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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APLICATION TO APPROVE NEW TARIFF SCHEDULE 63, A COMMUNITY SOLAR PILOT PROGRAM.	**CASE NO. IPC-E-16-14** **COMMENTS OF THE COMMISSION STAFF ON PROPOSED SETTLEMENT**

The Staff of the Idaho Public Utilities Commission, submits the following Comments on the Proposed Settlement in this case, to which Staff stipulated.

BACKGROUND

On June 23, 2016, Idaho Power Company filed an Application with the Commission for authorization to implement an optional, Schedule 63, Community Solar Pilot Program. Under the Program, the Company proposes to build a 500 kilowatt (kW) single-axis tracking community solar array in southeast Boise that will allow a limited number of Idaho Power's customers to subscribe to the generation output.

The Commission issued a Notice of Application and Order setting a deadline for interested parties to intervene. Order No. 33552. The Commission received and granted petitions for intervention from Idaho Conservation League (ICL), Idaho Irrigation Pumpers Association (IIPA), Industrial Customers of Idaho Power (ICIP), Sierra Club, Snake River Alliance (SRA), and the City of Boise. Order Nos. 33552, 33557, 33560, 33562. The parties agreed upon a schedule to process the matter by Modified Procedure, and to engage in settlement discussions to address the parties' concerns about the project as initially proposed. The Commission issued a Notice of Modified Procedure adopting the parties' agreed schedule. Order No. 33569.

The Parties met for an initial settlement conference on August 23, 2016 and subsequently filed comments on September 1, 2016. After the comments were filed, Parties met again on September 9, 2016 to discuss settlement. The comments filed by Staff and other Parties formed the basis of the agreement reached at the second settlement conference. On September 26, 2016, Idaho Power filed a Settlement Stipulation and Agreed Motion to Approve Settlement Stipulation, signed by all parties in the case. The Company filed supporting documents with the motion including the revised proposed Schedule 63.

The Settlement Stipulation addresses the following main concerns, among other issues, raised in filed comments and discussed by the Parties in settlement conference: (1) calculation of the Program's solar energy credit; (2) the Program's subscription fee; (3) a Company-facilitated monthly fee option; and (4) the Company's cost recovery.

All parties agree that the Settlement Stipulation represents a fair, just, and reasonable compromise of the issues and is in the public interest. Staff comments in support are provided below.

STAFF ANALYSIS

Staff believes that the Settlement Stipulation is a reasonable compromise that effectively addresses the concerns of Staff and other Parties. Staff expressed in both comments and at settlement that its primary concern with the Company's original proposal was that the Solar Credit did not properly value the community solar resource. Staff also maintained that the high subscription fee with no monthly or electronic payment options would create a significant barrier to residential customer participation. The Settlement Stipulation reflects a compromise proposal that addresses Staff's concerns regarding program design and the Company's concerns regarding cost-recovery.

1. Solar Energy Credit

The Parties have agreed that the Program "will use the on-bill Solar Energy Credit reflecting the embedded cost of energy, as well as the proposed application of each participant's portion of monthly generation as an offset to billed kilowatt-hours subject to the Power Cost Adjustment ('PCA')." Settlement Stipulation at 3. This aspect of the Settlement reflects the Company's original proposal rather than Staff's position expressed in comments that the Solar Credit should be based on the DSM avoided costs plus the value of deferred transmission investments. However, Staff is comfortable maintaining this part of the original proposal because Staff's positions regarding the DSM avoided costs and deferred transmission investments are fully reflected in the reduced subscription fee paid by participants, as detailed below.

2. Subscription Fee

In written comments and in both settlement meetings, Staff expressed concern that the large subscription fee of $740 would create an unreasonable barrier to participation for many residential customers. The Settlement Stipulation effectively addresses Staff's concerns by lowering the subscription fee from $740 to $562 to reflect three reductions, as follows.

First, the subscription fee is reduced by the net present value of the incremental difference between the forecasted embedded cost of energy and the DSM avoided costs over the 25-year project-life. This reflects Staff's position in comments that the value of the project is best quantified by the DSM avoided costs and should be reflected as a credit to participants.

Second, the subscription fee is reduced by the net present value of the projected deferral of transmission and distribution investments over the 25-year project-life. Staff maintained in comments that the credit to customers should include the value of deferred transmission-but not distribution-investments since the energy produced by the Community Solar Project will be delivered using the Company's distribution system. Staff agrees that using the combined value of both deferred transmission and distribution as a reduction to the subscription fee is a reasonable compromise.

Third, the Settlement Stipulation removes the cost of the smart inverters from the project costs that will be recovered through subscription fees. While this was not proposed by the Company in its original application, nor by Staff in its written comments, Staff agrees that all customers will benefit from the operational lessons the Company will derive from owning and operating the smart inverters. Thus it is reasonable that the cost associated with these inverters be collected from all customers, as explained below, rather than assigned only to community solar participants.

