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February 17, 2022

VIA ELECTRONIC FILING

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 West Chinden Blvd., Building 8
Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-21-32
In the Matter of Idaho Power Company's Application for Approval to Modify
Its Demand Response Programs

Dear Ms. Noriyuki:

Attached for electronic filing, pursuant to Order No. 35058, is Idaho Power Company's Reply Comments in the above entitled matter.

If you have any questions about the attached document, please do not hesitate to contact me.

Very truly yours,

Lisa D. Nordstrom

LDN:sg
Attachment

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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-21-32
APPROVAL TO MODIFY ITS DEMAND)
RESPONSE PROGRAMS.) IDAHO POWER COMPANY'S
) REPLY COMMENTS
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Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Reply Comments pursuant to Order No. 35266 in response to Comments from the Idaho Public Utilities Commission ("Commission") Staff, the City of Boise City ("Boise City"), the Idaho Conservation League ("ICL"), the Idaho Irrigation Pumpers Association, Inc. ("IIPA"), and the King Hill Irrigation District ("King Hill") filed by February 10, 2022.

I. IDAHO POWER'S REPLY

The Company appreciates the comments from Staff, Boise City, ICL, and IIPA supporting the approval of its filing to modify its demand response ("DR") programs. The Company also agrees with Staff's recommendation to utilize a "continuous improvement

approach” in evaluating how DR programs can cost-effectively meet future system needs. In these reply comments, the Company seeks to provide clarification on a few key issues or concerns identified by parties.

A. The Assumptions Used by Idaho Power to Model Existing DR Capacity and Future DR Potential in Its 2021 Integrated Resource Plan (“IRP”) Are Reasonable.

In its comments, ICL stated that Idaho Power “recognized that DR is valuable and cost-effective up to at least 584 MW of capacity, yet it opted not to increase its DR capacity beyond a “conservative estimate” of 300 MW.”¹ ICL went on to suggest that Idaho Power is foregoing 284 MW of DR potential and stated, “the assumptions in this filing and the IRP have set an artificially low starting point for DR expansion.”² In drawing its conclusion, ICL incorrectly conflates two distinct assumptions: (1) how the nameplate capacity from the Company’s *existing* DR programs was modeled, and (2) how *future* potential DR capacity was modeled. At issue in this case, is a proposal to modify Idaho Power’s existing DR programs with the goal of maximizing the effectiveness of those peak capacity resources. Idaho Power estimates that with such modifications, its existing DR programs can be relied upon to provide approximately 300 MW of load reduction during future summer peak load periods. The referenced 300 MW estimate is not a cap, but rather an estimate of achievable load reduction from these existing programs that can be relied upon for planning purposes. If higher levels of cost-effective load reduction are achievable through the existing DR programs, Idaho Power will pursue those opportunities. Apart from the proposal under review in this case, Idaho Power will separately assess the potential for new or expanded DR resources that, if

¹ ICL Comments at 1.

² *Id.* at 3.

identified as cost-effective and achievable, would be presented for Commission approval as part of a future separate proceeding.

Existing DR Programs: In recent years, the Company has enrolled approximately 380 MW of nameplate capacity in its existing DR programs and as such, previous IRPs have included 380 MW of nameplate DR capacity. However, based on feedback received through customer surveys conducted in preparation of this case, the Company believes there could be an initial decrease in participation when the proposed program parameters are implemented.³ Therefore, when determining how much capacity would be included as a committed resource in the 2021 IRP, the Company took that customer feedback into consideration, ultimately deciding 300 MW could be reasonably relied upon for planning purposes. The Company hopes to retain and obtain additional cost-effective DR capacity by removing the marketing restrictions imposed by the 2013 Settlement Agreement.

