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**LISA D. NORDSTROM**  
Lead Counsel  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

February 4, 2015

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

RE: Case No. IPC-E-15-03  
Application for Approval of New Tariff Schedule 82, A Commercial and Industrial  
Demand Response Program (Flex Peak Program)

Dear Ms. Jewell:

Enclosed for filing in the above matters please find duplicate originals and seven (7) copies of Idaho Power Company's Application.

Also enclosed for filing are duplicate originals and eight (8) copies each of the Direct Testimony of Tami White and Quentin Nesbitt. One copy of each of the aforementioned testimonies has been designated as the "Reporter's Copy." In addition, two disks containing Word versions of each of the testimonies are enclosed for the Reporter.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt

Enclosures

LISA D. NORDSTROM (ISB No. 5733)  
Idaho Power Company  
1221 West Idaho Street (83702)  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-5825  
Facsimile: (208) 388-6936  
lnordstrom@idahopower.com

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S APPLICATION FOR ) CASE NO. IPC-E-15-03  
APPROVAL OF NEW TARIFF SCHEDULE )  
82, A COMMERCIAL AND INDUSTRIAL ) APPLICATION  
DEMAND RESPONSE PROGRAM (FLEX )  
PEAK PROGRAM). )  
)  
)  
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Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-503 and RP 52, hereby respectfully applies to the Idaho Public Utilities Commission ("Commission") for an order authorizing Idaho Power to implement an optional program, Schedule 82, Flex Peak Program, and to continue recovering demand response expenses in the manner it currently does ("Application"). The Flex Peak Program ("Program") is a voluntary, internally-managed demand response program for commercial and industrial ("C&I") customers who are willing and able to reduce their electrical energy loads for short periods during summer peak days. Idaho Power requests that the Commission issue an order approving this Application by May 1, 2015,

to allow the Company 45 days to solicit participants prior to the June 15, 2015, start of the Program season.

In support of this Application, Idaho Power represents as follows:

## **I. BACKGROUND**

Idaho Power has offered the Program (previously known as the FlexPeak Management program) to C&I customers since 2009 and had contracted with a third party to manage it. Since its inception, the FlexPeak Management program acquired between 8.5 megawatts (“MW”) and 39.3 MW of nominated generation-level reductions per Program season. Idaho Power Senior Manager of Rate Design Tami White describes the evolution of the FlexPeak Management program in greater detail in prefiled direct testimony that accompanies this Application.

2. Demand Response Programs Settlement Agreement. In Order No. 32923 issued in Case No. IPC-E-13-14, the Commission approved a Demand Response Programs Settlement Agreement (“Settlement Agreement”) regarding the design of Idaho Power’s three demand response programs. Section 9 of the Settlement Agreement, which can be found as Exhibit No. 1 to Ms. White’s testimony, established parameters surrounding the Company’s C&I demand response program participation, program details, and the incentive structure.

3. Idaho Power incorporated these parameters into the proposal presented in this Application to internally manage the Program going forward. Under Section 9.a. of the Settlement Agreement, the Company would not actively seek to expand the capacity of the Program beyond 35 MW. Section 9.b. required that the Program will be available from June 15 through August 15, Monday through Friday, from 2:00 p.m. - 8:00 p.m., excluding holidays. Each dispatch event will last up to four hours per participant within

the available Program hours and cumulatively will not exceed 60 hours per season. In the event of a system emergency, demand response capacity from the Program may be called. Idaho Power will conduct a minimum of three dispatch events per season with two hours advance notice to participants.

4. Settlement Agreement Section 9.c. makes clear that a fixed and variable incentive structure may be appropriate, as long as the variable portion is low enough that it does not prevent the Program from being dispatched. If a fixed and variable incentive structure is used, a minimum of three dispatch events will be included in the fixed incentive. The variable incentive will be paid to participants if Idaho Power conducts dispatch events in the C&I demand response program for more than the three minimum dispatch events. Parties to the Settlement Agreement also agreed on the annual value of Idaho Power's demand response portfolio as set forth in Section 6.

