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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR APPROVAL) **CASE NO. IPC-E-09-02**
OF ITS AGREEMENT WITH ENERNOC TO)
IMPLEMENT AND OPERATE A VOLUNTARY) **COMMENTS OF THE**
COMMERCIAL DEMAND RESPONSE) **COMMISSION STAFF**
PROGRAM.)
)
)

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 30755 submit the following comments.

BACKGROUND

The Idaho Public Utilities Commission ("IPUC") received an Application from Idaho Power Company ("Idaho Power" or "Company") on March 2, 2009 seeking approval of an agreement with EnerNOC ("EnerNOC") to implement a voluntary demand response program ("Program") for its commercial and industrial customers. The term of this agreement began on February 23, 2009 and extends five years from that date. However, the agreement is contingent upon Commission approval without material change or condition. The anticipated 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. Idaho Power estimates that 85 percent of Program costs will result from Capacity Payments to EnerNOC, 6 percent from Energy Payments to EnerNOC, and 9 percent from Idaho Power administrative costs. The Program was reviewed with Idaho Power's Energy Efficiency Advisory Group ("EEAG") at its October 2008 meeting and presented in February 2008 to a meeting of the Industrial Customers.

PROPOSAL

Through a competitive Request for Proposals (RFP) process, Idaho Power selected EnerNOC for a five-year contractual term to implement the voluntary commercial and industrial Program. EnerNOC is a company that Idaho Power says has successfully implemented similar programs for other utilities throughout the country. EnerNOC is responsible for developing and implementing all marketing plans, securing all participants, installing and maintaining all equipment downstream of the meter used to reduce demand, tracking participation, and reporting results to Idaho Power. EnerNOC will target Idaho Power's commercial and industrial customers that are willing and able to contractually agree to reduce their electrical energy loads when they are called upon to do so for short periods (two to four hours) during summer peak load. EnerNOC will determine what number of customers to target within each customer class (Primary, Secondary, and Transmission) that will provide Idaho Power with the contracted amount of demand reduction. The Program is available to Schedule 9, Schedule 19, and Special Contract customers with at least 200 kW of average summer billing demand. EnerNOC will make incentive payments to Program participants based on the reduction in demand each customer commits to provide to the Idaho Power system. In exchange for EnerNOC facilitating Idaho Power's request for load reduction on a firm basis during the summer peak months, Idaho Power will pay a capacity payment at a predetermined price to EnerNOC for the annual number of specified megawatts. The capacity payment is not dependent on the number of events or the number of total event hours called. However, the variable energy payment to EnerNOC is based on the number of events called per season and the length of the event periods.

Depending on existing customer metering, EnerNOC will notify Idaho Power when customers sign up for the program but do not have a pulse initiated meter device. Once Idaho

Power receives this notice, it will install the data pulse equipment that is necessary for Idaho Power and EnerNOC to monitor customers load. The data pulse equipment installation requires two key components, one of which is the pulse output board which may not need to be installed depending on whether the customer has already requested the device from Idaho Power. The other is the weatherization box that houses the contacts for connection to the EnerNOC equipment. The pulse output board will transmit a signal to EnerNOC, allowing the Company and its customers to access a password protected web-based EnerNOC portal which displays real-time and historical information on energy use and demand reductions.

The cost of the pulse output board is expected to be about \$50 dollars and the cost of the weatherization box is expected to be about \$13 dollars. The customers participating in the program will all need the weatherization box, however since several of the large industrial customers have already requested the pulse output board device for managing their internal real time usage through the portal, this device may not be necessary. Idaho Power estimates that about 20% of program participants will need pulse initiated devices installed for the 2009 summer. As the program matures it is estimated that no more than 50%-60% of program participants will need pulse initiated devices by the final year. Since most of the labor is travel time, Idaho Power anticipates the labor costs to be about the same regardless of whether it is installing the pulse-output board and the weatherization box, or just the weatherization box. Idaho Power has estimated its total labor time to take no longer than about 4 hours at an estimated cost of \$237 dollars regardless of whether the pulse output board is being installed or both the pulse output board and weatherization box. EnerNOC will reimburse Idaho Power for all the costs associated with the pulse initiated metering device and installation. However if material and labor costs are estimated to be more than \$300 dollars per site, Idaho Power will notify EnerNOC in advance for their approval prior to any work being completed.

Idaho Power will have the ability between the hours of 2:00 p.m. and 8:00 p.m. of any non-holiday weekday between June 1 and August 31 of each program year/season, to initiate a "program event", for which EnerNOC will reduce customer energy use by the agreed upon amount. The agreement allows Idaho Power to require demand reduction up to sixty hours per season with up to twenty events per season. Idaho Power's dispatchers and response specialists will work together to determine the "qualifying factors" and parameters for calling a demand response event. Idaho Power will ensure that each of its three demand response programs

(commercial, irrigation, and residential AC) are being called in order of timing and duration that provides the most benefit from each program, as well as to the Company and its customers. As designed, the Program puts the responsibility for successfully acquiring energy savings on EnerNOC, similar to Idaho Power making arrangements to purchase peak day power on the market from a third party. EnerNOC guarantees the delivery of a certain amount of demand reduction to Idaho Power and will pay liquidated damages under the terms of the five-year agreement if committed levels of performance are not achieved. The targets for demand reduction for each year of the contract term are 2 MW in 2009, 30 MW in 2010, 40 MW in 2011, 50 MW in 2012, and 50 MW in 2013. However, the 2 MW target demand reduction for 2009 assumes a Program implementation by April 2009.

Idaho Power plans to conduct interim individual post-event evaluations, as well as long-term full impact and process evaluations once the Program has reached maturity. For individual events, Idaho Power's energy efficiency analysts and evaluators will reconcile individual event data with reported results from EnerNOC using 15 minute interval data for the duration of each Program event and for each individual customer to ensure each event is performing as reported. In addition to internal evaluations, Idaho Power plans to utilize a third-party to conduct impact and process evaluations regarding Program delivery, customer satisfaction, true-up Program savings, and overall Program success following the summer immediately following the first summer of full Program maturity, expected to be in 2011. Idaho Power is committed to the full five-year contract term, therefore if at any time the Program is found to be unsuccessful and/or not cost effective, Idaho Power and EnerNOC must work together to make any Program changes necessary for Program success through the remaining length of the five-year contract.

SUMMARY

Idaho Power appears to have reasonably evaluated the benefits and costs of this Program. In particular, the Company's Application and responses to production requests include the:

- 1) programs projected cost effectiveness between .51 in the first year to 1.12 in the final year;
- 2) reasoning for the selection of EnerNOC in the RFP process;
- 3) rationale for negotiating the number of events and event durations specified in the contract;
- 4) plan for managing the contractual number of events and event durations and how other demand response programs will

be integrated; 5) approximation of 'snapback'¹; 6) anticipated maximum number of additional meters and costs of meters for 2009; and 7) description of how it will conduct post implementation evaluations and confirm demand savings. As with all the demand side management programs, Staff will fully review the prudence of the Program after the Company has implemented and at least preliminarily evaluated this Program.

RECOMMENDATIONS

Staff recommends that the Commission approve the agreement between Idaho Power and EnerNOC to implement a commercial demand response program.

Respectfully submitted this 13th day of April 2008.



Neil Price
Deputy Attorney General

Technical Staff: Matt Elam
Lynn Anderson

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¹ Shifted energy following a demand response event due to the catch up effect of cooling loads or industrial processes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13TH DAY OF APRIL 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-09-2, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE