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

Attorney for the Idaho Conservation League

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

Idaho Power's annual Demand Side Management (DSM) Reports document that the Flex Peak Management Program has provided verifiable and cost-effective demand reductions each year since the program inception in 2009. Moreover, the third-party administrator, EnerNOC, has consistently delivered demand reductions that exceed their obligation, has verified these savings using "near real-time energy usage data"[1], and provided equipment, software, expertise, and coaching to assist program participants. In short, the EnerNOC administered Flex Peak Program is a robust, cost-effective program that delivers unique benefits inherent to the third-party administrator model.

Unless Idaho Power can establish the Company can provide an equivalent demand reduction program for the same or less money, the Idaho Conservation League urges the Commission to reject Idaho Power's Application. Unfortunately, Idaho Powers' Application and Testimony do not make this showing. The third-party administered Flex Peak Program has consistently delivered more demand reductions than expected resulting in increasing cost-effectiveness each year. The third-party model provides unique benefits in regards to both the services provide to program participants and the risk allocation to non-participants. Meanwhile, Idaho Power's claims of customer benefits from bringing the program in-house are speculative and hard to quantify. Because the benefits do not outweigh the costs, ICL recommends the Commission reject Idaho Power's Application and instruct the Company return to the negotiation table with the third-party provides who responded to the Request for Proposal.

[1] *Idaho Power 2014 Demand Side Management Report* at 123.

I. The EnerNOC administered Flex Peak Program consistently delivers verified cost-effective demand reductions.

Idaho Power's 2009 DSM Report provides the results from the first year of the Flex Peak Program. Idaho Power called eight events and each time EnerNOC delivered more demand reductions than they committed to provide.[2] In fact, EnerNOC and Idaho Power's goal for the program was 2 megawatts of demand reduction, while EnerNOC actually delivered up to 17 megawatts in one event. Providing more demand reductions for the same cost directly benefits customers.

In 2010, EnerNOC continued to grow the program reaching a maximum weekly demand reduction nomination of 34.2 MW and actually delivered a maximum of 47.5 MW.[3] Idaho Power called four events and in each case EnerNOC successfully exceeded the committed megawatt reduction."[4] And while program costs almost quadrupled, the cost effectiveness results improved from 2009, again directly benefitting customers.

In 2011, EnerNOC grew the program again reaching a maximum commitment of 41.9 MW and actually delivering up to 58.8 MW in one hour.[5] Idaho Power called 14 events and EnerNOC exceed their commitment in nine of these. Of the five remaining EnerNOC achieved between 93% and 99%of the commitment. In essence, EnerNOC's over-delivery in nine events far exceeds the under-deliver in the five events. Also, critically, when EnerNOC's weekly commitment fell below their contractual obligation, EnerNOC paid a penalty. This penalty-backed commitment to deliver demand reductions places the risk of under-delivery on EnerNOC rather than customers and is a valuable feature of a third-party administered program.

In 2012, EnerNOC's weekly commitments fell slightly to a maximum of 38.8 MW, but they still delivered more demand reductions with a weekly peak of 54.2 MW.[6] Idaho Power called four events and EnerNOC over-preformed in two and under-preformed in two. Importantly, just like the penalty EnerNOC pays for failing to meet their weekly demand reduction nominations, they also pay penalties for not delivering on these nominations. Again this penalty-backed commitment to deliver actual demand reductions insulates Idaho Power customers from risk and is a valuable feature of third-party administered programs.

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[2] *Idaho Power 2009 Demand Side Management Report* at 82.
[3] *Idaho Power 2010 Demand Side Management Report* at 84 – 85.
[4] *Id.*
[5] *Idaho Power 2011 Demand Side Management Report* at 88.
[6] *Idaho Power 2012 Demand Side Management Report* at 95.