5. Integrated Resource Planning. The preferred portfolio of the 2013 Integrated Resource Plan accepted for filing by the Commission in Order No. 32980 assumes a demand response capacity of 50 MW is available beginning in 2024 and steps up to approximately 370 MW by 2032. Idaho Power considers demand response a committed resource and 390 MW (including the C&I program) of demand response will be included in each portfolio that is analyzed as part of the 2015 Integrated Resource Planning process.

6. Request For Proposal ("RFP"). In the Settlement Agreement, Idaho Power committed to offer its demand response programs for 2014 and beyond until a change occurs in the Company's system operations or cost-effectiveness of a demand response program that would warrant reevaluation of the Settlement Agreement's term. Settlement Agreement, Section 3. In anticipation of the expiration of the third-party demand-aggregator agreement in December 2014, the Company issued a RFP during

the summer of 2014 seeking third-party assistance operating a C&I demand response program beyond 2014. Idaho Power did not ultimately identify a successful bidder because the Company concluded it could achieve cost savings for customers by managing the program itself rather than through a third party.

7. Stakeholder Input. The Company solicited stakeholder preferences and support from its Energy Efficiency Advisory Group (“EEAG”) on Friday, January 9, 2015, for either renewing the contract with the third-party administrator or having the Company administer the program. As described more fully in Ms. White’s testimony, the majority of EEAG members appeared to be cautiously supportive of an Idaho Power-managed program; however, one EEAG member expressed a neutral position and another EEAG member recommended the Company retain EnerNOC, Inc. as the third-party manager of the Program.

## **II. COMPANY-ADMINISTERED FLEX PEAK PROGRAM PROPOSAL**

8. Program Design. The Company’s proposal to internally manage the Program is described in the testimony of Quentin Nesbitt, Idaho Power Energy Efficiency Program Leader, that accompanies this Application and in Schedule 82, Flex Peak Program, which can be found as Attachment 1 to this Application. The proposed optional Program will be available to C&I customers taking service under Schedules 9, 19, or a Special Contract. The Program will be promoted to past C&I demand response program participants and, as explained more fully in Schedule 82, those customers who intend to participate will be required to file an application with the Company prior to the start of each Program season. The program season will run from June 15 - August 15. Program events will be called only between the hours of 2:00 p.m. – 8:00 p.m., Monday through Friday, excluding holidays. Program events may last two to four hours per day and will not exceed 15 hours per calendar week and 60 hours per Program season.

Participants will be notified two hours prior to a Program event. A minimum of three Program events per season will be called.

9. Incentive Payments. The proposed Program incentive structure includes both fixed and variable payments. The proposed fixed payment will be equal to \$3.25 per kilowatt ("kW") per week multiplied by the amount of actual kW reduction received during a Program event or, in the absence of a Program event, the actual kW reduction will be equal to the nominated kW. The proposed variable payment will be equal to \$0.16 per kilowatt-hour reduced, effective after the first three Program events have been called for the Program season. The kW reduction will be calculated from a baseline using the three highest average participant non-event load days in the prior 10 days before an event day. Payments to participants will be in the form of a check distributed within 30 days of the end of each Program season.

10. Customer Benefits. There are several benefits to participants of a Company-managed program. First and as more fully described in Ms. White's testimony, the Company has identified cost savings per kW of load reduction if it internally manages the Program. The cost savings would be passed on directly to the entire body of customers, both participants and non-participants. Second, the Company has repeatedly heard from customer groups that they would value increased transparency regarding the terms of the agreement between a third-party provider and the participating customers. If the Company offered a program, each participating customer would be required to adhere to the terms and conditions identified in the publically available tariff schedule and receive consistent incentive payments for doing so.

11. Program Timing. If Idaho Power receives a Commission-approved tariff schedule by May 1, 2015, such that it has 45 days to solicit participants, the Company

believes that it can implement the Program by June 15, 2015, as envisioned in the Settlement Agreement.

