

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-25-09
COMPANY'S APPLICATION FOR)
MODIFICATIONS TO THE COMPANY'S)
RESIDENTIAL DEMAND RESPONSE) ORDER NO. 36680
PROGRAM, SCHEDULE 81)
_____)

On March 12, 2025, Idaho Power Company ("Company") applied to the Idaho Public Utilities Commission ("Commission") requesting modifications to the Company's Schedule 81, Residential Air Conditioner Cycling Program, ("Schedule 81") to add a Bring Your Own Thermostat ("BYOT") option to the Air Conditioning Cool Credit ("ACCC") program ("Application").

On April 11, 2025, the Commission issued a Notice of Application and Notice of Modified Procedure, establishing a May 29, 2025, deadline for initial comments and a June 12, 2025, deadline for the Company to file reply comments. Order No. 36540. Commission Staff and the City of Boise City filed the only public comments. The Company filed reply comments.

Having reviewed the record in this case, we now issued this Final Order approving the Company's Application with modifications as described below.

BACKGROUND

The Company utilizes a residential demand response ("DR") program, the ACCC, to reduce summer electricity demand during times of system need. Application at 1. Currently, the ACCC program allows customer participation through only the Air Conditioner ("AC") Cycling option, which permits the Company to connect a load control device to the customer's AC unit to cycle the unit during DR events. *Id.*

THE APPLICATION

The Company stated that as part of its 2023 Integrated Resource Plan ("IRP"), it modeled options for expanding its DR program and identified the Bring Your Own Thermostat ("BYOT") option as one of the lower cost potential DR offerings. *Id.* at 3. The Company subsequently issued a request for proposal to potential BYOT vendors and determined the BYOT option could be a cost-effective addition to its ACCC program. *Id.*

The Company represented that under its proposed BYOT option, smart thermostats installed in customers' homes would be used to reduce demand when the Company calls a DR event by automatically adjusting the temperature settings. *Id.* at 4. The Company stated that customers must have a qualified smart thermostat to participate in the offering, and a list of Company-approved qualified smart thermostats will be maintained on the Company's website. *Id.*

According to the Company, it would "partner with a third-party aggregator ("aggregator") who will coordinate directly with the smart thermostat original equipment manufacturers ("OEM") to facilitate the BYOT offering." *Id.* The Company represented the aggregator will provide it with a centralized interface that the Company can use to communicate with all major thermostat brands and provide support with customer enrollment, thermostat responses, and post-event reporting. *Id.*

The Company represented that OEMs would market the BYOT program to qualified customers through in-app marketing, with some also utilizing email campaigns. *Id.* at 4–5. The Company stated that it also planned to market "in tandem with its smart thermostat incentive offered under the Heating and Cooling Efficiency Program." *Id.* at 5.

The Company stated that BYOT participants would "receive notification through their smart thermostat's app that an event has started, and the smart thermostat will indicate when they are in an event." *Id.* The Company represented it would collaborate with the aggregator's data science team to achieve DR targets. *Id.* at 6.

The Company represented that new ACCC participants who enroll in the BYOT option would receive a \$50 enrollment incentive, which would include the first year of participation incentives. *Id.* According to the Company, customers who leave the BYOT option and later re-enroll and customers who leave the AC Cycling option within 12 months of applying to participate in the BYOT option would not be eligible for additional enrollment incentive. *Id.* The Company stated that after the first year of enrollment, customers would be eligible to receive \$5 bill credits for the months of June, July, August, and September if they participate in at least 50% of DR event hours during the DR season. *Id.* The Company represented that it did not anticipate customers signing up for the BYOT option to get the enrollment incentive and then leaving the program based on feedback from peer utilities with similar offerings. *Id.* at 6–7.

