

Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
CONTINUATION OF IDAHO POWER)
COMPANY'S A/C COOL CREDIT,)
IRRIGATION PEAK REWARDS, AND)
FLEXPEAK DEMAND RESPONSE)
PROGRAMS FOR 2014 AND BEYOND)

CASE NO. IPC-E-13-14
COMMENTS OF THE IDAHO
CONSERVATION LEAGUE

The Idaho Conservation League (ICL) recommends the Commission approve the Settlement Agreement. The Agreement encapsulates a reasonable framework to leverage Idaho Power's already substantial investment of ratepayer funds into the Demand Response (DR) programs. Since 2003 customers have invested over \$83,000,000 to recruit and retain participants and build the infrastructure that today is capable of delivering about 400 MW of demand reduction.¹ Going forward, customers will only enjoy the benefits of avoiding high priced peak power and delaying or deferring additional peaking resources if Idaho Power continues to operate the programs. The public has a strong interest in leveraging this prior investment.

The Settlement Agreement represents a give and take among customer groups and Idaho Power. For example, the investment in Demand Response programs will be lower than in prior years, and each customer group of participants will see reduced incentives. Idaho Power, for its part, accepted that the purpose of DR is not solely defined by future resource needs, rather delivers benefits today by mitigating peak demand, providing flexibility, and strengthening relationships with customers. This consensus represents a balanced approach to controlling costs, and thereby delivering immediate benefits to all Idaho Power customers, while ensuring Demand Response continues to be a viable long-term resource. Controlling costs today while ensuring DR programs remain robust and viable in the future serves the public interest.

¹ See Idaho Power 2012 DSM Report Appendix 4, p 145 showing the Total Resource Cost by program and by year.

A few specific terms deserve highlighting. A key notion underlying the Settlement is captured by Idaho Power's phrase "to have viable demand response programs in the long term, the program must continue in the short term."² To ensure the DR resources will respond when needed, and to keep participants aware of the programs, each program will be dispatched a minimum of three times each season. To ensure sufficient participants remain in the programs while recognizing the lack of short-term capacity deficits, the agreement sets forth a balanced framework for maintaining program participation – no active recruiting of new participants, but reasonable efforts to leverage current investments. For example, Idaho Power will attempt to recruit customers who move into a home with an A/C Cool Credit switch already installed, but will not actively market the program to homes without existing equipment. This balance ensures all customers continue to benefit from the previous investment in A/C Cool infrastructure while keeping current costs from growing. ICL explicitly supports the portions of the Settlement that enable continued operation and refinement of DR programs while controlling costs.

Another important aspect of the agreement is the recognition that DR programs can provide additional value to customers beyond the traditional notion of reducing peak loads. Section 4(b) of the agreement includes a commitment to explore using existing DR capabilities to provide operating reserves. Additional values include emergency reliability, flexibility to address delays in building new resources, and potentially integrating variable energy resources. Only by continuing to operate the DR programs, including maintaining sufficient customer participation, can Idaho Power and stakeholders continue to develop these potential benefits.

A third key component of the agreement is changes to the programs that make the DR resources more valuable to Idaho Power. During the workshop, Idaho Power's operation experts explained that resources with short lead time to dispatch, flexibility in timing and scale, and consistent rules across programs are the most useful for meeting dynamic systems needs. The Settlement includes changes in each program to help Idaho Power maximize the value of DR programs. The Irrigation Peak Rewards program changes from day ahead notice to "after dispatch" notice, making the largest of the DR programs immediately available for dispatch. The A/C Cool Credit program is now available for 15 hours each week, instead of 40 hours each month. This provides system planners more flexibility when planning A/C Cool dispatch without using the available hours too early in the month. For the Flexpeak program, while not embodied in the settlement due to the current contract with the aggregator, similar changes to program

² *Settlement Agreement* at page 3, section 4(a)(v).

notification and dispatch availability were discussed. And, all three programs now have the same program season, June 15 through August 15 thereby reducing complexity for system operators. These aspects of the Settlement reflect customer groups working together with Idaho Power to maximize the value of DR for all ratepayers.

Finally, a word about the “value calculation” used in the Settlement. Through several meetings, the participants settled on a method that focused on the true nature of an avoided resource. ICL explicitly supports using the capacity cost of a 170 MW Simple Cycle Combustion Turbine as the minimum avoidable resource. Customers truly benefit from investments in demand side resources when these investments actually avoid alternate resources. Otherwise, customers pay for two resources, DR in the short term and new generation in the long term. Using a minimum size for an avoided resource ensures sufficient and stable program budgets to support DR programs that are large enough and robust enough to actually avoid build new peaker plants. The alternative, using high avoided costs in some years and almost no cost in other years, creates program instability, inhibits long-term resource planning, and discourages customers from making investments in their own facilities to improve the DR programs. The program changes in the Settlement will help ensure stable robust programs and complement the budget setting derived from the avoided cost calculation.

Over the last decade, ratepayers have invested over \$83,000,000 to develop a robust set of DR programs with broad support-more than 30,000 Idahoans participate in the A/C Cool Credit program alone. The Settlement provides a reasonable framework to ensure ratepayers continue to enjoy the benefits of this investment while working with Idaho Power to maximize the value of this resource. For these reasons, ICL recommends the Commission approve the Settlement without material alteration.

DATED, the 30th day of October 2013,

Respectfully submitted,



Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of October 2013, I delivered true and correct copies of the foregoing COMMENTS to the following persons via the method of service noted:

Hand delivery:

Jean Jewell
Commission Secretary (Original and seven copies provided)
Idaho Public Utilities Commission
427 W. Washington St.
Boise, ID 83702-5983

Electronic Mail:

Julia Hilton
Lisa D. Nordstrom
Courtney Waites
Tim Tatum
Idaho Power Company
P.O. Box 70
Boise, ID 83707
jhilton@idahopower.com
lnordstrom@idahopower.com
dockets@idahopower.com
cwaites@idahopower.com
ttatum@idahopower.com

Eric Olsen
Racine, Olsen, Nye, Budge & Bailey,
Chartered
P.O. Box 1391
Pocatello, ID 83204
elo@racinelaw.net

Anthony Yankel
29814 Lake Road
Bay Village, OH 44140
tony@yankel.net

Ken Miller
Clean Energy Program Director
Snake River Alliance
Box 1731
Boise, ID 83701
kmiller@snakeriveralliance.org

Peter J Richardson
Richardson Adams PLLC
515 N. 27th St
Boise, ID 83616
peter@richardsonadams.com

Dr. Don Reading
6070 Hill Road
Boise, ID 83703
dreading@mindspring.net

Melanie Gillette
Director Regulatory Affairs
Enernoc Inc
115 Hazelmere Dr
Folsom CA 95630
mgillette@enernoc.com

Teresa A Hill
K&L Gates LLP
222 Columbia St ste 1400
Portland OR 97201



Benjamin J. Otto