In 2013, Idaho Power and EnerNOC agreed to some program changes including a cap to EnerNOC's weekly demand response nominations and reduced payments to EnerNOC.[7] Like years before, EnerNOC actually delivered more demand reductions than nominations for the same price, reaching maximum nomination of 35 MW and actually delivering a maximum of 48 MW.[8] And since the cost per MW of savings declined, the FlexPeak program continued to become more cost effective with a Total Resource Cost result of 1.43.[9] Also like years past, the post-program participant survey showed very strong support for the program in terms of feeling prepared to participate and satisfaction with EnerNOC's administration.[10]

2014 continued the same trend with EnerNOC making a maximum weekly commitment of 30 MW and actually delivering a maximum of 39.6 MW.[11] Idaho Power called three events and EnerNOC delivered more reduction in two events and reached 96% of their commitment in the third. Again, EnerNOC bears the risk of under-delivery. And while the 2014 DSM Report does not provide a specific cost benefit test result, Idaho Power states the Flex Peak Program was cost effective.[12] Program participants continued to report high satisfaction with the program, with 2014 survey results negligibly below 2013 in some categories, but exceeding 2012 levels in every category.[13]

Since the Flex Peak Program inception, EnerNOC has consistently delivered more demand reductions than promised and the program has become increasingly cost-effective. Nothing in the record indicates the EnerNOC administered program is faltering. Rather the record indicates the program is delivering more savings for less cost per savings each year. Therefore the only reason for Commission to approve Idaho Power's request to bring the Flex Peak Program in-house is if Idaho Power can demonstrate they will deliver equivalently verifiable demand reductions, maintain program participation levels, and ensure customers are insulated from underperformance all for less money than a third-party administrator. Idaho Power's Application and Testimony do not make this showing.

II. The third-party administrator model provides unique benefits to ratepayers.

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[7] *See Direct Testimony of Tami White* at 8.
[8] *Idaho Power 2013 Demand Side Management Report* at 98.
[9] *Id* at 97.
[10] *Id.; 2009 DSM report* at 83*; 2010 DSM Report* at 86; *2011 DSM Report* at 89; *2012 DSM Report* at 96; *2013 DSM Report* at 99.
[11] *Idaho Power 2014 Demand Side Management Report* at 123.
[12] *Id.*
[13] *Compare 2014 DSM Report* at 124 to *2013 DSM Report* at 99 and *2012 DSM Report* at 96.

Idaho Power witness Quentin Nesbitt points out the "major difference" between the EnerNOC program and Idaho Power's program.[14] EnerNOC provides participants with the equipment, software, and coaching both before and during demand response events.[15] EnerNOC also provides the equipment and software to enable near real-time energy-usage data to enable monitoring and reporting for both participants and Idaho Power. Mr. Nesbitt states Idaho Power will not provide any of this equipment or coaching.[16] Mr. Nesbitt explains the Company "informally surveyed" 25 recent participants and asked how "they might respond" to program changes in 2014, including apparently dropping the coaching and energy usage data.[17] But in 2014, EnerNOC enrolled 93 different "sites".[18] Idaho Power does not indicate whether this informal survey is a representative portion of all program participants. And while Mr. Nesbitt says Idaho Power "plans to discuss options" and will "explore installing equipment" to support individual participants[19], there is no indication these potential additional program costs are included in Idaho Power's estimates of cost savings. So, while Idaho Power claims to have found some cost savings, they also will offer a program that provides less services and less certainty of the actual program results. ICL believes that only significant cost savings can justify this increased risk and uncertainty.

A third-party administered program provides a critical benefit to ratepayers that Idaho Power does not intend to replicate. Each week, EnerNOC is contractually obligated to nominate some amount of demand reduction potential. If EnerNOC cannot find this potential, they pay a penalty to cover Idaho Power's cost of procuring an alternate supply option. Then, if Idaho Power calls an event and EnerNOC under preforms, EnerNOC pays a penalty. These penalty-backed commitments ensure ratepayers get what they pay for and are not on the hook for the cost of under-performance. However, Idaho Power does not propose equivalent protections for ratepayers if the Company's actual demand response performance lags behind their predictions. In this case, ratepayers would be on the hook for covering the cost of procuring additional supply to replace the unrealized demand reductions. Because of this dynamic, ICL recommends that if the Commission does approve Idaho Power's Application, then Idaho Power shareholders should

[14] *Direct Testimony of Quentin Nesbitt* at 5-6.
[15] *Idaho Power 2014 DSM Report* at 122-123.
[16] *Nesbitt* at 6.
[17] *Id.*
[18] *2014 DSM report* at 122.
[19] *Nesbitt* at 6.

cover any cost impact that results from Idaho Power actually realizing fewer demand reductions than they intend to acquire.