The Company represented that it did not anticipate the BYOT program to be cost-effective on a measure level until year three and after, due to the upfront costs of enrollment incentives and the initial aggregator fee. *Id.* at 7–8. To account for the upfront costs, the Company's cost-

effectiveness modeling for the BYOT option spread the initial aggregator fee over the initial three years of the program, and the enrollment incentives over three years from when the incentives are paid to customers. *Id.* at 8. The Company stated that by spreading the costs in this manner, each of the program's first five years project to fall below the 2025 avoided cost threshold. *Id.* The Company stated that the ACCC program as a whole, using the actual costs of the BYOT option, was anticipated to be cost-effective in 2025–2029. *Id.* at 10.

STAFF COMMENTS

Based on its review of the materials provided by the Company, Staff believed the proposed option would cost-effectively acquire 20 megawatts of demand response capacity by 2029, as identified in the Company's 2023 IRP. *Id.* However, due to what it described as “concerning elements” of the Company's proposal, Staff recommended that the Commission approve the Company's proposed modifications to the ACCC program and associated modifications to Schedule 81 with certain adjustments. *Id.*

Enrollment Incentive and Upfront Participation Incentive

Firstly, as the proposed BYOT option would provide customers with \$50 of enrollment incentives (\$30 enrollment bonus and upfront payment of the first season's \$20 participation incentive), Staff believed the option would create a significant risk of “dine and dash” behavior, whereby customers could claim the enrollment incentive before immediately unenrolling. *Id.* at 5. Therefore, Staff recommended that if the Commission approved the \$50 enrollment incentive, the Commission should direct the Company to require participants who unenroll from the program before participating in one full demand response season to return a pro-rated portion of the enrollment incentive based on months of participation. *Id.* Alternatively, Staff recommended “that the Commission direct the Company to closely monitor the occurrences of this type of customer behavior, to report on this metric in its annual reports, and to immediately file a case with the Commission should the rate of unenrollment before any participation exceed 20% of new enrollments in a year.” *Id.* at 6.

Application to Continue the BYOT Option

Secondly, Staff was concerned with the BYOT option's overall efficacy due to uncertain participant attrition and demand reduction. *Id.* at 6–7. Staff believed that the estimated attrition rates were understated given the increased visibility of an underway DR event the BYOT option will provide compared to the AC Cycling option, creating more opportunities for participants to

opt-out of a given event. *Id.* at 6–7. Staff noted that “the additional function and load reduction profile suggest there may be notable differences from what is offered by the [AC Cycling] option.” *Id.* at 7. Based on these concerns and uncertainties, Staff recommended that the Commission direct the Company to apply to continue the option before the proposed contract expires. *Id.* The initial BYOT contract was for three years. Application at 7.

Enrollment Incentive Expense Spread

Finally, while Staff agreed it was reasonable to spread some costs of the initial ramp-up of the BYOT option across multiple years for purposes of evaluating cost-effectiveness, it believed the Company’s proposal was excessive. Staff Comments at 8. Staff noted: “[t]he Company’s proposal to spread enrollment incentives across three years does not have an end date and would affect enrollment costs when it may not be needed.” *Id.* Staff was concerned “that spreading the costs of enrollment incentives may obscure the impact of customers claiming the incentive but not participating in the program.” *Id.* Staff recommended that the Company be allowed to spread the enrollment incentives across three years for only the first four years of the program. *Id.*

PUBLIC COMMENTS

The City of Boise City supported the Company’s proposal to add a BYOT option to its ACCC program and commended the Company for its commitment to Demand-Side Management. City of Boise Comments at 1.

COMPANY REPLY COMMENTS

The Company disagreed with Staff’s recommendation (1) regarding a proposed modification to require customers who unenroll from the BYOT option before completing a full DR season to pay back a prorated portion of the enrollment incentive; and (2) limiting spreading enrollment incentives for cost-effectiveness reporting. Company Reply Comments at 3–5. The Company supported Staff’s recommendation to monitor and report instances of unenrollment before fully participating, and Staff’s recommendation to require an application to continue the BYOT option prior to the contract expiration. *Id.* at 5.

