

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: MARCH 12, 2009

SUBJECT: IDAHO POWER COMPANY'S APPLICATION FOR APPROVAL OF AN AGREEMENT TO IMPLEMENT A COMMERCIAL DEMAND RESPONSE PROGRAM; CASE NO. IPC-E-09-02

On March 2, 2009, Idaho Power Company ("Idaho Power" or "Company") filed an Application with the Commission seeking approval of an agreement with EnerNOC ("EnerNOC") to implement a voluntary demand response program for its commercial and industrial customers.

THE AGREEMENT

The Application describes the commercial demand response program ("Program") as a voluntary program "targeting Idaho Power's commercial and industrial customers that are willing and able to reduce their electrical energy loads for short periods (two to four hours) during summer peak days." Application at 1-2. Program participants will receive compensation for voluntarily reducing their loads. *Id.* at 2. The Program will be extended to Schedule 9, Schedule 19 and Special Contract customers with an average summer billing demand of at least 200 kW. *Id.*

The Company selected EnerNOC through a "competitive RFP process to implement the Program on a turn-key basis." *Id.* EnerNOC will be responsible for the Program's implementation and operation, including:

1. Entering into contracts with individual Idaho Power customers to reduce their loads when requested by EnerNOC;
2. Marketing plans;
3. Securing participants;

4. Installing and maintaining all equipment, aside from the meter, used to reduce demand;
5. Tracking participation; and
6. Reporting results to Idaho Power.

Id. Idaho Power will “initiate demand response ‘events’ by notifying EnerNOC, who will, in turn, supply the requested load reduction to the Idaho Power system.” *Id.*

EnerNOC will make incentive payments based on the reduction in demand each customer agrees to provide to the Idaho Power system. *Id.* at 3. These payments will occur monthly based upon predetermined reductions and “event-based payments based on actual kWh energy reductions.” *Id.* EnerNOC will conduct energy audits to identify potential areas for demand reduction. *Id.* There is no monthly fee for program participation. *Id.* Some participants may need to install “pulse initiated metering” and EnerNOC has agreed to reimburse Idaho Power for the cost of installing this type of metering system and for the cost of the individual meter. *Id.* All participants will be able to track their historical and real-time energy use and demand reductions via a web portal. *Id.*

The Application states that the term of Idaho Power’s agreement with EnerNOC begins on February 23, 2009 and extends five years from that date. *Id.* However, it also states that the Agreement is contingent upon Commission approval without material change or condition. *Id.* at 5. The amount Idaho Power has agreed to pay in consideration for EnerNOC’s services are based upon the “value to Idaho Power of delivered capacity and energy reductions.” *Id.* at 3. The Agreement includes a liquidated damages provision should EnerNOC fail to achieve a predetermined level of performance. *Id.*

EnerNOC has committed to deliver a certain amount of demand reduction for the Idaho Power system which varies “from a lower bound of 2 MW and upper bound of 35 MW in 2009, to a lower bound of 35 MW and upper bound of 65 MW in 2013.” *Id.* at 4. The targets for demand reduction for each year of the contract term (2009-2013) “are 2 MW, 30 MW, 40 MW, 50 MW, and 50 MW, respectively.” *Id.* The parties assume that the Program will be implemented by April 2009. *Id.*

The Agreement stipulates that Idaho Power shall be empowered to initiate a “program event” “between 2 p.m. and 8 p.m. on any non-holiday weekday day between June 1 and August 31 of each program year,” which will then obligate “EnerNOC to reduce customer demand by the agreed

upon amount.” *Id.* Idaho Power is limited to one “event” per day, a total of 20 events per season, totaling no more than 60 hours and with a duration between 2 and 4 hours per event. *Id.* Idaho Power is required to give at least two hours notice to EnerNOC prior to the initiation of an event. *Id.* Notice to EnerNOC from Idaho Power will be via an electronic dispatch signal and EnerNOC will then notify individual customers by telephone or e-mail. *Id.* EnerNOC will notify customers once an event is terminated. *Id.*

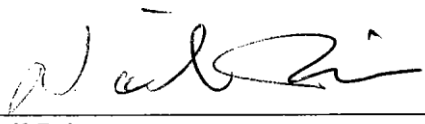
The Application states that the total cost of the Program is approximately \$12.2 million over the life of the contract, varying from approximately \$315,000 in the first year of the Program to approximately \$3.5 million in its final year. *Id.* at 5. Idaho Power estimates that 85 percent of Program costs will be associated with Capacity Payments to EnerNOC, 6 percent for Energy Payments to EnerNOC and 9 percent for Idaho Power administrative costs. *Id.*

The Program was reviewed by Idaho Power’s Energy Efficiency Advisory Group (“EEAG”) and presented at a meeting with the Industrial Customers of Idaho Power. *Id.* The Application contains a cost-effectiveness analysis as an attachment. *Id.* The Company proposes that Program costs be recovered from Energy Efficiency Rider funds, or, “if the Commission decides in the remaining portion of the Irrigation Peak Rewards proceeding . . . that the costs of the Irrigation Peak Rewards Program should be recovered through the Power Cost Adjustment [(“PCA”)],” that Program costs should likewise be recovered through the PCA. *Id.* at 6.

Finally, the Company requests that the Application be processed through Modified Procedure “as expeditiously as is reasonably possible.” *Id.*

COMMISSION DECISION

Does the Commission wish to process Idaho Power’s Application for approval of its Agreement with EnerNOC to implement a voluntary commercial demand response program through Modified Procedure with a 30-day comment period following a Notice of Application and Modified Procedure?



Neil Price
Deputy Attorney General

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