BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO ESTABLISH NEW SCHEDULES FOR RESIDENTIAL AND SMALL GENERAL SERVICE CUSTOMERS WITH ON-SITE GENERATION.	)	CASE NO. IPC-E-17-13

IDAHO POWER COMPANY

REBUTTAL TESTIMONY

OF

TIMOTHY E. TATUM

Q. Please state your name.

A. My name is Timothy E. Tatum.

Q. Are you the same Timothy E. Tatum that previously presented direct testimony?

A. Yes.

Q. Have you had the opportunity to review the pre-filed direct testimony of the City of Boise's witness Stephan L. Burgos; the Idaho Clean Energy Association, Inc.'s ("ICEA") witnesses Kevin King, Michael Leonard, and Stephen White; the Idaho Conservation League's ("ICL") witness Benjamin J. Otto; Sierra Club's witness R. Thomas Beach; the Idaho Irrigation Pumpers Association, Inc's ("IIPA")witness Anthony J. Yankel; the Snake River Alliance and NW Energy Coalition's ("SRA/NW Energy") witness Amanda M. Levin; Vote Solar's witness Briana Kober; Auric Solar, LLC's ("Auric Solar") witness Elias Bishop; and the Idaho Public Utilities Commission ("Commission") Staff's ("Staff") witnesses Michael Morrison and Stacey Donohue?

A. Yes, I have.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to provide clarification and to respond to various arguments raised by intervening parties and Staff ("Parties") in

their direct testimony. My testimony is comprised of five sections.

In Section I, I explain the reasoning for the Company's timing of the case and provide the Commission with the Company's view on a number of important changes occurring in the electric industry and associated regulatory policy considerations.

In Sections II and III, I clarify the Company's request in this case and respond to a number of issues raised by Parties that are more appropriately addressed as part of subsequent proceedings or are otherwise not within the scope of this case and address other pertinent issues raised by Parties.

In Section IV, I reaffirm the Company's position that the different load service requirements and usage characteristics of residential and small general service ("R&SGS") customers who install on-site generation justify the establishment of a separate customer class. I support the Company's position with a summary of the results of additional analyses performed by the Company that demonstrate the load service requirements and the pattern of use clearly distinguish customers with on-site generation from customers without on-site generation.

In Section V, I respond to the Staff's proposal to modify the compensation structure for net metering customers.

I. TIMING OF THE CASE AND OTHER STRATEGIC CONSIDERATIONS

1. Electric Industry Evolution

Q. Why is now the right time for the Commission to make a policy determination on customer classification for customers with on-site generation?

A. Idaho Power Company ("Idaho Power" or "Company"), like other utilities across the country, is witnessing and experiencing a transformation of the electric industry. Historically, the vertically integrated utility has been called upon to provide fully bundled services to its customers -- including generation, transmission, and distribution services -- and Idaho Power has provided those one-way services to its "full requirements" customers for over 100 years. In recent years, however, Idaho Power has experienced changing customer preferences related to the services available to them. This transformation has resulted in more engaged segments of customers than ever before -- customers require nearly instantaneous information related to their energy usage and use that information to make decisions about their energy consumption. One important question customers today are asking themselves is about the decision to invest

in privately-owned generation. Some customers today would rather take service as a "partial requirements" customer; that is, this segment of customers is choosing to move away from the same bundled services the rest of the Company's customers require.

Q. How has Idaho Power responded to this transformation?

A. Idaho Power has responded by improving its infrastructure to provide more robust information to its customers through the deployment of Automated Metering Infrastructure and implementation of online services like My Account. But more work needs to be done. Idaho Power sees a growing need to modernize its transmission and distribution grid to accommodate the rapidly growing distributed generation ("DG") capacity coming online. As technological advancements are made and innovative business models emerge, the grid will likely look very different in the future than it does today. Given the rapid adoption of DG in Idaho Power's service area, it is no longer justified to delay important policy decisions, such as the question of customer classification brought to the Commission by the Company in this case.