Enrollment Incentive and Upfront Participation Incentive

The Company reiterated that it received feedback from peer utilities that offer similar programs to the BYOT option incentive, stating it was rare for customers to sign up for the program to receive incentives and then unenroll before any system benefits are realized. *Id.* at 5. The Company did not believe it was practicable to require participants who unenroll before

participating in a full DR season to return a portion of the enrollment incentive. *Id.* The Company stated it did, however, support Staff’s alternative recommendation for the Company to monitor instances of unenrollment before participation, report on the rate of such occurrences, and file a case with the Commission should the rate exceed 20%. *Id.*

Application to Continue the BYOT Option

The Company supported Staff’s recommendation that the Commission require the Company to file an application to continue the BYOT option prior to the initial three-year contract expiration. *Id.* The Company stated it would “additionally include data and analysis specific to the BYOT option, as well as at the ACCC program level, alongside any such application for continuance of the BYOT option.” *Id.*

Enrollment Incentive Expense Spread

The Company stated that Staff’s recommendation concerning a limitation on spreading enrollment incentives for cost-effectiveness reporting was inapplicable based on a misunderstanding of the Company’s proposal. *Id.* at 3. The Company explained that its cost spreading analysis was done as an “illustrative exercise” to emphasize the effect of initial costs on the BYOT option’s cost effectiveness, but, as the Company clarified, it does not intend “to use this method to determine cost-effectiveness of its proposed BYOT offering.” *Id.* Rather, the Company stated that it plans to report cost-effectiveness results using actual annual costs. *Id.*

Program Implementation Timeline

The Company further advised that it had recently learned through the aggregator “that full implementation of the BYOT option and customer enrollment may extend beyond the 2025 DR season, regardless of whether a Commission Order is received by July 15, 2025”—the date by which the Company had previously requested an order, with hopes of implementing the program during the 2025 DR season. *Id.* at 6. Due to the potential delay, the Company represented that it “is in the process of reevaluating its marketing strategies for the BYOT option in an effort to shift program enrollment so that the bulk of initial incentive payments may more likely occur ahead of the 2026 DR season to better align the costs and benefits of the program.” *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the Company’s Application and the issues in this case under Title 61 of the Idaho Code including *Idaho Code* §§ 61-301 through 303. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts

of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501 through 503. The Commission has reviewed the Application, all submitted materials, and all submitted comments. Based on its review of the record, the Commission finds it fair, just, and reasonable to approve the Company's Application to expand its DR program by adding a BYOT option, while adopting some of Staff's recommendations.

The Commission appreciates Staff's concern regarding the potential for program participants to immediately unenroll after receiving the enrollment incentives. However, the Commission does not believe the risk is significant enough to require the Company to implement a complicated enrollment incentive structure that requires participants who unenroll before participating in a full DR season to return a pro-rated portion of the incentive. Rather, the Commission adopts a modified approach to Staff's alternate recommendation; the Company shall monitor instances of customer unenrollment from the BYOT option before participation in a full DR season, report on this metric in the Company's annual Demand-Side Management Annual Report, and immediately file a case with the Commission should the rate of unenrollment before any participation exceed 10% of new enrollments in a given year.

The Commission also agrees with Staff's recommendation that the Company should be required to seek Commission approval prior to renewing the BYOT option. Therefore, the Company shall apply to the Commission to continue the BYOT option before the initial three-year BYOT contract expires.

ORDER

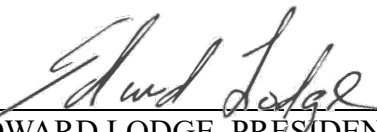
IT IS HEREBY ORDERED that the Company's Application to expand its residential demand response program by adding a BYOT option is approved.

IT IS FURTHER ORDERED that the Company shall monitor instances of customer unenrollment from the BYOT option before participation in a full DR season, report on this metric in the Company's annual Demand-Side Management Annual Report, and immediately file a case with the Commission should the rate of unenrollment before customers participate in the program exceed 10% of new enrollments in a given year.

IT IS FURTHER ORDERED that the Company shall apply to the Commission to continue the BYOT option before the initial three-year BYOT contract expires.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding 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 22nd day of July 2025.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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