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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER )  
COMPANY'S APPLICATION FOR )  
APPROVAL OF NEW TARIFF SCHEDULE ) CASE NO. IPC-E-15-03  
82, A COMMERCIAL AND INDUSTRIAL )  
DEMAND RESPONSE PROGRAM (FLEX )  
PEAK PROGRAM) . )

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IDAHO POWER COMPANY

DIRECT TESTIMONY OF

QUENTIN NESBITT

1 Q. Please state your name and business address.

2 A. My name is Quentin Nesbitt and my business  
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Idaho Power Company ("Idaho  
6 Power" or "Company") as the Energy Efficiency Program  
7 Leader in the Customer Relations and Energy Efficiency  
8 Department. I am responsible for overseeing the Company's  
9 Commercial and Industrial ("C&I") and Irrigation Demand-  
10 Side Management ("DSM") programs. I am directly  
11 responsible for the operation of the Company's C&I demand  
12 response program.

13 Q. Please describe your educational background.

14 A. I earned a Bachelor of Science degree in  
15 Agricultural Engineering from the University of Idaho in  
16 1989 and received my Professional Engineering license in  
17 1992.

18 Q. Please describe your work experience with  
19 Idaho Power.

20 A. I began my employment with Idaho Power in 1991  
21 as an Agricultural Representative in the Company's Energy  
22 Management Department where I was responsible for providing  
23 customer service to irrigation and agricultural customers.  
24 Later in 1991, I was promoted to an engineering position  
25 where I provided technical support for Idaho Power

1 Agricultural Representatives. This involved DSM program  
2 design and operation, pump testing, new service requests,  
3 investigation of high bills, and irrigation system  
4 evaluation and consultation. In 2002, the department was  
5 reorganized as the Customer Relations Department and I took  
6 on additional duties as the agricultural customer segment  
7 advocate/expert where I coordinated Company activities that  
8 affected agricultural customers. In October of 2014, I  
9 accepted my current position as an Energy Efficiency  
10 Program Leader.

11 Q. What is the purpose of your testimony?

12 A. While Company witness Ms. Tami White's  
13 testimony describes the history of the Company's C&I demand  
14 response program, stakeholder input received, cost-  
15 effectiveness and recovery of program expenses, my  
16 testimony explains the program design of the Company's  
17 proposed internally-managed C&I demand response program.

18 Q. Please provide a summary of your testimony.

19 A. My testimony will describe: (1) the Company's  
20 proposed program design, (2) the differences between the  
21 EnerNOC, Inc. ("EnerNOC") program and the Company's  
22 proposed internally-managed program, (3) the customer  
23 benefits of a Company-managed program, and (4) the  
24 risks/mitigations associated with a Company-managed C&I  
25 demand response program.

1           **I. PROPOSAL FOR COMPANY-MANAGED FLEX PEAK PROGRAM**

2           Q.           Please describe the Flex Peak Program ("Flex  
3 Peak" or "Program") Idaho Power proposes to offer and  
4 directly administer.

5           A.           The Flex Peak Program is a voluntary demand  
6 response program for the Company's C&I customers who are  
7 willing and able to reduce their electrical energy loads  
8 for short periods of time during summer peak days. As set  
9 forth in Schedule 82, Flex Peak Program ("Schedule 82"),  
10 which can be found as Attachment 1 to the Application, the  
11 proposed Program will be available to C&I customers taking  
12 service under Schedules 9, 19, or a Special Contract. The  
13 Program will be promoted to past C&I demand response  
14 program participants and, as explained more fully in  
15 Schedule 82, those customers who intend to participate will  
16 be required to file an application with the Company prior  
17 to the start of each Program season. The Program season  
18 will run from June 15 - August 15. Program events will be  
19 called only between the hours of 2:00 p.m. - 8:00 p.m.,  
20 Monday through Friday excluding holidays. Program events  
21 may last 2-4 hours per day and will not exceed 15 hours per  
22 calendar week and 60 hours per Program season.  
23 Participants will be notified two hours prior to a Program  
24 event. A minimum of three Program events per season will  
25 be called. The incentive structure includes both fixed and

1 variable payments. In the event of a system emergency,  
2 participants may be called to voluntarily reduce their  
3 load.