Future DR Potential: For purposes of establishing the DR potential in the Company's service area, Idaho Power relied on a recent assessment compiled by the Northwest Power and Conservation Council ("NWPC") to estimate approximately 584 MW of DR potential in its service area.⁴ The 584 MW includes DR potential associated with the Company's existing programs, as well as additional DR potential. However, in its comments, ICL incorrectly assumes that the 584 MW of potential was "valuable and cost effective."⁵ The 584 MW was simply reflective of an estimated technical potential in

³ Specifically, the Company is proposing to extend the hours of availability from 1:00-9:00pm to 3:00-11:00pm, which is expected to impact the ability of some customers to participate, as explained more fully on pages 9-19 in Company Witness Nesbitt's Direct Filed Testimony.

⁴ Idaho Power's Response to ICIP's Request No. 1 - Attachment 4 - NWPC Model (Exhibit 1 Workpaper); Exhibit 1 to Ellsworth Direct Testimony.

⁵ ICL Comments at 1.

Idaho Power's service area, which was used to establish an Effective Load Carrying Capability ("ELCC") that could be used to help set a cost-effectiveness threshold for programs and was also used as a modeling constraint in the IRP analysis.

ICL's statement that "Idaho Power does not have immediate plans to expand its DR capacity beyond 300 MW and that it only plans to expand DR by 100 MW during the 2020-2040 planning period"⁶ is misleading. In the 2021 IRP, a maximum of approximately 280 additional MW of DR (584 MW minus the 300 MW of existing rounded to the nearest 10 MW) was available for selection in the AURORA model when analyzing the future load and resource balance. The additional DR capacity was divided into 20 MW bundles and available for selection up to the 280 MW threshold, and ultimately, 100 MW of additional DR potential was selected.⁷ The AURORA model is configured to optimize the Company's resources by selecting the most cost-effective resources to meet the required operational and system needs. To the extent additional bundles were not selected, it is because DR's operating characteristics didn't align with the need, there was a less costly resource available, or a combination of those factors. This was further tested in a sensitivity analysis where an additional 60 MW of DR was added to the system beyond the amount selected in the preferred portfolio. The result was an increase to the overall portfolio cost.

Finally, ICL made recommendations related to expanding the Company's current DR portfolio as well as potentially developing new programs.⁸ Idaho Power believes it is most appropriate that specific potential programs be informed by an Idaho Power

⁶ *Id.* at 2.

⁷ [Idaho Power's 2021 Integrated Resource Plan](#) at 152.

⁸ ICL Comments at 4-7.

specific DR potential study (which the Company expects to complete by the fall of 2022) and future IRP analyses. As recommended by Staff,⁹ the Company will provide the Commission and parties with the completed potential study and commits to reviewing the results with interested parties and the Company's Energy Efficiency Advisory Group ("EEAG") prior to recommending any new or modified programs. The Company believes the approach outlined by Staff aligns with its plans and commits to include the potential study in the following year's annual Demand-Side Management ("DSM") Report, as well as the Company's 2023 IRP, where parties and the Commission will have an opportunity to review.

B. Idaho Power Acknowledges the Potential Customer Impacts of the Proposed DR Events and Is Committed to Continued Collaboration to Minimize Negative Impacts.

The Company appreciates the comments from IIPA and Boise City regarding working with current, past, and potential irrigation customers to understand how to make the Irrigation Peak Rewards program more attractive. Idaho Power also takes seriously IIPA's comment¹⁰ on the burdens the proposed program can have on customers, as well as King Hill's public comment¹¹ recommending imposing certain program limitations.

In weighing program design, it is important to recognize that Idaho Power's ELCC analysis informed the parameter changes and that restricting the availability of the DR programs decreases the overall effectiveness (and related cost-effectiveness) of the programs. However, the Company will continue to work with irrigation customers to

⁹ Staff Comments at 6.

¹⁰ IIPA Comments at 1-2.

¹¹ Comments of John Hafen on behalf of King Hill Irrigation District at 1 (Dec 15, 2021).

understand barriers to customer participation and will work to minimize curtailments while maintaining the effectiveness of the program to meet system needs. Of note, the Company's Load Serving Operations group works with the DR program specialists to help inform when DR events are called and evaluating customer impacts are an important part of that process. Idaho Power also believes its proposed incentive structure compensates customers for their participation and agrees with IIPA's statement that "while the proposed modifications will increase the burden of the program on participants, this burden appears to be appropriately offset by increased incentive payments and is warranted given the evolving nature of Idaho Power's system demand needs."¹² Ultimately, the Company understands that not all customers may be able to participate, as each customer will have to weigh whether participation in the program makes economic and business sense for their operations.

