BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR MODIFICATIONS TO THE COMPANY'S COMMERCIAL & INDUSTRIAL DEMAND RESPONSE PROGRAM, SCHEDULE 82	)	**CASE NO. IPC-E-23-24** **ORDER NO. 36133**

On October 2, 2023, Idaho Power Company ("Company"), applied for Commission approval of proposed modifications to Schedule 82—Flex Peak Program (the "Program"). The Company proposes revising Schedule 82 to (1) modify certain Program payment structures; (2) add a waiver provision covering participating customers whose Load Control Device fails; (3) revise the definition of the "Day of" Load Adjustment; (4) establish an option to extend the four-hour notification limit for certain customers; and (5) add definitions for certain terms along with other minor updates related to the other proposed changes. The Company requests: (1) that the Application be processed via Modified Procedure; and (2) that the proposed modifications to Schedule 82 have an effective date of April 15, 2024.

On October 20, 2023, the Commission issued a Notice of Application and Notice of Intervention Deadline, setting an intervention deadline of November 10, 2023. Order No. 35962. No parties petitioned to intervene.

On January 2, 2024, the Commission issued a Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 36049. Commission Staff ("Staff") filed comments to which the Company replied. The City of Boise and Veolia Water Idaho also filed comments advocating approval of the Application.

Having reviewed the record, the Commission issues this Order approving the Company's proposed modifications to the Program as described below.

BACKGROUND

In 2009, the Company established the Program, under which eligible commercial and industrial customers that can offer load reduction of at least 20 kilowatts ("kW") can either manually or, via Load Control Devices, automatically reduce their nominated load when the

Company calls Load Control Events ("Called Events"). According to the Company, the purpose of the Program is to address large system capacity deficits of short duration.

THE APPLICATION

The Company proposed five revisions to the Program. First, the Company sought to rework the fixed capacity component of the incentive payment offered under the Program. Currently, participants in the Program designate weekly the load they are willing to reduce during Called Events. Participants then receive an incentive payment based upon their performance in delivering their nominated load reduction during Called Events and a smaller penalty for each designated kW not provided when called. According to the Company, the penalty is intended to encourage reliable load reduction, but can excessively reduce or even entirely consume participants' incentive payment in certain circumstances. To avert this, the Company proposed replacing the fixed capacity payment structure with a tiered payment rate based on seasonal performance.

Second, the Company proposed incorporating a performance waiver into the Program. This waiver would cover participants whose Load Control Device fails during a Called Event, allowing waiver of the participant's weekly performance requirement to avoid the failed Load Control Device negatively affecting the participant's incentive payments.

Third, the Company sought to establish an advanced notification option for participants nominating three megawatts ("MW") or more of load. This option would provide certain participants with more notice than the four hour maximum notice currently provided under the Program. The Company would determine which participants qualify for this advanced notification, which would be in addition to the existing four-hour notice, on a case-by-case basis.

Lastly, the Company proposed amending the "Day of" Load Adjustment definition to address situations where an outage occurs during the day of a Called Event. The proposed amendment would clarify that the Company can adjust a participant's "Day of" Load Adjustment when outages occur on the same day as Called Events. The Company would also make other minor adjustments to the Program related to this Application and add certain definitions.

STAFF COMMENTS

Staff believed the Company's proposals are generally well supported and reasonable. As such, with a few changes described below, Staff recommended approval of the Application.

1. **Modified Incentive Payment Structure**

Staff characterized the Company's request to change the Program's incentive payment structure as the primary request of the Application. Staff described the fixed capacity payment component of the Program's current incentive payment as a $3.25/kW incentive for weekly nominated load and a $2.00/kW penalty for each hour the nominated load is not provided during a Called Event. Staff noted that, although the penalty encouraged reliable load reduction, the Company represented that it can completely offset the fixed incentive payment, despite realized load reduction.

The Company proposed replacing the fixed capacity incentive payment and penalty described above with a tiered capacity payment rate based seasonal performance. The proposed payment structure established four different capacity payment rates where the payment rate a participant receives is determined by the ratio of average actual demand reduction the participant provides during Called Events applied to their average seasonal nomination. The participant's payment rate is then multiplied by the average kW reduction the participant provided and the number of weeks in the Program season. Staff's comments contain the following Table No. 1, which illustrates the payment structure in detail.

Table 1 – Proposed performance tiers and corresponding fixed incentive rate

Average Season Performance Percentage	*Fixed Capacity Payment Rate per kW*
75% - 120%	$3.25
50% - 74.99%	$2.44
25% - 49.99%	$1.63
Greater than 0% - 24.99%	$0.81

Staff identified increasing flexibility, encouraging participant performance throughout the entire Demand Response ("DR") season, more accurate customer compensation, and better customer understanding of the compensation structure as the Company's objectives for the tiered payment structure. Staff evaluated the extent to which the tiered payment structure serves each of these goals.

