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IDAHO PUBLIC
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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**
	)	**COMMENTS OF THE COMMISSION STAFF**

COMMISSION STAFF ("STAFF") OF the Idaho Public Utilities Commission, by and through its Attorney of record, Adam Triplett, Deputy Attorney General, submits the following comments.

BACKGROUND

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. The Company represents that its contract with Enel X (the third-party administrator of the ILC) is ending, necessitating the formation of a new, updated contract.

The Company represents that the proposed new, updated contract defines not only the specific services Enel X will perform in connection with the ILC, but also the pricing for the ILC.

The Company represents that the ILC has changed little over the last decade and anticipates few changes going forward.

The Company represents that the new, updated contract with Enel X will increase the monetary incentives for ILC participants by 30%, with subsequent annual increases of 2.5%. The Company believes these increases are necessary to avert, and possibly reverse, the declining participation in the ILC experienced during the last decade.

In its Notice of Application, Order No. 36095, the Commission suspended the requested effective date until May 31st, 2024.

STAFF ANALYSIS

In its Application, the Company states that the updated contract maintains the overall pay-for-performance structure of the previous contract. The Company's contract consists of a Master Professional Services Contract Agreement ("MSA") and a Task Order Release Agreement ("TOA"). The TOA has an initial five-year term, with the option to extend it an additional five years. Application at 3. The proposed contract includes the same mandatory event window, voluntary event window, incentive components, and calculation methodologies as the previous program. In addition, the Company describes two adjustments to the existing ILC program. These adjustments are described by the Company as increased incentives and contract changes that allow for the addition of different notification options. Application at 7 and 9. In addition to these changes, Staff reviewed the program's contract, forecasted cost-effectiveness, forecast assumptions, and program management practices.

In general, Staff believes that the ILC program will continue to provide a valuable and cost-effective Demand Response ("DR") resource for the Company's system. However, Staff's review suggests several areas of the ILC program where additional improvements could be made for the continued program. Staff recommends that the Commission approve the initial five-year contract pending an update to the contract that reflects Staff's proposed incentive structures for the Base Incentive Rate. The Company stated in its Application that it can make necessary adjustments to the TOA contract for incentives, dispatch parameters, and other program design elements; therefore, Staff does not anticipate issues with updates to the contract. Application at 7. Pending the Commission's final order, Staff recommends the Company provide the updated contract and a new tariff schedule in a compliance filing.

Additionally, if the Company intends to extend the contract beyond the five-year term, Staff recommends that the Commission order the Company to file a case for approval to extend the contract. The filing should be accompanied by supporting data and analysis for any adjustments the Company may propose.

Incentive Structure

While the majority of the program remains unchanged, the Company's Application describes changes to the incentive structure. The primary difference between the existing program and proposed program is a change from a flat incentive to a structure that increases annually by 2.5%. The Company states that the annual increase is based on inflation affecting irrigator participation and negotiations with the program administrator.[1] Response to Production Request No. 1. Additionally, in response to Staff discovery, the Company described an increase to the Voluntary Event Energy Reduction Payment ("VEERP") Rate with a similar basis. The Company did not propose any increase to the equivalent Mandatory Event Energy Reduction Payment ("MEERP"). A summary of all the Company's proposed incentive components and the associated rates is provided in Table No. 1 below.

<u>Table 1: Proposed ILC Incentive Components</u>

<table>
<tr><th>Program Year</th><th>Base Incentive Rate ($/kW)</th><th>Bonus Incentive Rate ($/kW) *if Customer Participates in all Mandatory Events</th><th>MEERP</th><th>VEERP</th></tr>
<tr><td>2024</td><td>$32.50</td><td>$39.00</td><td rowspan="3">$0.075/kWh</td><td rowspan="3">$0.38/kWh</td></tr>
<tr><td>2025</td><td>$33.31</td><td>$39.98</td></tr>
<tr><td>2026</td><td>$34.15</td><td>$40.97</td></tr>
</table>

[1] The pay-for-performance structure of the program extends to the contract with Enel X. Program administration cost is a function of incentives paid to program participants. Response to Production Request No. 1.

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 is concerned with the Company's proposed incentive adjustments intended to account for the effects of inflation. These adjustments are present in the Base Incentive Rate annual increase and the 100% increase to the VEERP. Generally, the Commission has not allowed forecasted inflation to be included in general rates or other programs. Staff believes that by including these forecasted increases in its proposed incentive adjustments, the Company may overpay for the performance of its Demand Response resource.

Annual Incentive Increase

For the Base Incentive Rate, the Company is proposing a 30% increase over the current program offering. Staff believes that this increase is significant and may result in the desired increase in participation. The proposed annual increase of 2.5% applied each year could lead to increases in incentives even if they are not needed. Staff recommends 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 will be maintained at the existing 2024 levels of $39.00/kw.

It may still be necessary for the Company to periodically make adjustments to its incentives to maintain or encourage participation. The Company should actively monitor the program participation and performance to make necessary changes as required. These changes may include, but should not be limited to, increased incentives. Staff expects this recommendation will increase the cost-effectiveness of the program in later years.

Additionally, Staff is concerned with declining avoided costs used in the Company's forecast. Annually increasing costs and declining avoided costs could significantly degrade the cost-effectiveness of the program over time. Avoided costs are also regularly updated as part of the Company's Integrated Resource Planning process. Potential future avoided cost updates could further affect the cost-effectiveness of the program.

