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April 15, 2015

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-15-03 – New Schedule 82 - Flex Peak Program
Idaho Power Company's **Redacted** Reply Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's **Redacted** Reply Comments.

In addition, enclosed in a separate envelope are the confidential pages of Idaho Power Company's Reply Comments. Please handle the confidential information in accordance with the Protective Agreement executed in this matter.

Very truly yours,

Lisa D. Nordstrom

LDN:csb
Enclosures

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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) IDAHO POWER COMPANY'S
DEMAND-RESPONSE PROGRAM (FLEX) **REDACTED** REPLY COMMENTS
PEAK PROGRAM).)
_____)

Idaho Power Company ("Idaho Power" or "Company"), respectfully submits the following Reply Comments in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 33242 and in response to the Comments filed on April 8, 2015, by the Idaho Public Utilities Commission ("Commission") Staff ("Staff"), the Industrial Customers of Idaho Power ("ICIP"), and the Idaho Conservation League ("ICL").

I. INTRODUCTION

Idaho Power appreciates the thoughtful and constructive comments filed by Staff and ICIP in this case. Idaho Power is especially encouraged to have the support of ICIP—the advocacy group representing the Company's customer segment most directly

impacted by this filing. Further, Idaho Power agrees with the statement made by Staff that “The lack of near-term capacity deficits makes this a reasonable time to experiment with program administration in order to achieve cost-savings for customers. If the Company can deliver the same reliable resource for less money, customers will be better off.” Staff Comments at 7-8.

The Company reaffirms its request that the Commission authorize Idaho Power to manage the Flex Peak Program (“Program”) within the parameters it identified when it filed its Application. The Company is confident that it has the ability to operate a cost-effective commercial and industrial (“C&I”) demand response program and it would like the opportunity to demonstrate that by operating the Program as envisioned in its initial filing. While Staff, ICIP, and ICL suggest several Program modifications, the Company does not believe it is necessary at this time to modify the Program prior to determining whether the suggested changes are necessary for successful Program administration.

While the Company is proposing changes to the Program design, it also believes, after reviewing the parties’ comments, that there may be some areas of confusion about how the Program was previously administered and how the Company proposes to administer the Program. The Company’s Reply Comments will first identify areas of agreement, then clarify its proposed Program design, and respond to parties’ suggested changes.

II. END-OF-SEASON REPORT AND IMPACT EVALUATION

The Company agrees with Staff’s recommendation that Idaho Power prepare an end-of-season report. The Company plans to carefully analyze the performance of the Program throughout the program season. Idaho Power also agrees with Staff that waiting until the filing of the Demand-Side Management Annual Report in March 2016 to

provide information on program performance may not allow interested stakeholders an opportunity to provide suggestions for improvement in time to be implemented for the 2016 demand response program season. Staff Comments at 8. As Staff recommends, the Company will commit to prepare a one-time end-of-season report that will be filed in Case No. IPC-E-15-03 on or before November 2, 2015. Additionally, the Company has engaged a third party to perform an impact evaluation on the Company-managed Program at the end of the 2015 season, the results of which will be shared with the Company's Energy Efficiency Advisory Group ("EEAG") and included as part of the end-of-season report to the Commission. The Company will use the results of this evaluation, along with input from the EEAG, to determine if modifications should be made to optimize the Program.

III. EVENT NOTIFICATION

The Company appreciates Staff pointing out an opportunity to clarify the tariff language regarding the timing of event notification. Staff Comments at 7. The tariff language related to event notification was not intended to be inconsistent with the Application and supporting testimony filed in the case; rather, it was intended to make clear that the Company does not have the technology to ensure all participants will be notified *precisely* two hours prior to the event start time. The Company believes filing revised tariff language specifying that the event notification shall occur "on or about two hours prior" to an event, rather than "at least" two hours before an event, would alleviate Staff's concern about the timing of the notification.

IV. VISIBILITY TO REAL-TIME LOAD AND BASELINE DATA

Both ICIP and Staff believe that Idaho Power should provide real-time load monitoring to participants in order to make the load reduction more reliable. ICIP

Comments at 5, Staff Comments at 4-5. Real-time load monitoring allows participants to see their actual load reduction during an event displayed next to the calculated baseline data, so that a participant can determine whether they are meeting their nominated amount. EnerNOC, Inc. (“EnerNOC”) previously provided two types of data, real-time energy usage data and calculated baseline data, the combination of which allowed for real-time load monitoring. As stated in the testimony of Quentin Nesbitt filed with the Application, Idaho Power informally surveyed some of its participating customers to determine if access to the real-time load monitoring was necessary for participation in the Program. Many of those past participants stated they could successfully participate in the Program without it. Direct Testimony of Quentin Nesbitt at 5-6. All of Idaho Power’s C&I customers have the ability to get real-time pulse data from the Company’s meters.¹ However, some participants have not yet purchased or created software to read or display this data. Furthermore, some C&I customers have their own energy management systems that integrate this real-time data; these solutions may or may not include baseline calculations or monitoring.