Finally, Staff recommends the Company conduct one of the minimum events (if available) during the 2022 season between August 15 to September 15 and between 9:00 p.m. and 11:00 p.m.¹³ While it is difficult to predict what the operational needs during the upcoming DR program season will be, Idaho Power believes running an event during the expanded availability will provide valuable insight as to whether, and to what extent, demand reduction is impacted by an event called later in the day or later in the season. The Company will endeavor to run an event in the stated window if one of the three minimum events is available; after the three minimum events, and absent an operational need dictating additional events, it is important to consider the incremental cost and potential impact on program participation of running additional events.

¹² IIPA Comments at 1.

¹³ Staff Comments at 8.

C. Idaho Power Commits to Biannually Update the Cost-Effectiveness Inputs, Complete Regular Program Evaluations, and Present This Information to the Commission in a Timely and Transparent Fashion.

The Company agrees with Staff's comments and recommendations on the revised cost-effectiveness methodology¹⁴ and will repeat the analyses in future IRPs. Idaho Power also agrees with Staff's recommendation that the Company conduct an impact evaluation as soon as sufficient program event data is available to conduct a meaningful evaluation for the DR program.¹⁵

The Company commits to utilizing the DSM annual report and its annual prudence request to present the cost-effectiveness results and impact evaluation recommendations. In the ordinary course of business, the Company conducts *internal* impact evaluations on the DR programs every year and *third-party* impact evaluations typically occur every five years. The results of third-party evaluations are incorporated into the Company's annual internal impact evaluations going forward, and the results of both the internal and third-party impact evaluations are reported in the DSM annual report. The Company proposes working with its EEAG to determine a future evaluation plan of the DR programs, which would include consideration of the timing, frequency, and cost of third-party evaluations.

D. Idaho Power Intends to Market the DR Programs to All Qualified Customers.

The Company appreciates the comments filed by Boise City, ICL, IIPA, and Staff in support of the Company's recommendation to lift the marketing constraints of the current programs. While the Company appreciates Boise City and ICL's remarks related

¹⁴ *Id.* at 4-5.

¹⁵ *Id.* at 7.

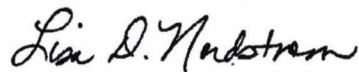
to targeted marketing strategies,¹⁶ the Company's proposed approach is to actively and broadly market each of the programs as soon as its Application is approved in anticipation of this year's DR program season. The Company also commits to discussing its ongoing marketing strategies with its EEAG and will seek input as it develops future DR marketing campaigns.

II. CONCLUSION

Idaho Power is appreciative of the parties' exhaustive review of its proposal in this matter and the collective recommendation of all intervenors that the Commission approve the Company's request. Because Idaho Power will need lead time to finalize program marketing materials, engage with customers on modified program parameters, conduct program workshops, and enroll customers in preparation for the 2022 DR season, a Commission order received by March 1, 2022 would position the Company to logistically meet the necessary timeframes for a successful program rollout.

Idaho Power respectfully requests the Commission issue an order authorizing Idaho Power to: (1) modify its DR programs, (2) implement the associated revised tariff schedules, and (3) establish a revised cost-effectiveness methodology to evaluate DR that supersedes the Settlement Agreement approved by Commission Order No. 32923 in its entirety.

Respectfully submitted this 17th day of February 2022.



LISA NORSTROM
Attorney for Idaho Power Company

¹⁶ Boise City Comments at 2-3; ICL Comments at 7-8.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 17th day of February 2022, I served a true and correct copy of Idaho Power Company's Reply Comments upon the following named parties by the method indicated below, and addressed to the following:

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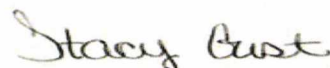
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