### **III. PROGRAM COST-EFFECTIVENESS**

12. Demand Response Portfolio. According to the above-described Settlement Agreement, the annual value of Idaho Power's demand response portfolio is equal to the levelized annual cost of the minimum size deferred resource, which was calculated in the Settlement Agreement to be approximately \$16.7 million. In 2014, the cost of operating the Company's entire demand response portfolio was \$10.6 million, well under the \$16.7 million threshold. If all three demand response programs were dispatched for the maximum allowable number of hours, the costs would have been approximately \$13.8 million.

13. Program Cost Savings. The Company estimates that it can operate the Program for less cost than it could by contracting with a third-party operator, in which case the total demand response expense will be reduced accordingly. Based on the Company's proposed Program design, the Company anticipates total Program costs to range from approximately \$1.1 million annually with no variable payments up to approximately \$1.4 million if the Program has 35 MW of nominated reductions and was dispatched for the maximum number of hours allowed, which is 60.

14. No Rate Change. Idaho Power does not propose a change to customer rates associated with the ongoing funding of the Program. The Company believes that the current level and method of recovery will adequately fund the ongoing operation of the Program for the foreseeable future.

### **IV. FLEX PEAK PROGRAM COST RECOVERY**

15. Demand Response Incentives in Rate Base. On December 30, 2011, the Commission issued Order No. 32426 in Case No. IPC-E-11-08 approving approximately

\$11.3 million of normal or “base level” demand response incentive payment costs to become part of base rates effective January 1, 2012. Of that base level amount, approximately \$2 million was associated with C&I demand response program costs. The demand response cost recovery method approved by Order No. 32426 authorized the Company to move demand response incentive payment costs into base rates and track deviations as part of the annual Power Cost Adjustment (“PCA”) mechanism.

16. Demand Response Incentives in the PCA. Annually, as part of the PCA, the forecasted level of demand response incentive payments would be compared to the normal level included in base rates to determine the level of demand response incentive payment cost recovery or credit to be included in the PCA forecast. One hundred percent of any deviations between actual demand response incentive payment costs and forecasted costs would be included in the following year’s PCA true-up. It should also be noted that the demand response costs recovered in base rates and tracked through the PCA would include only the incentives paid to participants for demand reduction or the total amounts paid to third-party demand-aggregator contractors for demand reduction; Idaho Power labor associated with administration of the demand response programs would continue to be recovered through the Energy Efficiency Rider.

17. Flex Peak Cost Recovery. The current level of C&I demand response program costs recovered through base rates is the same level approved by Order No. 32426, approximately \$2.0 million a year. If approved, the Company anticipates Program incentive payment costs to range from approximately \$0.9 million annually with no variable payments up to approximately \$1.27 million if the Program was dispatched for the maximum number of hours allowed.



18. Idaho Power requests that this regulatory treatment of Program demand response expenses continue unchanged with the implementation of Schedule 82. Under the current regulatory treatment of demand response cost recovery, Idaho Power would recover Program incentive payment costs through base rates, with deviations from the base level tracked through the PCA mechanism. Continuing the use of the PCA mechanism to track deviations between actual Program incentive payment costs and those recovered in base rates will allow 100 percent of any annual Program cost savings to flow to customers by June of the following year. The Company would continue to recover Program labor and other administrative expenses through the Energy Efficiency Rider.

19. Idaho Power will report in its DSM Annual Report on all activities associated with the Program including how it impacts the Energy Efficiency Rider, as well as detailing the incentives to be included in the PCA calculation.

#### **V. MODIFIED PROCEDURE**

20. Idaho Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201 *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present the direct testimonies of Tami White, Senior Manger of Rate Design, and Quentin Nesbitt, Energy Efficiency Program Leader, that accompany this Application and support the Application in such hearing.