To provide real-time load monitoring to all participants, Idaho Power would have to invest considerable financial and personnel resources to develop necessary software for the benefit of perhaps only a few participants. If ordered to provide real-time load monitoring equipment, the Company believes it is unlikely this could be accomplished in time for the 2015 program season. The Company maintains that a successful Program is not reliant upon the same real-time load monitoring that was provided by EnerNOC. Before being ordered to provide real-time load monitoring as part of the Program, Idaho

¹ Pursuant to Rule D, Metering, “The Company will install, at the Customer’s request, the metering equipment necessary to provide load profile information.”

Power would like the opportunity to gauge how participants perform under the proposed Program structure.

For participants who either do not meet their nominated demand reduction by a significant amount or who request it, Idaho Power field staff and energy efficiency engineers can help participants who underperform to either adjust their weekly nomination or identify more effective ways to reduce their loads during an event. In situations where a site visit is necessary, Idaho Power representatives can assist in refining a participant's reduction plan by identifying equipment operation that could be modified during an event.

V. CLARIFICATION OF THE BASELINE CALCULATION

ICIP indicates the Company's proposed Program uses the preceding week for the baseline calculation [REDACTED].

ICIP Comments at 4. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. The Company's original baseline kW will be calculated [REDACTED]

[REDACTED], using the three days out of the immediate past ten non-event business days ("three-in-ten").

VI. "DAY-OF" LOAD ADJUSTMENT

The "day-of" load adjustment is 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 customers using more or less load than their original baseline kW predicts on the day of

the Program event. While the inclusion of a “day-of” load adjustment component is not disputed by the parties in this case, the Company believes there is some confusion surrounding the time period on which the calculation is based, as well as disagreement about the use of a downward “day-of” load adjustment.

Regarding the timing of the “day-of” load adjustment on pages 5 and 6 of its Comments, Staff cites to EnerNOC’s response to the 2014 Request for Proposal in which it would [REDACTED]. Staff assumes that the 2014 EnerNOC proposal is consistent with how EnerNOC has managed the Program the last six years. [REDACTED]

[REDACTED]. ICIP Comments at p. 5. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

The downward “day-of” load adjustment, which Staff and ICIP correctly note [REDACTED], more accurately measures the true kW reduction achieved during an event when participants’ loads are significantly less than their respective baseline kW. On page 6 of its Comments, [REDACTED]
[REDACTED]
[REDACTED]. This is why the Company believes that a symmetric “day-of” load adjustment more accurately measures and compensates participants for their load

reduction, and protects all customers from paying for load reduction that was not achieved. Idaho Power understands that this is a common method recommended for C&I demand response programs and, although [REDACTED], EnerNoc has acknowledged that doing so is a common practice.²

Idaho Power's proposal is based on a combination of white paper³ studies and other utility demand response programs.⁴ The Company believes that its proposed "day-of" load adjustment is consistent with industry practices and ensures a more accurate calculation of actual load reduction.

VII. CAPS FOR "DAY-OF" LOAD ADJUSTMENTS

While the Company maintains the use of a symmetrical "day-of" load adjustment is critical to program design (either upward or downward), it does not believe it is critical to place a cap on the adjustment. However, caps do mitigate the magnitude of adjustments. Placing caps on the "day-of" load adjustment dampens the effect of any irregular load anomalies that may occur in an individual participant's load during the two-hour "day-of" load adjustment period. The Company's proposal is to use symmetric upward and downward caps because the symmetry protects both the participants and the Company from the volatility associated with large adjustments to the original baseline kW.

² EnerNOC White Paper, "The Demand Response Baseline," pp. 8-9, located via the following link https://www.naesb.org/pdf4/dsmee_group3_100809w3.pdf.

³ Lawrence Berkeley National Laboratory Commercial Demand Response Baseline Study (pp. 10-20), located via the following link <http://escholarship.org/uc/item/8jx6t5q9>.

⁴ An example of a tariffed program is Southern California Edison Demand Response tariff baseline (Sheet 3), located via the following link <https://www.sce.com/NR/sc3/tm2/pdf/ce184.pdf>.

The Company believes the proposed adjustment caps are a standard practice used within the utility industry and are appropriate for the proposed Program. However, this is one instance where the Company could implement changes to the percentage of the adjustment caps, or eliminate the caps all together, in time for the 2015 Program season if the Commission were to direct Idaho Power to implement a different upward or downward cap.

