

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT

COMMISSION OF THE STATE OF CALIFORNIA

2008 Order Instituting Informational)
Proceeding and Rulemaking on)
Load Management Standards)

Docket 08-DR-01

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**COMMENTS OF MODESTO IRRIGATION DISTRICT
REGARDING THE DRAFT COMMITTEE REPORT
PROPOSED LOAD MANAGEMENT STANDARDS**

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December 19, 2008

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**COMMENTS OF MODESTO IRRIGATION DISTRICT REGARDING THE
DRAFT COMMITTEE REPORT PROPOSED LOAD MANAGEMENT STANDARDS**

In accordance with the Notice of Efficiency Committee Load Management Standards Workshop on Draft Proposed Standards, the Modesto Irrigation District (“Modesto ID”) hereby files with the California Energy Commission (“Commission”) these Comments (“Comments”) on the Draft Committee Report Proposed Load Management Standards (the “Proposed Standards”) and on Chairman Pfannenstiel’s Proposed Revisions to Draft Load Management Standards: LMS-1, LMS-2, and LMS-6 (“Revisions”)

Modesto ID fully supports the goal of electric load demand reduction and is aggressively deploying advanced metering infrastructure throughout its service territory. In adopting and implementing standards to achieve this goal, Modesto ID urges the Commission to be mindful that all utilities are different and do business differently and will need the flexibility to prepare and follow their own unique business cases in order to successfully achieve critical demand reductions. The Commission’s standards are best designed as guidelines for reaching the general goals mandated by law, and not as prescriptive requirements detailing each activity to be undertaken. Where use of specific equipment or methodologies is required to achieve uniformity throughout the State, these standards must be approved by industry organizations such as American National Standards Institute (“ANSI”) or Institute of Electrical and Electronics Engineers, Inc. (“IEEE”). To that effect, Modesto ID provides these comments on the Proposed Standards and Revisions.

Modesto ID also supports the comments and the revisions to the Proposed Standards and Revisions submitted by the California Municipal Utilities Association (“CMUA”).

I. INTRODUCTION.

Modesto ID is an irrigation district, organized and operated under the laws of the State of California, which undertakes both electric and water operations. Modesto ID is governed by a five-member popularly elected Board of Directors. It is a vertically integrated publicly owned utility providing electric services to over 114,000 customers in California’s economically challenged Central Valley.

Modesto ID is in the process of implementing a full scale deployment project of Advanced Metering Infrastructure (“AMI”) technology to all of its customers. It has committed approximately twenty million dollars (\$20,000,000) to this effort. The AMI infrastructure will be Silver Spring technology which utilizes Smart Grid Networking to support advanced metering and home networking applications. This 2-way technology will include residential meters with full connect/disconnect capability, HAN capability with Zigbee protocol and full time of use (“TOU”) and dynamic rate capability.

The AMI Project was approved by the Board of Directors in 2008 and is expected to be completed by June of 2009. In approving this Project the Board of Directors identified some of the benefits of the program:

“Whereas, some of the benefits to the AMI Program include: automatic meter reading, on demand meter reads, demand response through TOU (time of use) rates, reduced meter program costs, reduced revenue loss by removing old meters, reduced meter tampering, meters will send automatic outage reporting and outage notification for faster power restoration; and

Whereas, the District will realize additional savings in future years as smart grid programs emerge.”

The business case for adopting such an aggressive program was based on labor reductions Modesto ID forecasted to result from AMI. The Board's decision relied on the project pay-back period reflected in this business case. However, Modesto ID also forecasted resource purchase reductions potentially resulting from the demand reduction that might be achieved and factored in this potential reduction in project pay back period. Because this value is unknown and uncertain due to lack of data regarding customer use and reaction to AMI and TOU rate structures, such additional pay-back benefit could only be estimated at best.

Presently, Modesto ID has deployed a pilot project of approximately three thousand (3000) TWACS meters in the community of Mountain House. This successful project has been in place since 2004 and ultimately will be replaced by the new technology.

