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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO )  
POWER COMPANY'S )  
AUTHORITY TO ESTABLISH )  
NEW SCHEDULES FOR )  
RESIDENTIAL AND SMALL )  
GENERAL SERVICE )  
CUSTOMERS WITH ON-SITE )  
GENERATION. )**

**CASE NO. IPC-E-17-13**

**DIRECT TESTIMONY**

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**BENJAMIN J OTTO**

**December 21, 2017**

1 **Q. Please state your name, affiliation, and background.**

2 **A.** My name is Benjamin J. Otto. I am the Energy Associate for the Idaho Conservation League.

3 I hold a Bachelor of Arts from Prescott College, a Masters of Studies in Environmental Law  
4 from Vermont Law School, and a Juris Doctorate from Lewis and Clark Law School. I am a  
5 licensed attorney in the state of Idaho.

6 I began my legal career as a Legal Fellow at Advocates for the West, a non-profit law  
7 firm in Boise, Idaho. In 2010, I joined the Idaho Conservation League (ICL) as the Energy  
8 Associate. My responsibilities include engaging with Idaho's regulated utilities in Integrated  
9 Resource Planning, energy efficiency program development, and other processes that impact  
10 energy conservation and clean energy. I have represented ICL in many Idaho Public Utilities  
11 Commission proceedings over the years including general rate cases and issue specific dockets  
12 filed by Avista, Idaho Power, Intermountain Gas, and Rocky Mountain Power. I assist my  
13 colleagues at ICL to monitor and influence energy development proposals that may impact  
14 Idaho's natural values and communities. As part of my portfolio, I sit on the board of directors  
15 for the Northwest Energy Efficiency Alliance, Renewable Northwest, and I am the Chairperson  
16 of the Northwest Energy Coalition, all non-profit groups working to advance clean energy in  
17 Idaho and across the Northwest.

18 In all of these endeavors, my goal is to ensure Idahoans have access to affordable and  
19 reliable energy that protects the quality of life that makes Idaho special – clear air, clean water,  
20 healthy natural landscapes, and a stable climate.

21

22 **Q. Please summarize your testimony and recommendations.**

1 **A.** My testimony provides the Idaho Conservation League's response to Idaho Power's request  
2 to segregate customers with distributed energy systems. This testimony is based on my  
3 personal knowledge and experience with this issue and provides ICL's policy position in this  
4 docket. In sum, I recommend the Commission:

- 5 1. Deny Idaho Power's request to close Schedule 84 and establish the new Schedules 6 and  
6 8. Idaho Power has not established that the benefit of this request is material enough to  
7 expend the administrative burden and cause the customer chilling impacts of this  
8 customer segregation.
- 9 2. Approve Idaho Power's request to require smart inverters according to industry standard  
10 definitions. It is my understanding that installing these inverters is common practice in the  
11 area already.
- 12 3. Direct stakeholders to begin a process to address the core issue regarding customer  
13 owned distributed generation systems – what costs do these customers cause and what  
14 value do they bring to the system. Because the Integrated Resource Plan process is the  
15 source of avoided costs for demand and supply side resources, I recommend the  
16 Commission direct Idaho Power to conduct this analysis in the context of the upcoming  
17 IRP.

18  
19 **Q. Has the Idaho Conservation League engaged with Idaho Power regarding**  
20 **distributed energy in the past?**

21 **A.** Yes, I have been watching the growth of Idaho's distributed energy sector since 2008.  
22 As a member of Idaho Power Integrated Resource Advisory Committee and Energy Efficiency  
23 Advisory Boards, as well as my work representing ICL before this Commission, I have been

1 involved with the regulatory and planning issues brought by distributed energy since 2009. More  
2 specifically in 2013, ICL participated in Idaho Power's prior request to segregate distributed  
3 energy customers. In that docket, and in every opportunity since then, ICL has asked Idaho  
4 Power to engage in a robust, transparent and inclusive process to consider the value of  
5 distributed energy resources. In fact, in the month just prior to Idaho Power's filing of this  
6 Application, I reiterated directly to the Company ICL's desire to engage in just such a process  
7 at any time.

8

9 **Q. Idaho Power alleges distributed energy users shift costs onto other**  
10 **customers. Do you agree?**

11 **A.** I agree that distributed energy users are different in some respects from other customers.  
12 But I do not agree with Idaho Power's method to measure these differences. Idaho Power uses  
13 the cost of service method in an attempt to capture the costs and benefits of distributed energy  
14 on the system. This method of assessing cost causation on a monthly basis is wholly  
15 inappropriate for considering the value of a long-lived resource. For example, demand side  
16 measures are not valued using cost of service because they deliver long-term benefits to the  
17 utility. Recognizing this fact, stakeholders devised methods to capture the full range of costs and  
18 benefits of demand side measures and use the Integrated Resource Plan process to calculate  
19 these values. Determining the costs and benefits of customer owned distributed generation  
20 requires the same or similar approach.