#### **V. COMMUNICATIONS AND SERVICE OF PLEADINGS**

21. Communications and service of pleadings with reference to this Application should be sent to the following:

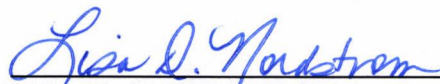
Lisa D. Nordstrom  
Idaho Power Company  
1221 West Idaho Street (82702)  
P.O. Box 70  
Boise, Idaho 83707  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)  
[dockets@idahopower.com](mailto:dockets@idahopower.com)

Tami White  
Quentin Nesbitt  
Idaho Power Company  
1221 West Idaho Street (82702)  
P.O. Box 70  
Boise, Idaho 83707  
[twhite@idahopower.com](mailto:twhite@idahopower.com)  
[qnesbitt@idahopower.com](mailto:qnesbitt@idahopower.com)

## **VI. REQUEST FOR RELIEF**

22. Idaho Power respectfully requests that the Commission issue an Order authorizing: (1) this matter to be processed by Modified Procedure, (2) Idaho Power to implement optional Schedule 82, Flex Peak Program, and (3) Idaho Power to continue recovering Flex Peak Program expenses in the same manner it currently recovers its C&I demand response program expenses.

DATED at Boise, Idaho, this 4<sup>th</sup> day of February 2015.



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LISA D. NORDSTROM  
Attorney for Idaho Power Company

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-15-03**

**IDAHO POWER COMPANY**

**ATTACHMENT 1**

SCHEDULE 82  
FLEX PEAK  
PROGRAM  
(OPTIONAL)

PURPOSE

The Flex Peak Program (the Program) is a voluntary program that motivates Participants to reduce their load during Company initiated demand response events. A participating Customer will be eligible to receive a financial incentive in exchange for being available to reduce their load during the calendar months of June, July, and August.

AVAILABILITY

The Program is available to Commercial and Industrial Customers receiving service under Schedules 9, 19, or a Special Contract Schedule.

The Company shall have the right to accept Participants at its sole discretion based on criteria the Company considers necessary to ensure the effective operation of the Program. Selection criteria may include, but will not be limited to, total Program capacity, a Facility Site location, or amount of capacity provided at a Facility Site.

To participate in the Program, a Customer must sign and return the Program Application and worksheet provided by the Company specifying the Facility Site(s) to be enrolled in the Program. To enroll in the Program, Customers must be capable of providing a minimum load reduction of 20 kW per Facility Site or an aggregate reduction of 35 kW if participating under the Aggregated Option. If a Facility Site is accepted for participation in the Program, a Notification of Program Acceptance will be mailed to the Participant within 10 business days of the Company receiving the Program Application. Notification of Program Acceptance will include a listing of the Facility Sites that have been enrolled.

PROGRAM DESCRIPTION

The Company will initiate Program Events for a maximum of 60 hours during June, July, and August, and during those Program Events Participants will be expected to reduce load at their Facility Site(s). Participants will be eligible to receive a financial incentive in exchange for their reduction in load.

DEFINITIONS

Actual kW Reduction. The kilowatt (kW) reduction during a Program Event, which is the difference between a Participant's hourly average kW measured at the Facility Site's meter and the corresponding hour of the Adjusted Baseline kW.

Adjusted Baseline kW. The Original Baseline kW plus or minus the "Day of" Load Adjustment amount.

Aggregated Option. Multiple Facility Sites belonging to a single Participant that are grouped together per the customer's request with a single Nominated kW for participation in the Program. Under this option, the Company will sum the metering data from each enrolled Facility Site before calculating any incentive amounts.

SCHEDULE 82  
FLEX PEAK  
PROGRAM  
(OPTIONAL)

DEFINITIONS (Continued)

Business Days. Any day Monday through Friday, excluding holidays. For the purposes of this Program, Independence Day is the only holiday during the Program Season. If Independence Day falls on Saturday, the preceding Friday will be designated the holiday. If Independence Day falls on Sunday, the following Monday will be designated the holiday.

Capacity Payment. The Weekly Effective kW Reduction multiplied by the Capacity Payment rate (as described in the Incentive Structure section).

