Office of the Secretary
Service Date
May 28, 2024

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OF ADJUSTMENTS TO THE IRRIGATION LOAD CONTROL PROGRAM	)))))	**CASE NO. PAC-E-24-02** **ORDER NO. 36193**

On January 24, 2024, Rocky Mountain Power, a division of PacifiCorp ("Company"), applied for approval of certain adjustments to its Irrigation Load Control Program ("ILC"). Participants in the ILC earn cash incentives for reducing their electric consumption during peak demand periods. The Company requested this matter be processed by Modified Procedure with an effective date of April 1, 2024.

On February 21, 2024, the Commission issued a Notice of Application, Notice of Intervention Deadline, and Notice of Suspension of Proposed Effective Date, setting an intervention deadline of March 13, 2024, and suspending the Company's proposed effective date until May 31, 2024. Order No. 36095. Only the Idaho Irrigation Pumpers Association, Inc. ("IIPA") intervened. Order No. 36081.

On April 8, 2024, the Commission issued a Notice of Modified Procedure, establishing public comment and Applicant reply deadlines. Order No. 36128. Staff and the IIPA submitted comments to which the Company replied.

Having reviewed the record, the Commission issues this Order approving the Company's Application as follows.

THE APPLICATION

The Company seeks to modify the ILC through approval of a new contract with Enel X (the third-party administrator of the ILC) ("Agreement") to replace the current contract, which ends on April 1, 2024. The Agreement is composed of two parts—a Master Professional Services Contract Agreement ("MSA") and a Task Order Release Agreement ("TOA"). The TOA, which defines service and pricing for the ILC, has an initial five-year term with an option to extend it an additional five years.

According to the Company, the Agreement retains the existing incentive components, calculation methods, mandatory and voluntary event windows of the ILC, essentially leaving the overall pay-for-performance structure intact. However, the Agreement provides for increased monetary incentives and different participant notice options. Specifically, the Agreement increases the monetary incentives for ILC participants by 30%, with subsequent annual increases of 2.5% and allows for two-hour notices or "more real-time scenarios to allow flexibility for a faster acting resource." Application at 9. The Company believes the monetary increases are necessary to avert, and possibly reverse, the declining participation in the ILC experienced during the last decade.

STAFF COMMENTS

After reviewing the Application, supporting materials, and the Company's responses to production requests, Staff recommended approving the Agreement for its initial five-year term with certain modifications described below. Despite believing the ILC remains a cost-effective Demand Response ("DR") resource, Staff identified potential improvements to the monetary incentive structure of the ILC. Specifically, Staff recommended instituting a flat incentive structure for the ILC based on the proposed 2024 Base and Bonus Incentive Rates and directing the Company to submit a tariff schedule for the ILC as a compliance filing. Additionally, if the Company wishes to extend the Agreement beyond the initial five-year term, Staff recommended directing the Company to seek Commission approval of such an extension in a separate case prior to expiration of the initial term.

1. Incentive Structure

Staff indicated that the primary change to the ILC described in the Application relates to the monetary incentive available to participants, increasing the current incentive by 30% with subsequent annual increases of 2.5% to account for inflation. Staff believed the proposed one-time 30% increase would be sufficient to foster the desired growth in ILC participation. Staff comments contain the following Table 1, which breaks down the proposed ILC incentive structure:

Program Year	**Base Incentive Rate ($/kW)**	**Bonus Incentive Rate ($/kW) *if Customer Participates in all Mandatory Events**	**MEERP**	**VEERP**
2024	$32.50	$39.00	$0.075/kWh	$0.38/kWh
2025	$33.31	$39.98		
2026	$34.15	$40.97		
2027	$35.00	$42.00		
2028	$35.87	$43.05		
2029	$36.77	$44.13		
2030	$37.69	$45.23		
2031	$38.63	$46.36		
2032	$39.60	$47.52		
2033	$40.59	$48.71		

Staff noted that the Company's responses to production requests described a proposed increase in the Voluntary Event Energy Reduction Payment ("VEERP) rate while leaving the Mandatory Event Energy Reduction Payment ("MEERP") rate unchanged. Specifically, Staff observed that the Company proposes doubling the VEERP incentive from $0.19 per kilowatt-hour ("kWh") to $0.38/kWh to encourage participation and account for inflation over the entire ten-year term of the Agreement. Although Staff disagreed with the proposed increase as a means of addressing future inflation, Staff believed the resulting five-fold difference between the VEERP and MEERP rates may increase the lower participation levels for voluntary events.