VEERP Rate Increase

The Company states that the doubled incentive, or 100% increase, from $0.19/kWh to the VEERP rate of $0.38/kWh, is intended to further encourage participation in voluntary events and to account for inflation across the 10 years of the total contract period. *See* Response to Production Request Nos. 1 and 6. Staff disagrees with the stated basis for the increase of accounting for inflation; however, Staff agrees that an increase is necessary to increase participation in Voluntary events. Staff analysis of 2022 ILC program DR events suggests that participation is much lower than mandatory events. The proposed increase to the VEERP rate results in a VEERP rate about five times greater than the equivalent MEERP of $0.075/kWh. Staff believes that this is a reasonable differential between the two rates and should sufficiently encourage participation in voluntary events and system emergencies. Staff recommends that the Company monitor the participation of voluntary events and consider alternative adjustments if additional participation is needed.

Program Management

In its Application, the Company describes that while the ILC program hasn't seen significant change in the past 10 years, the Company may still need to make adjustments over the course of the contract. Notably, the Company explains that it has modified the contract to allow for a two-hour notification or a real-time structure option in future years but is still evaluating these options. Currently, there is no tariff for the ILC program or process for the Commission to review changes to the program.   In its response to Production Request No. 18, the Company advocates for the use of its Flexible Tariff process. Staff has identified several concerns with the proposed method detailed below.

The Company's Flexible Tariff is primarily used for the Company's energy efficiency rebates. These project specific rebates are expected to change often at the Company's sole discretion. The Flexible Tariff format allows the Company to update program details such as qualifying equipment and services, incentive amounts, dates for incentive availability and other terms and conditions through a streamlined process with Staff. The Company provides notice to

Staff and resolves any concerns through informal communications. The Company then provides notice on the Company's website and updates the rebates after 45 days. Because of the long term-nature of the contract, interrupt ability to customers service, and the ongoing nature of participant engagement, Staff believes that the ILC program does not demonstrate the same need for a Flexible Tariff as an energy efficiency offering. Additionally, the ILC Program has remained relatively unchanged over the course of the program history and has not demonstrated the need for frequent changes.

While the Company currently manages the Wattsmart Battery and Wattsmart Business demand response programs with a similar Flexible Tariff, this practice is uncommon for Idaho utility DR programs. All other utilities must file an application with the Commission to change their DR programs. Additionally, the two existing DR programs currently managed through a Flexible Tariff have notable differences from the ILC program. The Wattsmart Business Program was recently approved and the Wattsmart Battery program is currently offered as a pilot and both are expected to make frequent changes as the program develops. Staff believes that the Flexible Tariff process for making adjustments to its ILC program does not allow for sufficient transparency or scrutiny of proposed changes.

Additionally, Staff's discovery suggests several inconsistencies between the Company's website and the current program offerings. In response to Production Request Nos. 3, 4, and 6, the Company provides details and clarification of the Bonus Incentive Rate, MEERP, and VEERP incentive components that are present in both the current and proposed program but are not detailed on the website as of April 15, 2024. Table No. 2 below reflects the Compensation information available to customers on the Company's ILC program webpage. It is important for customers to have access to accurate and up-to-date information regarding compensation for their participation in the Company's programs.

Table 2: Current ILC Compensation Information Displayed on Company Webpage

Average Expected kW per Pump	**Base Incentive Rate ($/kW)**		**Bonus Incentive Rate ($/kW) * if program is >125 MW**	
	Utah	Idaho	Utah	Idaho
Over 100 kW	$25	$23	$27	$25
Under 100kW	$21	$19	$23	$21

For the reasons described above, Staff recommends that the Commission direct the Company to create a new schedule for its ILC program. This schedule should contain all necessary sections used in existing Company tariff schedules[2] and all program parameters necessary to completely define the program.[3] Any necessary changes to the ILC program, including any changes to the event notification time, should be pursued according to IDAPA 31.01.01 Rule 134 Tariff Advices or by filing an application with the Commission. Staff believes that the tariff advice process will allow for proper transparency of changes to the program by establishing a record with the Commission for public review, allow for changes to be elevated to cases if additional scrutiny is needed, and still allow the Company to make minor adjustments in a timely manner. By creating a new tariff schedule, customers will have access to multiple sources of information.

In discussions with the Company, Staff discussed adding the ILC program to a new tariff schedule and the Company was amendable. Staff has been working with the Company informally to create a new tariff schedule for the ILC control program; however, a final tariff has yet to be agreed upon. Additionally, Staff anticipates that additional changes will need to be incorporated into the tariff schedule depending upon the Commission's final order on Staff's recommendations. Therefore, Staff recommends the Company file the new tariff schedule in a compliance filing, along with the updated contract, that reflects the Commission's final decision.

[2] I.e., applicability, purpose, program description, customer participation, provisions of service, and electric service regulation statements.
[3] I.e., definitions of all relevant terms, details of all relevant incentive calculations, table of all incentive component rates, event notification parameters, mandatory and voluntary season timeframes, and any other information needed to define the program.

STAFF RECOMMENDATIONS

Based on its analysis of the Company's Application, supporting material, and discovery requests, Staff recommends the Commission issue an order:

1. Approving the contract for continuing the ILC program for the first five years of the contract pending an update implementing Staffs other recommendations;
2. Ordering the Company to file a case before the end of the initial five-year term for Commission approval if the Company intends to extend the contract beyond the five-year term;
3. Directing the Company to maintain a flat incentive structure based on the proposed 2024 Base Incentive Rate and Bonus Incentive Rate; and
4. Directing the Company to create a new schedule for ILC program and file it in a compliance filing.

Respectfully submitted this 18th day of April 2024.

Adam Triplett
Deputy Attorney General

Technical Staff: Jason Talford

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18th DAY OF APRIL 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-24-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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