In addition, Modesto ID has an array of energy efficiency programs that provide customers access to and data regarding mechanisms to achieve savings through conservation and demand reduction. These programs include free home audits, incentives and rebates. Modesto ID provides data regarding these programs on its website¹ and provides additional resource and contact information, including about the Home Energy Rating System, upon request of its customers. Modesto ID also contracts with other agencies to disseminate information regarding its programs to its customers. Modesto ID continues to add new and innovative approaches to provide its customers with low and no cost methods for reducing their energy consumption. Early next year Modesto ID intends to launch a new interactive web-based residential self energy audit that will allow customers to not only conduct an audit on their current situation but also to test the impact and pay back of various alternatives they could invest in.

¹ www.mid.org

II. STANDARDS SHOULD SET COST EFFECTIVE, ACHIEVABLE GOALS, PROVIDING FLEXIBILITY FOR UTILITIES TO ACHIEVE THESE GOALS.

As noted above, Modesto ID has been very proactive in implementing an AMI program, and supports the concepts furthered by the Proposed Standards and the Revisions. However, the Standards as a whole appear overly prescriptive in many areas. Modesto ID believes it would be more productive to establish strong goals and provide a set of general standards or guidelines allowing utilities to determine how to achieve the goals most effectively.

One size does not fit all. All utilities cannot be measured against the practices and findings of the large investor owned utilities. To produce effective demand reductions for all utilities, the standards or guidelines ultimately adopted by the Commission must allow each utility to plan the implementation approach best suited to its circumstances and business case. Different revenue size and consumer demographic, different weather and locale, can all influence business case parameters, dictating the most cost effective load management program for a utility.

Each of the Proposed Standards may require significant expenditures to achieve. Modesto ID agrees that specific measure should not be implemented unless a business case can be made showing that such measures are cost effective with a reasonable pay back period. However, business case methodologies of the largest utilities should not be imposed on differently situated utilities who are not assured cost recovery.

Business cases should not include unproven and unpredictable soft dollar benefits. The potential savings in reduced procurement costs is just such a soft dollar benefit. These “savings” cannot be relied on to justify implementation of specific activities. To reliably forecast the saving that will flow from implementation of any given technology, a pilot must be undertaken, data regarding use and impact collected, and this data must be analyzed. Such pilots and data do

not yet exist for many of the specific measures. There simply is not enough data to determine what real savings are going to be realized.

Likewise appropriate pay back periods should not be predetermined. Pay back periods for specified measures will vary depending on economic and other circumstances such as the life of applicable technologies. For example: if the technology is likely to become obsolete or otherwise need replacement in three to five years, an eight year pay back is not cost effective.

While Modesto ID concurs that technologies adopted by interconnected utilities must be able to communicate among themselves, not all utilities have to offer identical programs to achieve this goal. In cases where interrelationships are impacted by technologies selected for a program, standard technologies or technological protocols may be necessary. In those cases standards that are adopted must be approved by industry organizations such as ANSI or IEEE to insure compatibility with other industry standards. Such industry approval will ensure that the chosen technologies will communicate properly with other aspects of utility operations and will guard against early obsolescence. Specifically, the Open AutoDR standard identified in the Proposed Standards should, before being adopted, be evaluated and approved by IEEE.

Not all demand reduction activities require identical applications by all utilities to protect the grid. Moreover, such unnecessary standardization forces wasteful expenditures that should be avoided. For example, LSM-3 would require subscription to third party broadcast signals to accomplish an end result that equipment already owned and implemented as part of an AMI system could perform. Modesto ID could use its already purchased 2-way AMI system to communicate with the customer in lieu of the approved radio stations required in Proposed LSM-3.

The Commission should recognize that the same demand reduction results can be reached through different mechanisms, and different implementation patterns. Modesto ID is committed

to implementing a successful demand reduction program but in accordance with its business case, takes an incremental approach to doing so. New measures and new technologies will be implemented sequentially, on a case by case basis as the business case for the next phase shows it has become cost effective. In other words, Modesto ID will look at what demand reductions it has achieved with its current implementation, look at what experiential data shows the added benefit of additional measures is likely to be, including data collected regarding the acceptance and use of the measures by its consumers, and determine which measure or combination of measures is likely to achieve the greatest additional demand reduction most cost efficiently.