Staff's primary concern with the proposed incentive increases arose from the incorporation of the forecasted inflation into general rate structure. Staff acknowledged that increasing the monetary incentive for ILC participants in the future may be necessary to encourage participation. However, Staff was concerned that building annual inflation adjustments into the incentive structure (something the Commission has not allowed in the general rates of other programs) could result in the Company overpaying for the DR resource. Staff believed that instituting an incentive structure with annually increasing costs while the resource provides declining avoided costs (as Company forecasts the ILC will) may appreciably degrade the cost-effectiveness of the ILC.

In sum, Staff recommended that the Company maintain the flat incentive structure at the proposed 2024 levels of $32.50/kW for the Base Incentive Rate. As a result, the Bonus Incentive Rate would remain at the existing 2024 levels of $39.00/kW. Staff also recommended approval of the proposed increase to the VEERP rate to foster additional participation in voluntary events—not as a means of addressing future inflation.

2. Program Management

Despite the lack of significant changes to the ILC for the last ten years, Staff recognized that the Company may need to adjust the ILC in the future. Staff noted that the Agreement allows for two-hour or a real-time notification of called events to be provided to participants, instead of the four-hour notification currently provided. The Application indicated that the Company intends to provide four-hour notice throughout the 2024 season, but will discuss changing to two-hour or real-time notice with participants if it determines such adjustments are necessary. However, Staff noted that the ILC does not currently operate under a tariff and no process exists for the Commission to otherwise review changes to the ILC.

Although the Company advocates for managing changes to the ILC via the Flexible Tariff process applicable to the Company's Wattsmart Battery and Wattsmart Business DR programs, Staff had several concerns with this proposal.[1] First, the Flexible Tariff process is uncommon for DR programs in Idaho. Generally, other utilities must apply to the Commission for approval of proposed changes to DR programs. The few programs operating under the Flexible Tariff process are relatively new and frequent adjustments to them are expected. The ILC program is more than a decade old and has seen few changes over that time. Additionally, Staff was concerned that the Flexible Tariff process is not sufficiently transparent for proposed changes to be effectively scrutinized, noting that the Company's website did not even provide complete information about the ILC incentive rates as the Flexible Tariff process would require.

Instead of applying the Flexible Tariff process, Staff recommended directing the Company to draft a new schedule with all provisions used in existing Company tariffs and program parameters defining the ILC. Future changes to the ILC would be processed as Tariff Advices or via separate applications. Staff has been working informally with the Company to create a tariff schedule for the ILC, but anticipated additional necessary changes to the schedule depending on the precise contents of the final order. Thus, Staff recommended directing the Company to file the new tariff schedule for the ILC, along with the updated contract with Enel X, as a compliance filing reflecting the contents of the Commission's final decision.

IIPA COMMENTS

Despite generally supporting the Company's proposed changes to the monetary incentive structure, the IIPA believed that the proposed 2.5% annual increase was insufficient. According to the IIPA, inflation increases the benefit of the ILC to the Company while reducing the benefit participants receive. In support of this contention, the IIPA noted that inflation results in not only increased costs for irrigators, but also greater economic losses due to reduced yields of high valued crops due to suboptimal irrigating. The IIPA acknowledged that the proposed 2.5% annual increase represents a reasonable estimate of inflation over the next five years, but was concerned that inflation could exceed the forecasted rate. Accordingly, the IIPA recommended annual updates to the incentive rates pegged to the Consumer Price Index for the prior 12 months. The IIPA believed

[1] The Flexible Tariff process facilitates updates to the terms and conditions of certain DR rebate programs via informal communications with Staff. After notifying Staff of the proposed changes and resolving any concerns, the company notifies customers through its website and updates the rebates after 45 days.

this method will adequately balance the costs and benefits of the ILC with a minimal administrative burden.