"Day of" Load Adjustment. The difference between the average Original Baseline kW and the average actual metered kW during the two hours prior to the Participant receiving notification of an event. This adjustment is used to account for a customer using more or less load than their Original Baseline kW predicts on the day of the Program Event. "Day of" Load Adjustment will be applied to the Original Baseline kW for each Facility Site for each interval during the Program Event time when a Program Event is called. This adjustment will be capped at 20 percent below or above the Original Baseline kW.

Energy Payment. An energy-based financial incentive provided to the Participant. The payment is calculated by multiplying Variable Program kWh by the Energy Payment Rate (as described in the Incentive Structure section). The Energy Payment does not apply to the first three Program Events.

Event Availability Time. Between 2:00 p.m. and 8:00 p.m. Mountain Daylight Time (MDT) each Business Day.

Facility Site(s). All or any part of a Participant's facility or equipment that is metered from a single service location that a Participant has enrolled in the Program. For those Participants who have enrolled under the Aggregated Option, Facility Site will refer to the combination of individual Facility Sites selected for inclusion under the Aggregated Option.

Highest Energy Usage Days. The three days out of the immediate past 10 non-event Business Days that have the highest average kW as measured across the Event Availability Time.

Hours of Event. The timeframe when the Program Event is called and Nominated kW is expected to be reduced. The Hours of Event will not be less than two hours and will not exceed four hours.

Nominated kW. The amount of load expressed in kW that a Facility Site commits to reduce during a Program Event.

SCHEDULE 82  
FLEX PEAK  
PROGRAM  
(OPTIONAL)

DEFINITIONS (Continued)

Nominated kW Incentive Adjustment. An adjustment made when a Facility Site does not achieve its Nominated kW for a given hour during a Program Event. The adjustment will be made for each hour the Nominated kW is not achieved. The total Nominated kW Incentive Adjustment will not exceed the total incentive amount for the Program Season (as described in the Incentive Structure section).

Notification of Program Acceptance. Written confirmation from the Company to the Participant. The Notification of Program Acceptance will confirm each Facility Site enrolled in the Program, as well as the Nominated kW amount for each Facility Site.

Original Baseline kW. The arithmetic mean (average) kW of the Highest Energy Usage Days during the Event Availability Time, calculated for each Facility Site.

The following table provides an example of the calculation of the Original Baseline kW between hours of 2:00 p.m. and 8:00 p.m. using the (3) Highest Energy Usage Days of 5, 7, and 9.

Day	2-3 PM (kW)	3-4 PM (kW)	4-5 PM (kW)	5-6 PM (kW)	6-7 PM (kW)	7-8 PM (kW)	Average Usage (kW)
1	3000	3100	3000	3200	3000	3200	3083
2	3200	3100	3200	3200	3100	3300	3183
3	3100	3200	3100	3100	3200	3100	3133
4	3250	3400	3300	3400	3300	3400	3342
5	3300	3400	3300	3400	3400	3500	3383
6	3100	3000	3200	3100	3100	3200	3117
7	3400	3300	3400	3300	3400	3300	3350
8	3300	3200	3300	3300	3300	3200	3267
9	3400	3500	3350	3400	3500	3400	3425
10	3250	3300	3300	3200	3200	3200	3242
<b>Original Baseline (kW)</b>	3367	3400	3350	3367	3433	3400	

Participant. Any Customer who has a Facility Site that has been accepted into the Program.

Program Application. Written form submitted by a Customer who requests to enroll a Facility Site in the Program.

SCHEDULE 82  
FLEX PEAK  
PROGRAM  
(OPTIONAL)

DEFINITIONS (Continued)

Program Event. A time period when the Company requests or calls for reduction of the Nominated kW.

Program Season. June 15<sup>th</sup> through August 15<sup>th</sup> of each year.

Program Week. Monday through Friday.