Smaller utilities may have larger problems achieving the prescriptive measures set forth in the Proposed Standards. For example, LMS-6 requires “a PCD Program”, including customer incentives. Unfortunately, many of the PCD's and enabling technologies are still in their early stages. Smaller POU's do not have the marketing or other staff to develop or generally influence this development. This is true for most developing technologies. Thus, more time should be given to smaller utilities to implement these technologies after they become proven by the larger utilities and the industry, and are cost justified.

Flexibility in the measures taken and available approaches to achieve set goals allows each utility to meet its own business case, choose the most cost effective approach, and implement a program that achieves the greatest results for its own customer base. This can be done without endangering open communication among interconnected utilities or grid reliability.

Regarding energy efficiency measures in Proposed Standards 4 and 5, Modesto ID cautions the Commission not to adopt requirements that could be counterproductive to existing goals. Energy Efficiency goals have been recommended by the CEC as required through AB 2021. With the passage of AB 2021, MID has greatly expanded their energy efficiency program portfolio. In addition to a large list of energy efficient rebates available, new programs

including financing, direct vendor incentives and on-line energy audit/savings calculator will be in place in 2009. Also, with the implementation of the AMI system, MID will be able to become more proactive in addressing abnormal or excessive energy consumption patterns. Again, flexibility is key. Modesto ID agrees that energy efficiency programs and disseminating information regarding the existence and benefits of those programs is important, and continues to build on its existing measures to achieve greater program penetration. However, the solutions offered by the Proposed Standards should not cost utilities and consumers more than programs currently offered by the utilities, without evidence of greater effect. For example the Home Energy Rating System advocated by LMS-4 cost up to \$500 or more per audit for home energy data that is similarly available through free audits provided by Modesto ID and other utilities. This is one place where the value of standardization does not outweigh the added costs. As varied as residential properties are, they cannot all be judged on the same standards; as noted above, one size does not fit all.

Finally, Modesto ID notes that the Proposed Standards and the Revisions outline numerous new reporting obligations that utilities would be required to undertake. Such reporting requirements in and of themselves require significant investment of time and money. Modesto ID encourages the Commission to consolidate and coordinate such reporting requirements with each other and with existing utility reporting mandates to minimize the additional burden so that time and money of utilities can be otherwise spent on achieving goals.

III. RATEMAKING AUTHORITY OF PUBLICLY OWNED UTILITIES MUST BE RECOGNIZED.

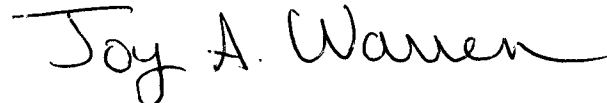
The local governing boards of publicly owned utilities have rate-setting authority for such utilities. The Commission should observe such authority and avoid imposing prescribed rate-setting mechanisms on such boards. The Revisions recognize many of the concerns raised by the

Proposed Standards and Modesto ID would support the Revisions to LMS-1,LMS-2 and LMS-6 over the Proposed Standards.

IV. CONCLUSION

Modesto ID requests the Commission consider Modesto ID's comments herein in light of its proactive attempts to establish a viable load management program. As detailed above, Modesto ID fully supports the goal of electric load demand reduction and is aggressively deploying advanced metering infrastructure throughout its service territory. Modesto ID believes that "load management standards" are best established as guidelines for reaching the general goals mandated by law, and not as prescriptive requirements detailing each activity to be undertaken. Modesto ID also supports the comments submitted by CMUA.

Respectfully submitted, this 19th day of December, 2008.



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CERTIFICATE OF SERVICE

I, Linda Fischer, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On December 19, 2008, I served the attached:

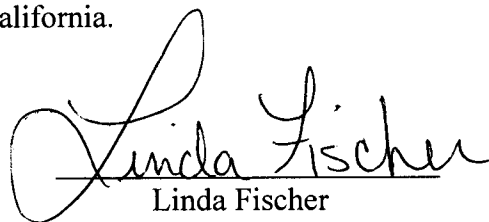
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PROPOSED LOAD MANAGEMENT STANDARDS**

By sending a copy by first-class mail with postage prepaid to:

California Energy Commission
Docket Office, MS-4
Re: Docket No. 08-DR-01
1516 Ninth Street, Sacramento, CA 95814-5512.

A copy was also served by email to the CEC docket office at docket@energy.state.ca.us.

Executed on December 19, 2008, at Modesto, California.


Linda Fischer