21 Even if the Company's method was appropriate, the alleged shift today is de minimis  
22 compared to the administrative burden of segregating customers. First, it is important to focus  
23 on the subset costs that are unique to distributed energy system customers. Every customer

1 has the right to control the amount of energy they consume. To the extent a distributed energy  
2 system customer reduces consumption behind the meter they are no different than any other  
3 member of the residential or small commercial class. Any consideration of cost shifting  
4 attributable to behind the meter consumption must include all customers, not just the subset of  
5 distributed energy system owners.

6 It is only the uploading of kwh onto the grid that makes a distributed energy system  
7 customer unique. To determine the possible extent of any cost shifting from this behavior I  
8 examined Idaho Power's response to Staff Data Request #8, which provides hourly load data  
9 for net metering customers with 12 months of data in 2016. From this data set, I found a total  
10 of 2,058,853 kwh of customer produced energy uploading to the grid. To roughly estimate the  
11 value of this excess I apply Idaho Power's Tier I Residential energy rate of \$0.0869 and  
12 calculate a total of \$178,915. This represents 0.035% of the residential class revenue Idaho  
13 Power reports on page 39 of its 2016 Form 10-K of \$514,954,000. This rough estimate of the  
14 alleged cost shift is generous in three ways. First, my calculation assumes all exporting  
15 customers are residential when some are commercial, thereby reducing the percentage of class  
16 total and reducing the urgency of this issue. Second, distributed energy system customers can  
17 only use credits to offset energy costs so many customers can never monetize these excess  
18 credits. Third, a neighbor consumes any excess energy and then pays Idaho Power the full retail  
19 rate. Meanwhile the Company avoids is the costs of generating and delivering that energy from  
20 far-flung plants. Instead of jumping to solutions by segregating customers, I recommend the  
21 Commission use this opportunity to all elements of this dynamic that may incur costs or  
22 provide value for customers.

1 I must also point out that through my experience in general rate cases I have observed  
2 that many potential inequities and cost shifting occur within customer classes already due to the  
3 nature of ratemaking. Rate setting requires making assumptions about cost causation and the  
4 amount of energy each customer will consume. But all parties know there will be wide variation  
5 within the class. For example, Idaho Power's cost of service methodology assumes an  
6 apartment in Nampa is the same as a ranch house in Salmon. Likewise, the Company makes no  
7 attempt to address other observable and predictable differences between members of a class  
8 like:

- 9 • All electric versus gas heated homes
- 10 • Having air conditioning or not
- 11 • Being in mountainous climates or the southern Idaho desert
- 12 • Single family homes versus apartments
- 13 • Electric meters per mile of distribution circuit

14 As a result, costs differences between these identifiable customer segments are socialized in the  
15 ratemaking process because the administrative burden outweighs the benefits of accuracy. If  
16 socializing these costs across huge swaths of customers is appropriate, doing the same for the  
17 small set of distributed energy customers while stakeholders determine more accurate costs  
18 and benefits is appropriate.

19

20 **Q. Why do you recommend the Commission approve Idaho Power's request**  
21 **regarding smart inverters?**

22 **A.** ICL believes that maintaining system reliability is important and that smart inverters on  
23 distributed energy systems is a cost effective means to achieve this goal. We agree with using

1 industry-accepted standards to define the technology instead of mandating a specific product. I  
2 have spoken with several distributed energy installation companies who report using inverters  
3 capable of meeting this standard is common practice in the area. And I know that Idaho Power  
4 has worked with the installer companies to refine this request.

5 Importantly, these smart inverters provide grid support services and increased system  
6 visibility to Idaho Power. I recommend the Commission include these elements of potential  
7 value when outlining any subsequent process to value distributed energy systems.

8

9 **Q. Is your position that Idaho Power should take no action regarding**  
10 **distributed energy systems?**

11 **A.** No. ICL's position is that the appropriate next step is to conduct a robust and transparent  
12 process to understand the costs and benefits of distributed energy systems. This process is the  
13 necessary precursor to considering what policy response to distributed energy growth is  
14 appropriate. Idaho Power proposes a policy response – customer segregation – before  
15 justifying that specific policy by documenting meaningfully different cost causation between  
16 segregated customers. What if the Commission approves the customer segregation and the  
17 resulting valuation proceeding concludes the retail rate remains an accurate proxy? Then the  
18 segregation would only have added administrative costs and customer confusion. By engaging in  
19 a valuation proceeding first, this Commission can enact thoughtful classification and rate policy  
20 at the appropriate time with the added benefit of robust and complete facts.