Q. Several parties urge the Commission to delay a decision on customer classifications. What is your response to that?

A. Operating in the status quo regarding rate structure will not position Idaho Power to keep pace with the transformation of the electrical system that is currently underway. The outdated rate structure in place today for on-site generation sends a false signal to customers; that is, reducing net consumption (sometimes to zero, but not always) reduces the cost to serve commensurately. This signal is inaccurate and needs to be addressed. Informing customers today that the pricing structure in place for full requirements customers does not work in the long-term for partial requirements customers is the first step. Ensuring customers are making decisions based on better information will allow the market to advance those technologies that are competitive from a cost standpoint, not those that compete based on subsidies.

Q. Are there benefits associated with addressing this issue today instead of waiting?

A. Yes, there are several. Lower levels of adoption to date make it easier to address issues like "grandfathering" -- the contentiousness of this issue will only grow as more customers adopt. Similarly, customer education and communication are easier to facilitate with lower levels of adoption. Sending a signal today that "net metering with volumetric rates is not sustainable" will communicate to those customers considering investing in

solar or other DG that changes in rate design will occur. Establishing rates that send clear price signals will enable growth of DG in a non-subsidized manner. Delaying a decision on customer classifications will not get easier with the passage of time.

2. Grandfathering

Q. Did the Company request "grandfathering" in its proposal?

A. No.

Q. Can you please clarify the Company's request as it relates to a transition period?

A. The Company requested that existing R&SGS net metering customers remain on Schedule 84 for a period of time, under the existing rate structure and compensation method, and transition in the future to the proposed new schedules over some period of years. The Company understands that future rate changes will impact the economics of decisions customers have made in years past and is sensitive to those impacts. The Commission has, in other cases, implemented modest transition periods, and the Company's position is that if the Commission chooses to implement a transition period in this case, it may be appropriate.

3. Delay Decisions Until a General Rate Case

Q. Should the Commission delay a decision until a general rate case ("GRC")?

A. No. Idaho Power has not filed a GRC since 2011 and it is unknown when it will do so. In IDACORP's November 2, 2017, Q3 earnings release call, Idaho Power President and CEO Darrel Anderson was asked for his thoughts on the Company's near-term rate activity. Mr. Anderson responded that:

> [Idaho Power] would have to signal early in '18 if we're going to do something for '19 ... given what we would hope to see as continued strong economic activity and if we can continue to manage the expenses like we have done this year, we would hope to not have to go in.[1]

Because the Company does not have definite near-term plans to file a GRC, Idaho Power's requested relief in the 2017 Application purposefully does not impact customer rates but will position the Company to make appropriate rate proposals for Commission, customer, and stakeholder consideration when that time comes.

II. ISSUES OUTSIDE THE SCOPE OF THIS PROCEEDING

Q. What was the Company's request in its Application filed in this case?

[1] IDACORP Inc. Earnings Call transcript, November 2, 2017, p. 7. http://www.idacorpinc.com/-/media/Files/IIIDACorp/conference-calls/ida-usg transcript 2017 -11 -02.pdf

A. In this case, the Company has requested (1) to close Schedule 84, Net Metering Service to new R&SGS customers with on-site generation, (2) establish new classes for R&SGS customers with on-site generation, (3) require smart inverters as defined by the Institute of Electrical and Electronic Engineers ("IEEE") for all new on-site generation installations, and (4) establish a generic docket at the conclusion of this case to explore the benefits and costs that on-site generation brings to Idaho Power's system.

Q. Please explain why you feel there are several issues raised by Parties that are not within the scope of this case.

A. The Commission has provided clear direction as to the scope of this case. In Order No. 33946, the Commission denied ICEA's motion to dismiss, and also denied ICEA's alternate recommendation to decide the value of DG prior to addressing reclassification of net metering customers. The Commission stated that it is "reasonable for us to reexamine classification now instead of waiting . . . ."[2] Much of the testimony filed by Parties diverts discussion to issues that are not relevant to the Company's relatively limited request in this case. The vast majority of the topics covered by the Staff and

[2] Order No. 33946, p. 6 (emphasis added).

intervenors go beyond the scope of this docket. Testimony from City of Boise, ICEA, ICL, SRA/NW Energy, IIPA, and Auric Solar appears to ignore the Commission's Order No. 33946 by continuing to recommend that the Commission deny Idaho Power's Application and decide the value of DG prior to addressing reclassification of net metering customers.[3] In Order No. 33946, the Commission denied ICEA's motion to dismiss, as well as denied ICEA's alternate recommendation to decide the value of DG prior to addressing reclassification of net metering customers.

