

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 2, 2022**

REGULAR _____ CONSENT X EFFECTIVE DATE April 15, 2024

DATE: March 25, 2024

TO: Public Utility Commission

FROM: Eric Shierman

THROUGH: JB Batmale and Sarah Hall **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. ADV 1543/Advice No. 23-12)
Update to Schedule 76 for commercial and industrial demand response
Flex Peak Program.

STAFF RECOMMENDATION:

Approve Idaho Power Company's Advice No. 23-12.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve Idaho Power Company's (Idaho Power or the Company) modifications to Schedule 76.

Applicable Rule or Law

Under ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025.

According to ORS 757.220 and OAR 860-022-0015, filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change.

OAR 860-027-0310 encourages energy utilities to acquire cost-effective conservation resources. Energy utilities may apply for Commission approval of programs designed to promote the acquisition of cost-effective conservation resources.

Under OAR 860-027-0310(2), the Commission reviews proposed programs and modifications to programs to consider whether the program (1) includes cost-effective measures, incents cost minimization, and is not easily manipulated by the utility; (2) is predictable; (3) is simple; and (4) fairly allocates risks and rewards between shareholders and ratepayers, minimizes cross-subsidization by non-participants, and does not impose rate pressure.¹ In developing cost-effective conservation programs, energy utilities may balance the emphasis given to each policy listed above. Greater focus on one policy may come at the expense of another policy if the whole proposal is reasonable.

Order No. 94-590 in Docket No. UM 551 establishes guidelines for cost-effectiveness of energy efficiency measures.

Analysis

Background

The Company's Schedule 76 Commercial and Industrial Flex Peak Program, launched in 2009, allows commercial and industrial customers that can offer a load reduction of at least 20 kW to participate in a demand response (DR) program. When the Company calls a DR event, referred to as a Load Control Event in the tariff, Schedule 76 participants are expected to manually reduce their nominated load or have it reduced remotely by direct control from Idaho Power. Participants are notified four hours before each event and expected to adjust their nominated load for up to four hours during the DR event called by the Company, in return for earning a financial incentive. A customer who fails to meet the nominated load reduction during a Load Control Event is subject to a \$2 per kW charge.

Idaho Power is a regional leader in acquiring DR from customers. The Flex Peak Program reduced 32.9 MW of peak load in 2023.² This represents 13.7 percent of the 240.2 MW of peak load Idaho Power reduced from DR programs last year.³ Together, the Company's portfolio of DR provides a low-cost capacity resource in the Preferred Portfolio of the 2023 Integrated Resource Plan. Idaho Power plans to procure an additional 160 MW of DR nameplate capacity.⁴

¹ OAR 860-027-0310(2)(a)-(e).

² Idaho Power. *Demand-Side Management 2023 Annual Report* March 15, 2024, p 126.

³ Flex Percentage ES.xlsx, cell C6.

⁴ See Docket No. LC 84, Idaho Power, 2023 IRP, September 2023, Appendix C, p 42.

Summary of Proposed Changes

The Company proposes four changes to Schedule 76, including:

1. Replacing the performance penalty with a tiered incentive,
2. Replacing the Performance Adjustment Waiver with a performance exception for device failure,
3. Creating a performance exception during system outages, and
4. Establishing advanced notification.

Tiered Incentive

Idaho Power proposes to replace the Incentive Adjustment penalty with a Fixed Capacity Payment Rate. The new payment will have a tiered structure.

Figure 1: New Payment Structure, Table 1 in Advice No. 23-12

<i>Average Season Performance Percentage</i>	<i>Fixed Capacity Payment Rate per kW</i>
75% - 120%	\$3.25
50% - 74.99%	\$2.44
25% - 49.99%	\$1.63
Greater than 0% - 24.99%	\$0.81

The Company would then be paying for higher performance rather than penalizing poor performance with a \$2 per kW per hour downward adjustment. This will better align variation in incentives with performance.

The Company proposes these changes in order to increase participation. Oregon customers have been responsible for approximately 11 MW, or 28 percent, of this program's capacity.

Performance Waiver

For customers participating in the Automatic Dispatch Option, where Idaho Power has direct control of the customer's load, the Company proposes to replace the Incentive Adjustment Waiver with a Performance Waiver when the Load Control Device fails. This aligns the preexisting waiver to the new tiered payment structure.

Accounting for Outages

Idaho Power proposes to update the definition of the "Day of" Load Adjustment to include a contingency for when there is an outage during a load control event day. This will cover both planned and unplanned outages. This provision is intended to provide the Company flexibility to accurately calculate load reduction and customer incentives if a loss of load occurs.

Advanced Notification

For customers that can nominate 3 MW of load, Idaho Power proposes to add advanced notification beyond four hours. By offering this to large load customers, the Company believes it may incentivize current participants to nominate more load and/or incentivize non-program participants to enroll in the Flex Peak Program.

Cost Effectiveness

Based on estimated 2022 DR season costs of \$44 per kW per year and the \$51.425 cost-effectiveness threshold calculated in the Company's filing in Docket No. ADV 1355, Idaho Power believes the proposed changes will not impact the cost-effectiveness of this program. The maximum incentive amounts are not changing.

Stakeholder Engagement

Idaho Power presented the Tiered Fixed Capacity proposal at the August 17, 2023, Energy Efficiency Advisory Group ("EEAG") meeting. An EEAG member suggested applying the tiered methodology on a per event basis rather than using the average actual kW reduction. Prior to finalizing Advice No. 23-12, the Company evaluated this suggestion, found no material change, and did not implement it.

Reason for Staff Recommendation

Staff recommends the Commission approve Idaho Power's proposal, because these changes are reasonably expected to improve program participation in the Company's commercial and industrial DR program. Idaho Power has a proven track record for managing DR programs effectively. These changes reflect the Company's operational learnings from developing this demand-side capacity resource.

Conclusion

Staff recommends the Commission approve the Company's changes to Schedule 76, including replacing the performance penalty with a tiered incentive, replacing the Performance Adjustment Waiver with a performance exception for device failure, creating a performance exception during system outages, and establishing advanced notification. These changes are expected to build upon historical savings by incenting further participation while remaining cost-effective.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's Advice No. 23-12.