



Case No. IPC-E-16-14, Order No. 33638

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Commission gives green light to community solar project

BOISE (November 3, 2016) – The Idaho Public Utilities Commission is approving an Idaho Power application to build a 500-kilowatt community solar project in southeast Boise.

The \$1.16 million single-axis solar project on the southwest corner of Amity and Holcomb roads will allow up to 1,093 residential customers and 470 non-residential customers to buy one or more subscriptions (one subscription is a 320-watt panel) for the solar farm’s anticipated 25-year life. Completion of the project is anticipated by June 2017.

Some 350 kilowatts of the 500-kW project will be apportioned to residential customers and 150-kW for commercial customers. Subscriptions will be rewarded on a first-come, first-served basis until program capacity is reached.

Commission staff and parties to the case, including the Idaho Conservation League, the Idaho Irrigation Pumpers Association, the Sierra Club, Snake River Alliance and the City of Boise, differed with Idaho Power’s initial subscription fee proposal and the method that would be used to calculate the monthly credit subscribers would get for their part of the solar generation.

The parties engaged in settlement discussions to work out their differences. Members of the public also provided comment.

“The record demonstrates that there is great interest and enthusiasm” for the program, the commission said. “We appreciate the intervening parties’ willingness to engage in settlement negotiations to address the various concerns raised ... In this way, the public interest is best served,” the commission said. It also thanked citizens who provided input. “Our service to the public in hearing and deciding these matters is better informed when it includes input from the public itself.”

Idaho Power originally proposed a one-time fee of \$740 for each subscription. After negotiation, the company and parties agreed on \$562, while also allowing customers to pay either at one time or in monthly installments of \$26.31 over 24 months.

Parties also said the company's proposed 3-cent per kWh credit would not be enough for subscribers to recoup their investment. Idaho Power originally proposed the credit be calculated based on the embedded cost-of-service to serve each customer class. But commission staff and other parties said that method does not take into account the value that a new generation resource provides to Idaho Power's system, particularly a solar resource that provides energy during high-use hours of the day.

Because Idaho Power operates its system to minimize ratepayer costs, a new generation project would allow the company to avoid using its most expensive resource, thus providing greater value than just embedded cost-of-service. Therefore, the credit given to customers should be based on an avoided-cost calculation and not on embedded cost-of-service, commission staff and other parties maintained.

Every two years, Idaho Power files an Integrated Resource Plan, which includes an avoided-cost calculation for its energy efficiency and demand-side management (DSM) programs. Commission staff and parties proposed that Idaho Power base the customer credit on that biennial calculation. The calculation of DSM avoided costs is more current because it is updated every two years, whereas embedded cost-of-service studies are updated only when the utility files a rate case, which for Idaho Power, was five years ago.

Eventually, the company and parties agreed on a solar energy credit that reflects Idaho Power's recommended embedded cost of energy, but one that gradually increases as the retail energy rate increases. Idaho Power projects the credit could increase from about 3 cents now to about 4.4 cents in 25 years. The credit is in the form of a reduction in kilowatt-hours billed customers based on the previous month's solar generation. The total monthly credits given over 12 months cannot exceed that subscriber's energy use from the prior year.

The parties agreed to reduce the subscription fee to include 1) the net present value of the difference between the DSM avoided costs – which include energy and capacity – and the forecasted embedded costs over the 25-year life of the project, 2) the value of deferred transmission and 3) the removal of the cost of smart inverters. These benefits, plus the original agreement from Idaho Power shareholders to contribute 15 percent of project costs (\$175,000), brought the subscription down from \$740 to \$562.

Idaho Power originally proposed that if the project wasn't at least 80 percent subscribed within 120 days, the project would be scrapped. Commission staff and other parties said the 120 days may not be enough time to market the program and reach 80 percent enrollment. Idaho Power agreed to remove the 120-day timeline.

The project was requested by Idaho Power customers who cannot install their own rooftop solar panels because they live in rental properties or multi-unit dwellings, have aging rooftops, too much shading or an unsuitable rooftop orientation.

Both Idaho Power and the commission said the pilot status of the program will help the company and commission develop future, perhaps larger, projects. Small-scale pilot programs, the commission said, “are valuable for learning what works and what does not.” Idaho Power said the pilot will assist the utility in learning the “complexities associated with offering community solar programs including: customer commitment, construction, contracting, interconnection, maintenance and billing.”

Idaho Power will retain ownership of the Renewable Energy Credits (RECs) and all other environmental attributes. The RECs would be retired by Idaho Power on behalf of subscribers.

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