1. General Rate Case Vs. Standalone Issue

Q. Several parties[4] have suggested that customer classification must be determined as part of a GRC and not as a standalone issue. Ms. Kobor even goes as far as to say that it is "not appropriate to modify customer class definitions, nor rate design outside of a general rate case . . . ."[5] Do you believe that it is consistent with Idaho law to determine customer classification as a standalone issue outside of a GRC?

[3] King DI, p. 17, ll. 22-23, White DI, p. 9, l. 12-13; Otto DI, p. 10, ll. 12-18; Beach DI, p. 6, 11. 9-19; Yankel DI, p. 6, ll. 20-21; Levin DI, p. 26, ll. 16-23; Kobor DI, p. 76, ll. 1-4; Morrison DI, p. 22. ll. 16-20; Donohue DI, p. 22, l. 24 through p. 23, l. 7.

[4] Kobor DI, p. 28, ll. 7-8; Beach DI, p. 39, ll. 21-22; Levin DI, p. 22, l. 12.

[5] Kobor DI, p. 55, l. 19 through p. 56, l. 1.

A. Yes. Based upon my understanding of the results of an internal legal review, it would be consistent with Idaho law to determine customer classification as a standalone issue, outside of a GRC. The Idaho Legislature specifically authorizes[6] the Commission upon hearing to investigate a single rate, or classification, or the entire tariff schedule - and establish new rates, classifications, or practices.

2. Class Cost-of-Service Study Prerequisite

Q. It has been suggested that[7] a new class cost-of-service study ("COSS") is required to determine customer classification. Do you believe that a new COSS is required in order to determine customer classification?

A. No. A COSS is necessary to inform any future changes in rate design. The Company is not requesting to address rate design as part of this case. Regardless of the cost to serve these customers, and even if the cost to serve this segment of customers was the same, the usage characteristics of R&SGS customers with on-site generation are different and require a separate rate structure in order to provide a reasonable opportunity to recover the costs of serving those customers.

[6] Idaho Code § 61-503.

[7] Kobor DI, p. 49, ll. 5-6.

3. Benefits/Costs Study Prerequisite

Q. Several parties[8] suggest it is necessary to conduct the generic docket, to understand the benefits and costs that DG interconnection brings to the electric system, prior to a determination on rate classifications in the current case. How do you respond to that?

A. The question at the center of this case is whether customers with on-site generation are fundamentally different than full requirements customers. I believe the suggestion by parties that the Commission cannot make a decision on customer classification without cost and benefits being evaluated is an attempt at stalling. The determination of customer classification is not dependent on the cost to serve those customers, nor is it dependent on any benefits a customer's excess net energy exports may provide to the system. Determining the costs and benefits of on-site generation is not relevant when answering the question about fundamental differences between a customer who generates some or all of their own energy and one that does not.

Q. Why does the Company believe it is critical for the Commission to issue a determination on customer classes prior to opening a generic docket to establish a

[8] Burgos DI, p. 8, ll. 1-3; King DI, p. 18, ll. 10-11; Otto DI, p. 7, ll. 11-12; Beach DI, p. 6, ll. 9-19; Levin direct Testimony, p. 21, ll. 14-21; Kobor DI, p. 76, ll. 1-4.

compensation structure for customer-owned generation that reflects both the benefits and costs that on-site generation interconnection brings to the electric system?