4 Q. Please briefly describe the incentives that  
5 would be available to Flex Peak Program participants.

6 A. The proposed fixed payment will be equal to  
7 \$3.25 per kilowatt ("kW") per week multiplied by the amount  
8 of actual kW reduction received during a Program event or,  
9 in the absence of a Program event, the actual kW reduction  
10 will be equal to the nominated kW.

11 The proposed variable payment will be equal to \$0.16  
12 per kilowatt-hour ("kWh") reduced, effective after the  
13 first three Program events have been called for the Program  
14 season.

15 The kW reduction will be calculated from a baseline  
16 using the three highest average participant non-event load  
17 days in the prior 10 days before an event day.

18 Payments to participants will be in the form of a  
19 check distributed within 30 days of the end of each Program  
20 season.

21 **II. COMPARISON OF PAST AND PROPOSED FLEX PEAK PROGRAMS**

22 Q. How will Idaho Power's Flex Peak program  
23 differ from the EnerNOC-managed FlexPeak Management  
24 program?

25

1           A.           While there are several small differences,  
2 one major difference will be that EnerNOC monitored the  
3 load reduction of each participating site during a program  
4 event and if needed called participants to provide coaching  
5 in order to get their overall load reduction to equal the  
6 nominated amount. In order to facilitate this process,  
7 EnerNOC provided equipment at each participant site and  
8 provided participants with access to a website where those  
9 participants could view their real-time usage data.

10           In anticipation of possibly administering the  
11 program internally, the Company informally surveyed 25  
12 customers that recently participated in the third-party  
13 managed FlexPeak Management program and asked them how they  
14 might respond to a change in the way the program was  
15 designed and managed. The responses generally indicated  
16 those customers would likely participate even if the  
17 program changed and they were not provided with the same  
18 monitoring and coaching services that EnerNOC provided.  
19 Customers indicated that while some used the EnerNOC data,  
20 the coaching and visibility to usage data was not necessary  
21 to secure their participation.

22           Subsequently, some customers provided feedback to  
23 the Company regarding the design of the Program, some of  
24 which the Company has been able to incorporate, such as the  
25 ability to aggregate metered sites, the minimum kW of load

1 reduction required for participation, and the timing of  
2 incentive payments.

3 At this time, the Company does not plan to provide  
4 equipment to participants that will allow them to monitor  
5 their load reduction or have access to a website where they  
6 could view their real-time load data. Further, Idaho Power  
7 does not plan to provide coaching during Program events.

8 The Company plans to discuss options with individual  
9 customers who are interested in participating in the  
10 Program but do not currently have visibility to their real-  
11 time load data to explore installing equipment that would  
12 provide such visibility.

13 **III. CUSTOMER BENEFITS**

14 Q. What are the benefits to both the Flex Peak  
15 Program participants and the Company of a Company-managed  
16 program?

17 A. There are several benefits to participants  
18 of a Company-managed program. First and as more fully  
19 described in Ms. White's testimony, the Company has  
20 identified cost savings per kW of load reduction if it  
21 internally manages the Flex Peak Program. Second, the  
22 Company has repeatedly heard from customer groups such as  
23 the Industrial Customers of Idaho Power that they would  
24 value increased transparency regarding the terms of the  
25 agreement between a third-party provider and the

1 participating customers. If the Company offered a program,  
2 each participating customer would be required to adhere to  
3 the terms and conditions identified in the publically  
4 available tariff schedule and receive consistent incentive  
5 payments for doing so. Lastly, the Company welcomes any  
6 opportunity it has to cross-market energy efficiency  
7 programs and strengthen the communication and relationship  
8 with its customers directly.

9 Q. Do customers that do not participate in the  
10 program benefit?

11 A. Yes. The cost savings will be passed on  
12 directly to the entire body of customers, both participants  
13 and non-participants. Non-participants also benefit from  
14 the increased transparency afforded by an Idaho Power-  
15 managed program with an associated tariff schedule.

16 **IV. COMPANY-MANAGED PROGRAM RISKS AND MITIGATION**

17 Q. Did the Company consider the risk that program  
18 participation levels might decrease if Idaho Power managed  
19 the program internally?

20 A. Yes. As described earlier in my testimony,  
21 in an effort to quantify and understand this risk, the  
22 Company solicited input from a subset of customers in an  
23 informal survey.

