 AND BEYOND ) ORDER NO. 32923  
 )

the peak-hour projected loads for the summer months of 2013, 2014, and 2015 do not show a “peak-hour deficit until July 2016 and therefore [there is] no need [to employ] peak-hour demand response programs” like the A/C Cool and Peak Rewards programs. The Company relied on the same rationale for amending the Peak Rewards contract.

2. The settlement approved in Order No. 32776 also provided that residential customers participating in the A/C Cool Credit program be provided a “continuity” payment of \$1.00 per month for the three summer months of 2013. The settlement also provided for continuity payments for those irrigation customers voluntarily participating in the four Peak Reward options. In addition to continuity payments, the parties requested that the Commission schedule an informal prehearing conference to set public workshops and develop a procedural schedule so that the parties and other interested persons may evaluate changes to the demand response programs for calendar year 2014 and beyond. The Order approving the temporary suspension directed Staff to convene an informal prehearing conference for the parties to develop a schedule for the public workshops. It also directed that the intervenors (the Irrigators, ICL, and SRA) would be deemed parties in the new case. Order No. 32776 at 8.

3. Order No. 32805—FlexPeak. In the FlexPeak Order, the Commission approved changes to the program which will reduce the cost of the program by about \$500,000 for 2013. Order No. 32805 at 3. As with the A/C Cool and Peak Rewards programs, the Commission directed that the public workshops also address “how to continue the FlexPeak program in the future.” *Id.* at 4.

### ***B. Proceedings in this Case***

The parties to this case include the Company, Commission Staff, the Irrigators, the ICL, the SRA, EnerNOC, Inc. and the Industrial Customers of Idaho Power. *See* Notice of Parties. As directed by the prior orders, on June 12, 2013, the parties convened an informal prehearing conference to schedule public workshops. A series of five public workshops occurred between July 10 and August 27, 2013. Workshop participants discussed how the Company includes DR in its IRP, how it calculates cost-effectiveness, the purpose of DR, and DR programs and their operational design. The last workshop also included settlement discussions that culminated in the proposed Settlement. *See* Notice of Informal Prehearing Conference, and Notices of Public Workshops.

On October 2, 2013, Idaho Power filed the proposed Settlement and tariff Schedules 23 and 81 (the Irrigation Peak Rewards and A/C Cool Credits tariffs), along with a motion and testimony that ask the Commission to approve them. *See* Idaho Power Company's Motion to Approve Settlement Agreement. On October 9, 2013, the Commission notified interested persons that the proposed Settlement had been filed, and requested that they submit written comments about it by October 30, 2013. *See* Order No. 32906. Commission Staff, ICL, SRA, and Idaho Power filed comments or testimony supporting the proposed Settlement. Two members of the public—Honeywell International, Inc. and John Weber—also filed comments.

### **THE PROPOSED SETTLEMENT**

All parties except ICIP signed the proposed Settlement.<sup>1</sup> A non-party—Idaho Power customer and workshop participant Mike Seaman—also signed. The signors believe the proposed Settlement is fair, just and reasonable and in the public interest and that the Commission should approve it under Commission Rule of Procedure 274. *See* Idaho Power Company's Motion to Approve Settlement Agreement.

In summary, the Settlement proposes to fully resolve this case as follows:

#### ***A. DR Guiding Concepts***

The Company will implement DR programs using the following concepts:

1. Use existing demand response resources when possible. This includes using, to the extent possible, current demand response equipment owned or available to Idaho Power and participating demand response customers, which currently represents about 400 MW of potential demand response capacity;
2. Offer demand response for all three customer classes (residential, commercial/industrial, and irrigation);
3. Keep costs as low as possible;
4. Re-evaluate the value calculation as the IRP changes;
5. Take a long-term outlook. In order to have viable demand response programs in the long term, the program must continue in the short term.
6. Calculate avoided cost for demand response by using the avoided capacity cost of a 170 MW single cycle combustion turbine multiplied by the