III. Idaho Power's claimed customer benefits are speculative and hard to quantify.

Idaho Power claims three primary customer benefits from bringing the Flex Peak Program in house.[20] First, Idaho Power claims to have found some "cost savings per kw of load reduction."[21] But Ms. White explains these reductions by comparing to the historical costs of the program and the nominated demand reductions.[22] But in fact, EnerNOC has consistently exceeded the nominated amounts. A more accurate comparison is the actual program costs and the actual delivered energy savings. But because we have no way to know actual program costs or actual demand reductions until the end of the program season, Idaho Power claims of cost savings are just a prediction. Moreover, Mr Nesbitt explains Idaho Power is "exploring" providing additional equipment and services to program participants. It is not clear this additional cost in included in Idaho Power's estimate of savings.

Second, Idaho Power explains that some program participants would like more transparency about the agreement between EnerNOC and individual program particpants. While ICL understand these customers' curiosity, ICL does not see how this issue results in benefits or detriments to non-participating customers. Non-program participants are only affected by EnerNOC and Idaho Power's agreement because EnerNOC aggregates the demand reduction and Idaho Power pays EnerNOC. How EnerNOC distributes these payments to the participants does not impact non-participating Idaho Power customers. So, the increased transparency arising from using a publicly available tariff may somehow benefit individual participants and potential participants, but Idaho Power makes no showing that this change translates into a broad customer benefit.

Third, Idaho Power explains they "welcome any opportunity it has to cross-market energy efficiency programs and strengthen the communication and relationship with its customers directly."[23] While ICL certainly supports cross-marketing efficiency programs, there is no reason Idaho Power cannot do so while maintaining a third-party administered Flex Peak Program. Since 2009, Idaho Power's industrial and large commercial programs have been among

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[20] *Application* at 5; *Nesbitt* at 6-7; *2014 DSM Report* at 124.
[21] *Nesbitt* at 6.
[22] *White* at 14-15.
[23] *Nesbitt* at 7; *2014 DSM Report* at 124.

the best preforming in the Company's entire DSM portfolio. Nothing prevents Idaho Power from marketing efficiency programs to participants in a third-party administered program. Idaho Power reports they surveyed participants in 2014, so clearly the agreement with EnerNOC does not prohibit any contact or cross-marketing. While ICL has not seen the specific document stating this, it appears Idaho Power knows which customers participate in the Flex Peak Program, otherwise they would have been unable to do the participant surveys. Lastly, Idaho Power states they "welcome the opportunity" but does not describe even the broad outlines of how an in-house Flex Peak Program will result in greater cross-marketing or more participating in efficiency programs.

Like the cost savings and transparency issues, Idaho Power's claim that all customers will benefit from an opportunity for cross-marketing is speculative and difficult to quantify. Meanwhile Idaho Power makes no effort to explain why these speculative benefits outweigh the risk to customers of less reliable performance and less robust metering and data collection. Without a clear cost-benefit advantage, there is no reason for the Commission to approve Idaho Power's Application.

WHEREFORE, ICL respectfully requests the Commission deny Idaho Power's Application and direct the Company to reengage with respondents to the Request for Proposals.

DATED this 8th day of April 2015.

Respectfully submitted,

Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of April, 2015, I delivered true and correct copies of the foregoing COMMENTS OF THE IDAHO CONSERVATION LEAGUE 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:

Lisa D. Nordstrom
Tami White
Quentin Nesbitt
Idaho Power Compnay
1221 West Idaho Street
Boise, ID 83707
lnordstrom@idahopower.com
dockets@idahopower.com
twhite@idahopower.com
qnesbitt@idahopower.com

Peter J. Richardson
Gregory M. Adams
Richardson Adams, PLLC
515 N. 27th Street
Boise, ID 83702
peter@richardsonadams.com
greg@richardsonadmas.com

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

Benjamin J. Otto