A. Participation

Staff believed the tiered payment structure more accurately compensates participants in the Program for realized load reduction. Analysis of the Company's responses to Staff's production requests revealed that 43 out of 90 participants did not receive an incentive payment in 2022. If the tiered payment structure had been applied in 2022, an additional $34,725 in incremental incentive payments would have been made to these participants—an amount representing realized, but unrewarded, load reduction under the current payment structure. Because the tiered payment structure better compensates participants for their realized load reduction, Staff believed it would better encourage both participant enrollment and retention.

B. Demand Reduction Performance

Staff believed that reducing the overly punitive design of the current payment structure may encourage more or continued participation in the Program. However, Staff noted the importance of maintaining some punitive effect, especially at lower performance levels. Of the alternative payment structures identified in the Application, Staff believed that the tiered payment structure strikes an adequate balance between rewarding realized load reduction and encouraging performance.

C. Financial Impact

Staff anticipated higher incentive payments under the tiered payment structure. In 2022, the Program made $430,321 in incentive payments. If the tiered payment structure as proposed had been used in 2022 there would have been $597,788 of incentive payments—an increase of $167,466. Staff noted that the Company funds the Program through its Power Cost Adjustment ("PCA"), which for 2023-24 will be $408.2 million. Staff believed their tiered payment structure will not noticeably increase the PCA. Similarly, Staff believed that the Program will remain cost-effective if the tiered structure is implemented because the maximum possible incentive payout will not change.

D. Performance Waiver

Staff also did not object to the Company's request to incorporate a performance waiver into the Program. The Company's responses to Staff's production requests indicate the proposed performance waiver is functionally identical to the existing incentive adjustment waiver.

2. Advance Notification Option

Staff expressed concerns about the Company's proposed advanced notification option for participants nominating three MW or more of load reduction. Specifically, Staff was concerned that, despite the Company vetting prospective recipients, the advanced notification option increases the risk of participant optouts as recipients will have a greater opportunity to prioritize competing business interests instead of load reduction. Staff recognized that the risk of optouts is an inherent risk of the Program reduced by the proposed vetting process. However, the Company cannot control the decisions of participants.

Accordingly, Staff recommended approval of the advanced notification option as a pilot program for a maximum of five years—a period covering at least two Integrated Resource Plan cycles. This will permit the Company to monitor advance notification participants' behavior, collect data on the nomination process, and explore alternative incentive structures reflecting nomination reliability with respect to notification duration. Staff recommended the metrics that the Company collects should be reported in its annual Demand-Side Management ("DSM") reports so that the Company, Staff, and other stakeholders can monitor and adjust the Program as necessary.

3. Actual Performance in Cost-Effectiveness Evaluation

Staff was also concerned that the Company use of nameplate capacity and not actual realization rates to evaluate cost-effectiveness over-values the benefit of its DR programs. The Company currently uses Effective Load Carrying Capacity ("ELCC") to determine avoided cost and cost-effectiveness for all its DR programs. In Case No. IPC-E-21-32, the Company used total nameplate capacity to calculate ELCC, which Staff observed implies that all nominated load reduction for the DR program would be provided during Called Events. After analyzing the Company's responses to production requests, Staff noted that the Program had only a 55-68 percent participant performance rate during Called Events over the last five years. Despite believing that the changes proposed in this case will increase realization rates, Staff expressed doubt that a 100 percent realization rate will be achieved. Thus, Staff recommended that the Company work with Staff and other stakeholders to consider alternative cost-effectiveness calculations reflecting actual program performance.

Staff also noted it was unable to correlate the Seasons Events Average Load Reductions to the load reduction included in the Company's 2022 DSM reports. Staff recommended the

Company describe in detail how load reduction data informs the load reduction values contained in the Company's DSM reports.

4. Other Considerations

A. "Day Of" Load Adjustment

Staff recommended approval of the Company's proposed amendment to the definition of the Day-of Load Adjustment in Schedule 82 to address situations where an outage occurs during the day of a Called Event. According to Staff, the Company intends to use an alternate data point agreeable to the participant that may more accurately reflect operational demand. However, Staff believed the tariff should contain additional language clarifying precisely when this adjustment can be made.

B. Change to Timing of Weekly Nominations

Staff recommended that the Company submit a compliance filing that corrects an inadvertent change to Sheet No. 82-5. During this case, Staff identified a change in Sheet No. 82-5 that would allow participants to change their nominated load during a Program week. When Staff inquired about this change, the Company indicated that it was an inadvertent mistake. If the Company believes such a change is appropriate in the future, it should propose it in a later filing with a supporting rationale.