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<sup>1</sup> ICIP participated in these proceedings, but ultimately took no position of record on the Settlement.

effective load carrying capacity, measured over 20 years, plus corresponding deferred energy savings for 60 program hours;

7. Strive for consistency in dispatch requirements across programs; and
8. In addition to reducing peak loads, DR may be used for load following, non-spinning operating reserves, improved reliability during emergencies; and flexibility to address delays in building new supply-side resources. By the 3<sup>rd</sup> quarter of 2014, the Company will determine whether it is feasible to use DR as operating reserves and, if it is, the Company will work with Staff and stakeholders to develop a pilot program.

See Settlement at 3-4.

### ***B. DR Valuation***

The Company will use a minimum deferred resource of 170 MW when calculating DR value. The annual value of DR equals the levelized annual cost of the minimum size deferred resource, measured over 20 years, plus the corresponding deferred energy savings for 60 program hours. The Company's DR portfolio presently is valued at \$16.7 million. *Id.* at 4-5.

### ***C. Specific DR Programs***

The Settlement Agreement discusses three DR Programs: (1) A/C Cool Credit; (2) Irrigation Peak Rewards; and (3) FlexPeak Management. If a system emergency occurs, DR capacity from each program will be available for immediate dispatch. Program specifics include:

1. A/C Cool Credit Program. The A/C Cool Credit Program is available from June 15 through August 15, Monday through Friday. Participants receive a \$15 bill credit for the season (consisting of three, \$5 credits for each of the three months). *See* Motion, Attachment 3.<sup>2</sup> Participants include presently enrolled residential customers with an installed load-control device. The Company will try to replace currently installed paging devices with Advanced Metering Infrastructure ("AMI") compatible devices by June 2014. The Company will not actively market the program; but it will try to recruit customers who move into a home with a load-control device, or who were enrolled in the program but then move to a home without a load-control device. The Company also will accept new participants upon request.

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<sup>2</sup> The Settlement proposes revised tariffs, including tariff Schedules 81 – Residential Air Conditioner Cycling Program and tariff Schedule 23 – Irrigation Peak Rewards Program. The proposed Settlement incorporates the proposed tariffs by reference. *See* Settlement ¶¶ 7-8 (incorporating tariff schedule). *See* Settlement ¶¶ 7 and 8. The Company's Motion attaches the proposed tariffs as Attachment 3. *See* Motion at ¶ 5 [sic], page 3.

The Company need not notify participants before a dispatch event. Dispatch events may last up to 4 hours, but no more than 15 hours per week or 60 hours per season. Participants may opt out of two events per season. *See* Settlement at 5-6.

2. Irrigation Peak Rewards Program. The Irrigation Peak Rewards Program is available from June 15 through August 15, Monday through Saturday from 1:00 p.m. to 9:00 p.m. Participants receive a fixed incentive of about \$16 per kW per season. If more than three dispatch events occur, participants receive a variable incentive of \$0.148 (or \$0.198 for the 9:00 p.m. option) per kWh. With the realization rate included, this results in a cost to the Company of about \$0.22 per kWh.

Participants may select three interruption options. The Company need not notify a participant before a dispatch event occurs if the participant selected Interruption Options 1 or 2. But the Company must provide at least four hours notice to participants who select Interruption Option 3. Dispatch events may last up to 4 hours, but no more than 15 hours per week or 60 hours per season. Participants may opt out of up to three events at \$5.00 per kW per event, and opt out of additional events for \$1.00 per kW per event. *Id.* at 6-7.

3. FlexPeak Management Program. The FlexPeak Management Program is available from June 15 through August 15, Monday through Friday from 2:00 p.m. to 8:00 p.m. Participants may receive a fixed incentive that will include at least three dispatch events. If more than three dispatch events occur, participants will receive a variable incentive. The Company will notify participants at least three hours before a dispatch event occurs. Dispatch events may last up to 4 hours, but no more than 60 hours per season. *Id.* at 7-8.