24 While the Company believes it is reasonable to  
25 expect that changes in the Program may result in some lost



1 participation, the Company also believes it is reasonable  
2 to expect it will enroll new participants into the Program  
3 as well and, over time, that it will be able to achieve  
4 participation levels that are similar to current levels.  
5 Additionally, an Idaho Power-managed program may provide an  
6 opportunity for smaller customers to participate -- those  
7 who may not have been accepted under a third-party  
8 aggregator model.

9 Q. Did the Company assess the risk of actual  
10 load reduction differing from nominated levels?

11 A. Yes. The Company believes there is a risk  
12 of actual load reduction being less than the nominated  
13 levels. In order to mitigate that risk, the Company has  
14 included in the Program a downward adjustment to the  
15 financial incentive received by the participant to  
16 discourage non-performance.

17 Q. How does this compare with the risk that  
18 exists under a third-party aggregator model?

19 A. The risk is the same; however, from the  
20 utility's perspective, under a third-party administrator  
21 model, the downward financial adjustment is made to the  
22 third party rather than directly to the participant, as  
23 will be the case with the Company-managed program. In  
24 either case, the utility and its customers are protected

25

1 financially from the risk of actual load reduction  
2 differing from nominated levels.

3 Q. Did the Company contemplate how this risk  
4 could be mitigated?

5 A. Yes. Initially, the Company plans to  
6 mitigate the uncertainty by including most, but not all the  
7 total Nominated kW into its forecast of available demand  
8 response resources. Once the Company has had time to  
9 analyze the variability in Nominated kW and achieved kW,  
10 the forecasting will improve. Additionally, the Company  
11 believes the Nominated kW Incentive Adjustment (as  
12 explained in Schedule 82) will incent participants to  
13 provide at least the load reduction they nominated in any  
14 given week.

15 Q. How will the Company ensure that it is not  
16 paying for load reduction that was not achieved?

17 A. The incentive calculations proposed in  
18 Schedule 82 ensure that a participant is only paid for  
19 demand reduction achieved based on actual meter data. If a  
20 participant does not meet its Nominated kW during a given  
21 hour within a Program event, the participant will be  
22 subject to a Nominated kW Incentive Adjustment, which  
23 reduces the amount of incentive payments that can be  
24 received, but in no event would result in the participant  
25 owing money to the Company.

1 Q. Do you believe the Company can have a system  
2 in place to calculate and deliver incentive payments prior  
3 to the 2015 Program season?

4 A. Yes. The Company already has systems and  
5 processes in place to quantify and deliver incentive  
6 payments for the approximately 350 MW of demand response it  
7 receives from its residential and irrigation programs, and  
8 it will model the new system similarly. As I mentioned  
9 previously, incentive payments will be distributed within  
10 30 days of the end of the Program season.

11 Q. Can the Company have a fully operational  
12 Program by the start of the June 15th demand response  
13 Program season?

14 A. Yes. If Idaho Power receives Commission  
15 approved tariffs by May 1, 2015, such that it has 45 days  
16 to solicit participants, the Company believes that it can  
17 implement the Program by June 15, 2015.

18 Q. Will the Company need to hire additional  
19 staff or incur increased Idaho Power labor-related program  
20 administration costs to implement and manage the Flex Peak  
21 Program?

22 A. No. The Company has a program specialist  
23 who was responsible for overseeing the EnerNOC-managed  
24 program, and that position will continue to be responsible  
25 for the oversight of the Company-managed Program. Further,

1 the Company will leverage its existing customer  
2 representatives to promote participation and field  
3 questions about the Program. These representatives engage  
4 with the Company's C&I customers on various issues in the  
5 normal course of their work, so discussing the Flex Peak  
6 Program with customers will not require additional  
7 resources.

8 Q. Does Idaho Power anticipate other Program  
9 administration costs to increase as a result of managing  
10 the Program in-house?

11 A. Yes. While the overall cost of the Program  
12 will be lower, the Company's cost to administer the Program  
13 will be higher due to creating and maintaining software to  
14 calculate participant incentives.

15 Q. Do you believe Idaho Power can operate and  
16 manage the Flex Peak Program itself rather than through a  
17 third-party provider?

18 A. Yes. Idaho Power has the ability and  
19 resources to manage the Program and can do so at a lower  
20 cost than the third-party contractors that responded to the  
21 Company's Request for Proposals.

22 Q. Does this conclude your testimony?

23 A. Yes, it does.

24

25