3. Monthly Payment Option

Staff recommended in its written comments that the Company make available or provide a plan by which participants may pay their subscription fee over 12 or 24 months in order to minimize the hurdle to participation that a large, upfront subscription fee creates. Based on the initially proposed $740 subscription fee, Staff's recommendation was to allow customers to pay $31 for 24 months or $62 for 12 months, plus an electronic transaction fee and the current interest rate on deposits of 1%. Staff also recommended that the Company allow electronic payment rather than only accepting payment by check.

In response to these recommendations, the Settlement Stipulation specifies that the Company will offer a "Bill Me" electronic payment option and a 24-month fee option for residential customers, which may also be paid electronically. With the total subscription fee being lowered from $740 to $562 based on the previously noted reductions, the monthly fee will be $26.31. This includes the revenue requirement of the subscription and the Company's carrying charge at the current Allowance for Funds Used During Construction (AFUDC) rate plus a $1 per month administrative charge. Staff believes this provides a reasonable path to participation for residential customers who may have been deterred by the large, upfront cost.

In order to alleviate concern that participants on the monthly option may not complete all 24 payments, the agreement states that "participants who choose the 24-month fee option may transfer their subscription(s) to eligible customers within the 24-month time period…" Settlement Stipulation at 5. The agreement also states that, "[i]f eligible participants elect to utilize the 24-month fee option and fail to complete all 24 payments or request an eligible subscription transfer, Idaho Power will utilize a waitlist if customer interest has exceeded the amount of available subscriptions." *Id.*

Staff believes that using a waitlist will provide an effective backstop against participants who do not complete all of their required payments. The parties agreed the waitlist for the program will be established on a first-come, first-served basis, and will give customers the option to purchase the remainder of any unpaid subscriptions that become available through a one-time payment for the full amount of the unpaid balance.

Staff encourages the Company to include references to the waitlist in its program marketing materials because the option to purchase partially-funded subscriptions could be enticing for potential participants and reduce the risk of under-subscription. Staff believes that these modifications adequately address Staff's concerns regarding the barrier to participation created by the large, upfront subscription fee.

4. Cost Recovery

With respect to cost recovery, the Settlement Stipulation includes two provisions that were not part of the Company's original proposal or in any parties' written comments: 1) recovery of unfunded project costs through the PCA; and 2) rate base treatment for the three categories of previously mentioned project costs that will be funded by Idaho Power rather than program participants.

First, in the event that the project is not fully subscribed, the Settlement allows the Company to recover the portion of the project cost not provided through subscription fees in the next year's PCA. Staff believes this is a reasonable way to mitigate the potential risk of an under-subscribed program because it allows the Company ample time to market the program and acquire subscriptions while not interfering with project construction. Further, Staff believes the following factors improve the likelihood of full participation: the lower subscription fee, faster payback period resulting from correctly valuing the resource, the option for monthly payments, and the possibility of securing a third-party to act as a backstop against unsubscribed units. Consequently, Staff believes it is unlikely that the Company will need to recover unfunded subscriptions through the PCA.

Second, the Settlement allows the Company to collect the revenue requirement associated with applying the Company's authorized rate of return to project costs funded by Idaho Power and excluded from subscription fees. These costs are the three previously referenced reductions to the subscription fee: 1) the net present value of the incremental difference between the forecasted embedded cost of energy and the DSM avoided costs over the 25-year project life, 2) the net present value of the projected deferral of transmission and distribution investments over the 25-year project life, and 3) the cost of the smart inverters. The Settlement Stipulation states that the revenue requirement associated with these "Rate Base Amounts" will be collected through each annual PCA following the project in-service date. The annual revenue requirement will be moved from the PCA into base rates in the Company's next general rate case.

The total amount of investment subject to rate base treatment is $311,031. Applying the Company's authorized rate of return of 7.86% to this investment results in a first-year revenue deficiency of $45,405. Staff believes that the benefit to all customers from this pilot project both in terms of the resource acquired and operational lessons for the Company justifies the small annual dollar amount provided by all customers through rate base treatment.

CONCLUSION

In addition to the Solar Energy Credit, Monthly Payment Option, and Cost Recovery provisions, Staff notes that the Settlement Stipulation satisfies Staff's concerns regarding the collection of Operations and Maintenance expenses, Annual Reporting requirements that allow all parties to track both the program's participation and energy production of the Community Solar project, and improved Bill Presentment. Staff acknowledges the Company's effort to craft a compromise that addresses Staff's concerns and believes the Settlement Stipulation is a reasonable resolution of all issues in this case.

RECOMMENDATION

Staff recommends that the Commission approve the Community Solar Settlement Stipulation.

Respectfully submitted this 18th day of October 2016.

Daphne Huang
Deputy Attorney General

Technical Staff: Stacey Donohue

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18th DAY OF OCTOBER 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF ON PROPOSED SETTLEMENT** IN CASE NO. IPC-E-16-14, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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