COMPANY REPLY COMMENTS

The Company agreed with Staff's recommendation to approve the ILC for an initial five-year term and require an application prior to expiration of the initial term seeking approval to extend it for an additional five years. The Company also agreed to submit a new tariff schedule for the ILC as a compliance filing.

However, the Company disagreed with both Staff and the IIPA's recommendations related to the annual increase in the monetary incentive structure. The Company believed its proposed incentive structure will encourage participation, account for participation costs, maintain cost-effectiveness, and ensure continuity for Idaho and Utah irrigators. The Company also noted that its contract with Enel X tied administrative costs to the proposed incentive structure. Thus, imposing an alternative incentive structure would necessitate a potentially months-long renegotiation of that contract that may increase contract costs.

DISCUSSION AND FINDINGS

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* §§ 61-501, 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 law, and to fix the same by order. *Idaho Code* §§ 61-502 and -503. The Commission may enter any final order consistent with its authority under Title 61.

Based on our review of the record, we find it reasonable to approve the Agreement and the adjustments to the ILC described therein with some modifications described below. The ILC has provided the Company with a cost-effective DR resource. However, declining participation can threaten the continued viability of the ILC. Increasing the monetary incentive offered to ILC participants is a reasonable means of addressing declining ILC participation. However, incorporating annual increases into the general incentive rate structure to address inflation is not only something we have not authorized for other programs, but also creates a risk of the Company overpaying for this DR resource in the future. Accordingly, we approve the Company's request to increase the monetary incentive provided to ILC participants, but only to the proposed 2024 levels of $32.50/kW for the Base Incentive Rate, $39.00/kW for the Bonus Incentive Rate, and

$0.38/kWh for the VEERP. No additional future increases to the incentive rates to address inflation are authorized. Although this may result in some additional immediate expense to the Company from renegotiating the contract with the third-party administrator of the ILC, approving future increases to the incentive structure could result in the Company overpaying for this DR resources for multiple years and possibly offering a DR program that is not cost-effective.

Furthermore, considering the ILC's history of declining participation and forecasted decrease in avoided costs, we find it reasonable to approve only the first five years of the Company's contract with the ILC's third-party administrator. If the Company wishes to exercise the option to extend the contract for an additional five years, the Company must apply for approval before the initial five-year term expires. The results of the increased monetary incentives and overall cost-effectiveness of the ILC can be evaluated at that time and additional adjustments made, if necessary.

To facilitate greater transparency and scrutiny of future proposed adjustments to the ILC, we find it reasonable to require the Company to work with Staff to create a tariff schedule for the ILC. This new tariff schedule should be submitted as a compliance filing within 30 days of the issuance of this final order. After submission and approval of this new schedule, future adjustments to the ILC will be pursued via Tariff Advices or applications filed with the Commission.

ORDER

IT IS HEREBY ORDERED that the Company's new contract with Enel X is approved for five years, contingent upon implementation of the provisions of this Order.

IT IS FURTHER ORDERED that the Company's request to increase the monetary incentives provided to participants in the ILC is approved. However, this increase is limited to the proposed 2024 levels of $32.50/kW for the Base Incentive Rate, $39.00/kW for the Bonus Incentive Rate, and $0.38/kWh for the VEERP. No additional increases are approved.

IT IS FURTHER ORDERED that, if the Company wishes to extend the contract with Enel X for an additional five years, the Company must apply to the Commission for approval of such extension before the initial five-year term expires.

IT IS FURTHER ORDERED that the Company work with Staff to create and submit a tariff schedule for the ILC within 30 days of the issuance of this final order.

IT IS FURTHER ORDERED that all future modifications to the ILC shall be pursued via Tariff Advice or application filed with the Commission.

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. 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 28th day of May 2024.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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