VIII. INCENTIVE STRUCTURE

ICIP recommends that if Idaho Power cancels an event within two hours of the scheduled start time, the incentive payment is still made for the first hour of the event. ICIP Comments at p. 6. Idaho Power understands the effort it takes for participants to get ready for an event and understands the impact of cancelling an event; however, under the Company's proposal, participants receive weekly capacity payments regardless of whether events are called or cancelled. Event cancellation is an important element of the Program in situations when the system load forecast changes due to an unplanned factor, like an immediate change in weather conditions. Event cancellation is not intended to be used often and has only been used once in the last six years of program operation. In the rare case that an event is cancelled, the Company believes the weekly capacity payment to participants based on their weekly nomination is fair compensation without additional incentive payment.

On page 4 of its Comments, ICIP recommends the Company calculate a participant's reduction based on the average reduction over the event period rather than the proposed hour-by-hour method. Idaho Power's proposal to use the average load reduction achieved during an event for meeting the overall nomination and to have an adjustment per hour for any underperformance ensures that load reduction is achieved

for the duration of the event, not just a portion of the event. When demand response capacity is needed and Idaho Power schedules a four-hour event, the need for load reduction includes every hour during the event. If a participant has nominated 500 kW but reduces 1,000 kW for the first two hours and zero for the last two hours, the participant's average reduction would be 500 kW for the entire event. However, the participant failed to provide an actual reduction of 500 kW for 50 percent of the time load reduction was needed. For this reason, the Company believes having an adjustment for every hour the nomination is not achieved most accurately measures and incentivizes true load reduction that can be depended upon by system operators.

IX. PILOT PROGRAM STATUS

The Company does not believe operating the Program as a pilot is necessary to “ensure an off-ramp from self-administration.” Staff Comments at 8. A Company-managed Program inherently provides an off-ramp because the Company is not entering into a long-term contract with a third-party vendor and no long-term contracts are signed with Program participants; as the proposed tariff language states, an applicant would be required to annually apply for enrollment in the Program. Additionally, the Company is concerned that a pilot program designation may potentially deter Program participants or negatively impact enrollment in the Program. The Demand Response Settlement Agreement, approved by Order No. 32923 in Case No. IPC-E-13-14, directs the Company to take a long-term view when implementing its demand response programs; Idaho Power does not believe a pilot is consistent with that concept. As the Company committed to earlier in its Reply Comments, it will submit to the Commission and the EEAG an end-of-season report and impact evaluation, which

will provide a thorough review of the Program's performance and allow interested stakeholders an opportunity to provide feedback to the Company.

Idaho Power has been successful in designing and operating demand response programs since 2003 and it is confident that it can successfully operate the Flex Peak Program to achieve the targeted load reductions. If the Company determines that changes to the language in the tariff are needed, it will work with the EEAG and seek Commission approval of the Program tariff changes.

X. CUSTOMER BENEFITS


Idaho Power is pleased to offer customers the benefits of a tariffed C&I demand response program at a lower cost than alternatives offered by third-party vendors. The benefits of Idaho Power's proposed Program are no more "speculative and hard to quantify" than those offered by third-party vendors. ICL Comments at 5. While the past and proposed Flex Peak Programs are roughly equivalent in structure, the benefits of a Company-administered Program (e.g., lower cost, more timely participant payments, and greater transparency) are admittedly different than those benefits (e.g., real-time load monitoring and coaching during events) provided to participants by a third-party vendor. Idaho Power believes its proposal provides a good overall value to customers and participants.

Unlike other potential C&I demand response program providers, Idaho Power proposes to offer the Program at its cost of operating the Program—without a mark-up for profit. This results in lower costs for all customers. Therefore, it would not be reasonable to have Idaho Power shareholders "cover any cost impact that results from Idaho Power actually realizing fewer demand reductions than they intend to acquire." ICL Comments at 5.

XI. CONCLUSION

Idaho Power respectfully requests that the Commission issue an order authorizing Idaho Power to implement optional Schedule 82, Flex Peak Program, and to manage the Program as identified in the Application. The Company also requests authorization to continue recovering Program expenses in the same manner it current recovers C&I demand response program expenses. The Company has experience operating demand response programs for its residential and irrigation customers and is confident that it has the ability to operate a cost-effective C&I demand response program. While Staff, ICIP, and ICL have raised several suggestions for Program modifications, Idaho Power does not believe it is necessary at this time to modify the Program prior to determining whether or not the suggested changes would be necessary for successful Program administration.

DATED at Boise, Idaho, this 15th day of April 2015.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 15th day of April 2015 I served a true and correct copy of IDAHO POWER COMPANY'S **REDACTED** REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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