A. Having the answer to customer classifications is necessary because that determination will inform the scope of the generic docket. First, if the Commission declines to adopt new customer classes, there is no need to evaluate the costs specific to net metering customers -- they will be assigned costs as part of the standard service customer class. Second, if the Commission declines to adopt new customer classes, a pricing discussion also becomes irrelevant; if the Commission determines net metering customers are no different than standard service customers, they will continue to pay the same rate structure as standard service customers.

Q. Does the Company have a recommendation for the format of the generic docket?

A. Yes. I believe the process should include a series of workshops held with all interested stakeholders in the state, as a continuation of prior stakeholder workshops that the Company has facilitated. The purpose of the initial workshop could be for parties to establish a framework for analyzing costs and benefits that customers with on-site generation contribute to the electric system. The Company and other stakeholders would bring studies or

recommendations demonstrating possible rate design and compensation structures. The Company and stakeholders would also solicit feedback about the types of studies and considerations they feel the parties should focus on. A second workshop could be held for parties to discuss how the COSS should be conducted to inform the appropriate rate design for customers with on-site generation. All parties would then complete the requested studies and submit them for all parties to review. A third workshop may be necessary to discuss the results of the studies to help inform what rate design each participating utility could file in a future GRC. Following the final workshop, there would be an opportunity for public comment. If parties reach agreement, a settlement stipulation would be drafted and submitted to the Commission to seek approval.

4. Effect on Private Solar Industry

Q. A number of intervenors contend that the Company's proposal would have a negative impact on the rooftop solar industry.[9] How do you respond to that contention?

A. These arguments either ignore or misconstrue the Commission's role, which is to establish just and

[9] Burgos DI, p. 10, ll. 2-3; King DI, p. 14, ll. 8-10; White DI, p. 9, ll. 8-10; Leonard DI, p. 1, ll. 14-16; Bishop DI, p. 2, ll. 8-9.

reasonable rates and regulation.[10] The rooftop solar industry should stand on its own without the benefit of the subsidies embedded in existing rate designs. Customers who want to participate in private generation have the right to continue to do so under the Company's proposal.

The intent of the net metering service is to provide a fair and sustainable option for customers to offset their own usage with on-site generation. Idaho Power does not believe it is the responsibility of its customers to facilitate the expansion of private business interests through subsidies provided by an outdated pricing structure. That is, Idaho Power does not believe it is in the best interest of its customers to ignore, and leave in place, a pricing structure that fails to collect costs from a segment of customers at the expense of other customers.

If as a matter of policy, the Commission wishes to continue to promote the adoption of DG through financial incentives or other subsidies, this goal is best accomplished through direct and transparent mechanisms and not through rate design. Intervenors have provided no justification for why roof top solar industry considerations should factor into this customer classification proceeding. The Commission should reject

[10] Idaho Code §§ 61-501 through 503.

these arguments, as they clearly assign a higher priority for the financial well-being of an individual industry over the pursuit of just and reasonable rates for Idaho Power's customers.

III. OTHER ISSUES RAISED BY PARTIES

1. Customer Choice

Q. Do you agree with intervenors' claims or suggestions that the Company's proposal will eliminate customer choice for solar in Idaho?[11]

A. No. Idaho Power supports customers who want to generate a portion of their own energy. Under the Company's proposal, any customer who chooses to install on-site generation will continue to be provided the same opportunity to do so. To be clear, the Company is not seeking to eliminate rooftop solar, or any type of on-site generation, as an option available to its customers. The Company's proposal would take an important step toward establishing a framework in which a customer's decision to install his or her own generation system can be informed by the actual economics of doing so without hidden subsidies that exist within an outdated rate design and compensation structure.

[11] Kobor DI, p. 50, l. 20 through p. 51, l. 1; White DI, p. 4, l. 17, p. 8, l. 4; Beach DI, p. 14, ll. 6-7.

Q. How does the Company's proposal preserve customer choice while still making progress toward increased fairness in the assignment of costs among customers?