21

22 **Q. What do you recommend the Commission do regarding a process to**  
23 **determine the cost and benefits of distributed energy systems?**

Otto, Di  
Idaho Conservation League

IPC-E-17-13

7

1 **A.** I recommend the Commission provide stakeholders with some policy guidance regarding  
2 the scope, scale, and timing of this process. As I stated before, ICL has been engaged in this  
3 issue with Idaho Power for several years. During that time, I have observed that a few issues  
4 hamper the stakeholder's ability to move forward. I believe the Commission can assist this  
5 important process by providing stakeholders with the following guidance.

- 6 1. All customers have a right to reduce energy consumption behind the meter. Because  
7 reducing individual consumption is no different from any other member of the customer  
8 class, policy consideration for distributed energy systems should focus on excess energy  
9 only.
- 10 2. Distributed energy systems should be evaluated using a resource valuation process, not a  
11 cost of service method.
- 12 3. Distributed energy systems provide a range of elements to the system. ICL Exhibit 404  
13 provides a good starting point for stakeholders to determine the appropriate list of  
14 elements to consider.
- 15 4. Any process should be transparent, utilize neutral technical experts, and allow  
16 stakeholders to review inputs, data, process, and outputs before any decision-making.
- 17 5. Any potential changes to customer classifications or rates must occur in a general rate  
18 case. This clear direction will ensure the Commission can review and approve any potential  
19 changes in the appropriate context.

20

21 **Q. Idaho Power's Application proposes that any future rate change be**  
22 **applied gradually. Do you have thoughts on this proposal?**



1 **A.** I have received many worried phone calls since Idaho Power filed this Application. Current  
2 distributed energy system owners are worried about the time and scale of any rate change.  
3 Future distributed energy owners are hesitant to act because of Idaho Power's filing. To help  
4 resolve this uncertainty I recommend the Commission provide guidance through this docket.

5       Regarding current distributed energy system owners, while I don't believe any rate  
6 changes are warranted, I do stand by traditional ratemaking principles of gradualism and  
7 avoiding rate shock. These long-standing policy considerations provide this Commission with  
8 ample discretion in any future decision regarding rates and classifications. I encourage the  
9 Commission to reassure customers that any future change will consider impacts to customers'  
10 investment-backed expectations.

11       Regarding future customers, I recommend the Commission address two issues. First,  
12 establish that any potential segregation will not be retroactive but will only apply after a final  
13 Commission order on the merits. Further, as with any legislative change, I recommend the  
14 Commission provide a 60-day grace period to allow customers to adjust to the change. Second,  
15 I recommend the Commission direct stakeholders to align the valuation process with the  
16 upcoming 2019 Integrated Resource Plan process. Providing guidance on these timing issues will  
17 provide customers with more information to shape their decisions about investing their own  
18 dollars in distributed energy systems.

19

20 **Q. Why do you recommend using the 2019 IRP process to value distributed**  
21 **energy systems?**

22 A. The Integrated Resource Plan process is currently the source of values for demand and  
23 supply side resources. This system wide, long-term look enables a complete consideration of

1 how customer-owned distributed energy systems fit into the larger utility system. The long-  
2 term nature of the plan captures the 20- to 30-year expected life of distributed energy systems.  
3 The IRP is the source of avoided costs used to value non-utility owned resources like demand  
4 side measures and independently developed supply side resources. Prior IRP processes have  
5 included special topic breakout sessions to allow interested stakeholders to delve more deeply  
6 into specific issues. Finally, the IRP process is an established public engagement venue with a set  
7 timeline, both of which will provide certainty on the process to evaluate current and future  
8 distributed energy customers.

9

10 **Q. Please summarize your recommendation to the Commission.**

11 **A.** I recommend the Commission issue an Order:

- 12 1. Denying Idaho Power's request to close Schedule 84 and establish the new Schedules 6 and  
13 8.
- 14 2. Approve Idaho Power's request to require smart inverters according to industry standard  
15 definitions.
- 16 3. Direct Idaho Power and stakeholders to use the 2019 IRP process to address the core  
17 issue regarding customer owned distributed generation systems – what costs do these  
18 customers cause and what value do they bring to the system.

19

20 **Q. Does this conclude your direct testimony?**

21 **A.** Yes.

## CERTIFICATE OF SERVICE

I hereby certify that on this 21th day of December 2017, I delivered true and correct copies of the foregoing DIRECT TESTIMONY OF BENJAMIN OTTO to the following persons via the method of service noted:

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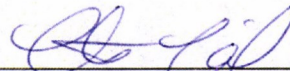
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