### **THE COMMENTS AND TESTIMONY**

The Commission received comments or testimony from two members of the public and from parties including Idaho Power, Commission Staff, ICL, and SRA. In summary, the comments collectively support the proposed Settlement as follows.

The proposed Settlement is a fair and reasonable resolution of the issue and provides a reasonable approach for continuing DR programs. It is important to continue the DR programs to ensure that sufficient, reliable DR resources exist to meet anticipated deficits in 2016 and 2017. Further, since 2003, ratepayers have invested more than \$83,000,000 to develop a robust set of DR programs with broad support. Going forward, customers only will enjoy the benefits of avoiding high priced peak power and delaying or deferring additional peaking resources if the

Company continues operating these programs. The Settlement would allow the Company's DR programs to operate in a manner that is cost-effective and operationally beneficial to the electric system.

The proposed Settlement makes the best use of prior DR investments by allowing the Company to use existing participants and equipment when possible. It thus enables the Company to leverage its existing DR infrastructure investment to continue operating a cost-effective resource, maintain program participation until the programs are needed, and minimize ongoing costs to customers.

The proposed Settlement attempts to reduce costs and improve DR program responsiveness by decreasing incentive payments to irrigation and residential customers while increasing program dispatch requirements. These agreed-upon program modifications would make the programs more flexible, reliable, and useful because of the ability to respond with shorter notice to program participants, and will help the Company provide reliable service during extreme weather and water conditions.

For these and other reasons, the parties recommend the Commission accept the proposed Settlement as being in the public interest.

## **DISCUSSION AND FINDINGS**

### ***A. Standard of Review***

The Commission reviewed the proposed Settlement under Procedural Rules 271-277. IDAPA 31.01.01.271-277. The Commission is not bound by a proposed settlement. Rather, the Commission must independently "consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." IDAPA 31.01.01.274 and 276. The Commission can consider the settlement using a range of procedures. *Id.* In this case, the Commission opted to review the proposed Settlement under the Commission's rules of modified procedure; that is, through the written testimony and comments discussed above rather than through an evidentiary hearing. The proposed settlement's proponents must establish that it is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275.

### ***B. Commission Findings***

Based upon our review of the Settlement, the testimony, and the comments, we find that the record is comprehensive and further proceedings are not necessary. We note that the workshops were well-attended, and that participants represented diverse interests. Further, all parties except the ICIP expressly support the Settlement, and the two public comments generally support the Settlement.

We believe it is important for the Company to continue its DR programs to ensure it has sufficient, reliable DR resources to meet expected deficits. The Settlement allows the Company to leverage prior DR investments, and should enable it to maintain program participation and improve program responsiveness while minimizing costs to customers. Accordingly, based on our review of the record, we find the Settlement is fair, just and reasonable, and we accept it in the public interest. IDAPA 31.01.01.274-276. We appreciate the parties' and workshop participants' work on the Settlement, and their ability to resolve the issues presented.

We also encourage the Company to continue evaluating opportunities associated with DR programs on an ongoing basis. Circumstances such as increased demand related to business relocation and expansion, coupled with increased residential construction can occur quickly and impact the system well before a future IRP formally identifies the increased demand. Accordingly, ongoing review could lead to adjustments to DR programs that might reduce the risk of buying wholesale power at costs that exceed the recovery of DR expenses.

### **ORDER**

IT IS HEREBY ORDERED that Idaho Power Company's Motion to Approve Settlement Agreement is granted. The Commission accepts the Settlement.

IT IS FURTHER ORDERED that the clean versions of tariff Schedules 23 and 81, Attachment 3 to the Company's Motion, are approved as filed effective January 1, 2014.

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.

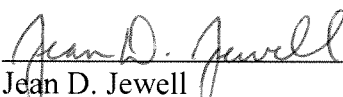
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12<sup>th</sup>  
day of November 2013.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
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MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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