COMPANY REPLY COMMENTS

The Company generally agreed with Staff's recommendations, but its reply comments contain three notable elements. First, after reviewing Staff's comments and consulting with Staff, the Company proposed adding the following language to the "Day of" Load Adjustment definition:

> The Company may adjust the Participant's "Day of" Load Adjustment only if a planned or unplanned outage occurs during the hour prior to the Participant receiving notification of a Load Control Event. If an outage extends to the hours of the Load Control Event, the Company may remove the event from the Participant's Average Season Performance Percentage.

Company Reply Comments at 3. The Company believed the proposed language is consistent with the intent that participants are neither rewarded nor penalized for non-performance due to an outage. If the Commission approves the request to amend the "Day of" Load Adjustment definition, the Company requested it be directed to include the language proposed above.

Second, although the Company agreed with Staff's recommendation for approval of the advanced notification option, it believed doing so as a pilot program creates an unnecessary administrative burden. According to the Company, it evaluates all elements of the Program continuously to ensure cost-effectiveness and administrative efficiency. As such, the Company argued it is unnecessary to implement a pilot version of the advance notice option because it will already be subject to frequent review and adjustment. Additionally, the Company believed very few participants will qualify and receive authorization for advanced notice. Although 24 participants in the Program have the potential to nominate three MW of load reduction, only one participant has done so.

Instead of establishing a pilot program, the Company proposed reporting the participation and performance levels of the advance notification option as separate line items in future annual DSM reports. The Company asserted that this will facilitate annual review of these metrics by Staff and the Commission.

Finally, the Company similarly agreed with Staff that its DR programs should be appropriately valued when evaluating their cost-effectiveness and avoided costs. However, the Company wanted to further discuss the best method of doing so with Staff and other stakeholders. The Company indicated that it has already identified several alternative methods to evaluate DR cost-effectiveness. Notably, the Company anticipated potentially changing all its DR programs before 2025. If changes are necessary, the Company believes a collaboratively developed avoided cost calculation method would be beneficial.

PUBLIC COMMENTS

The City of Boise and Veolia Water Idaho each filed comments advocating approval of the Application. The City of Boise believed the proposed changes to the Program will cost-effectively meet the Company's need for load flexibility and peak reduction. Veolia Water Idaho is a participant in the Program and appreciated efforts to reduce the existing incentive penalty.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502 and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of the law, and to fix the same by order. *Idaho Code* §§ 61-502 and -503.

Having reviewed the record, the Commission finds it fair, just, and reasonable to approve (1) the proposed modifications to the payment structures of the Program; (2) the addition of a waiver provision covering participating customers whose Load Control Device fails; (3) the revised definition of the "Day of" Load Adjustment with the additional language the Company proposed in reply comments; and (4) the additional definitions and minor updates related to those changes. Similarly, the Commission finds it reasonable to direct the Company to correct the inadvertent change to Sheet No. 82-5 that would allow Program participants to change their nominated load during a Program week by submitting a corrected sheet as a compliance filing.

Regarding the proposed advanced notification option for Program participants capable of large nominations, Staff's concerns over increased opt-outs are well taken. Therefore, the Commission finds it fair, just, and reasonable to approve it as a five-year pilot program as proposed by Staff. This five-year period will cover at least two Integrated Resource Plan cycles, giving the Company ample time to both monitor the behavior of Program participants receiving the extended notice and explore relevant alternative incentive structures. The metrics the Company collects related to the advanced notification option should be reported in the Company's annual DSM reports to allow stakeholders to monitor and adjust the Program as necessary.

Staff's concerns about the potential over-valuing of DR program benefits are also well-taken. The use of nameplate capacity instead of actual realized load reduction rates when evaluating the benefit of a DR program can overstate the benefit of the program when all potential load reduction is not realized. Accordingly, the Commission finds it reasonable to direct the Company to work with Staff and other stakeholders to consider and develop alternative cost-effectiveness calculations that reflect actual DR program performance.

ORDER

IT IS HEREBY ORDERED that the Company's Application approval of proposed modifications to Schedule 82—Flex Peak Program is approved as described above.

IT IS FURTHER ORDERED that the Company shall submit as a compliance filing a corrected version of Schedule 82 that reflects the following: (1) language for the advanced notification option as a pilot program as recommended by Staff; (2) additional language on the "Day of" Load Adjustment; (3) correcting the inadvertent change to Sheet No. 82-5 that allows participants to change load nominations during a Program week; and (4) other changes as needed to reflect the contents of this Order.

IT IS FURTHER ORDERED that the Company is directed to work with Staff and other stakeholders to consider and develop alternative cost-effectiveness calculations that reflect actual DR program performance.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order about any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12th day of April 2024.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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