Variable Program kWh. The kWh savings amount calculated by multiplying the Actual kW Reduction by each of the Hours of Event for the Facility Site during each Program Event beyond the first three Program Events.

Weekly Effective kW Reduction. The average of the Actual kW Reduction for all events in a Program Week or in the absence of a Program Event, the Weekly Effective kW Reduction will equal the Nominated kW for that Program Week.

PROGRAM EVENTS

The Company will dispatch Program Events on Business Days during the Program Season between the hours of 2:00 p.m. and 8:00 p.m. MDT. Program Events will last between two to four hours per day and will not exceed 15 hours per calendar week and 60 hours per Program Season. During each Program Season the Company will conduct a minimum of three Program Events. Participating Customers will receive advance notification at least two hours prior to the Program Event. The Company will provide notice of a Program Event via the following communication technologies: telephone and e-mail to the designated contact(s) submitted by the Participant in the Program Application. If prior notice of a pending Program Event has been sent, the Company may choose to revoke the Program Event initiation and will provide notice to Participants no less than 30 minutes prior to the Program Event.

REQUIREMENTS OF PARTICIPATING FACILITIES

Participants will have the flexibility to choose what equipment will be used to reduce the Nominated kW during each Program Event. Participants must notify the Company of their Nominated kW via the Program Application. Once the Program Season begins, the Participant must contact the Company via phone or email by Thursday at 10:00 a.m. MDT of the proceeding week to notify of any changes in Nominated kW. The Nominated kW may be raised or lowered each week without restriction any time before the third mandatory Program Event is called. After the third Program Event is called, the Nominated kW may still be raised or lowered, but may not exceed the highest Nominated kW prior to the third Program Event being called.

INCENTIVE STRUCTURE

Incentive payments will be determined based on a Capacity Payment, an Energy Payment, and any applicable Nominated kW Incentive Adjustment. Both the Capacity and Energy Payments will be paid by check no more than 30 days after the Program Season concludes on August 15<sup>th</sup>.

SCHEDULE 82  
FLEX PEAK  
PROGRAM  
(OPTIONAL)

INCENTIVE STRUCTURE (Continued)

When a Program Event is called and a Participant exceeds the Nominated kW the Capacity Payment will be capped at 20 percent above original Nominated kW.

<u>Capacity Payment Rate*</u> (*to be prorated for partial weeks)	<u>Energy Payment Rate*</u> (*does not apply to first three Program Events)
\$3.25 per Weekly Effective kW Reduction	\$0.16 per kWh

Participants are expected to reduce their load by the Nominated kW during each hour of each Program Event for the duration of the event. Each time a Participant fails to achieve a load reduction of up to the Nominated kW during a Program Event, a Nominated kW Incentive Adjustment will apply.

For the first three Program Events, the Nominated kW Incentive Adjustment will be \$2.00 per kW for each hour the Nominated kW is not achieved during that interval. After the first three Program Events, the Nominated kW Incentive Adjustment will be \$0.25 per kW for each hour the Nominated kW is not achieved during that interval.

The total Nominated kW Incentive Adjustments will not exceed the total incentive amount for the Program Season.

TERMS OF PARTICIPATION

Participants must submit a Program Application annually prior to the start of the Program Season. This Program Application must include the Facility Site(s) they wish to enroll and the initial Nominated kW for each Facility Site. If a Participant requests the Aggregated Option they must specify this on the Program Application.

1. A Participant may terminate their participation in the Program at any time during or before the Program Season by notifying the Company in writing.
2. Upon terminating participation of a Facility Site, the Participant's incentive payment shall be prorated for the number of Business Days of participation in the Program. The Participant may not re-enroll the Facility Site into the Program until the following calendar year.

SPECIAL CONDITIONS

The provisions of this Program do not apply for any time period that the Company requests a load reduction during a system emergency or any other time that a Participant's service is interrupted by events outside the control of the Company. The provisions of this Program will not affect the calculation or rate of the regular Service, Energy, or Demand Charges associated with a Participant's standard service schedule.