A. The Company's proposal recognizes that, under the status quo, the current pricing structure for R&SGS is ill-suited to appropriately recover the costs associated with the distinctly different usage characteristics of R&SGS customers with on-site generation. The Company's proposal seeks to address this issue gradually and thoughtfully with input from customers, regulators, and other stakeholders. The Company supports the establishment of separate classes for R&SGS customers with on-site generation as a reasonable first step. This first step does not in any way impact the economics of customer investment in on-site generation in the near-term, but rather sends a clear signal to customers that future pricing and compensation structures for R&SGS customers with on-site generation may be modified.

The assertions that the Company's proposal in this case may limit or eliminate customer choice appear to be incorrectly premised on the belief that, absent the Company's proposal, customers should be confident that the pricing and compensation structure under net metering will not materially change in the future. That is precisely the

misconception the Company's proposed initial step is intended to address. The Company's proposal will serve to better inform customer choice going forward and will do nothing to limit customers' energy choices.

2. Rate Certainty

Q. Several witnesses[12] suggest that the Company's proposal creates additional uncertainty that will negatively impact future solar installations. Do you believe that the Company's proposal creates more uncertainty for customers considering an investment in on-site generation?

A. No. Given the growing nationwide debate over net metering, uncertainty would continue even if the Idaho Commission did not address the issue at this time. By making a filing, the Company intends to provide more clarity to customers who are considering investing in private DG.

Q. Would delaying the Company's request eliminate the uncertainty and make future changes in rates easier for those who are considering an investment in on-site generation?

A. No. I believe the contrary is true - prolonging the decision on customer classification could

[12] Burgos DI, p. 9, ll. 12-13; Bishop DI, p. 2, l. 15; King DI, p. 20, ll. 13-14; White DI, p. 5, ll. 6-9.

foster further uncertainty. Continued inaction perpetuates the potential for misinformation and could be especially harmful to customers who would benefit from more accurate economic signals concerning on-site generation.

3. Fixed Cost Adjustment Mechanism

Q. Some parties, including the Commission Staff,[13] point out that the Company is not financially harmed by net metering because of its Fixed Cost Adjustment ("FCA"). Do you agree with this assessment regarding the FCA?

A. Generally, yes. However, it should be noted that the Company has not presented any concerns in this case regarding financial impacts to Idaho Power resulting from net metering. The FCA mechanism is designed to allow the Company to recover the majority of the fixed costs of providing service to R&SGS service customers, regardless of the overall level of energy consumption per customer. In the case of net metering, any shortfall in fixed cost recovery that may result from the current net metering rate structure would be tracked and recovered from all R&SGS customers annually through the FCA. While it is correct to point out that the FCA largely mitigates any financial impact that net metering would otherwise have on Idaho Power, it is also important to recognize that the FCA facilitates annually any cost shifting that may exist

[13] Donohue DI, p. 3, ll. 17-21; Levin DI, p. 24, ll. 6-16.

between net metering customers and non-net metering R&SGS customers between GRCs. Therefore, any reduction in cost shifting related to net metering service would reduce future FCA collections that would have otherwise existed.

IV. EVIDENCE TO SUPPORT SEPARATE CUSTOMER CLASSES

Q. What do you believe is the most important issue at the center of the case?

A. I believe that there is one relatively limited, but important, policy issue to resolve in this case, which is to answer the question: "Do the different load service requirements and usage characteristics of R&SGS customers who install on-site generation justify a separate and unique rate structure to provide a reasonable opportunity to recover the costs of serving those customers?"

Q. Does the Company continue to believe that the load service requirements and the usage characteristics of R&SGS customers who install on-site generation are different than that of R&SGS customers without on-site generation and justify the establishment of a separate customer class?

A. Yes. The Company maintains its position that the load service requirements and the pattern of use of R&SGS customers with on-site generation are distinctly

different from that of R&SGS customers without on-site generation.

Q. Did Parties agree with Idaho Power that R&SGS customers with on-site generation are different than standard R&SGS customers and therefore require a separate customer class?

A. While ICL witness Mr. Otto[14] acknowledged that customers with on-site generation are different in some respects, generally, other parties[15] suggested that the Company did not provide sufficient evidence to justify that R&SGS customers with on-site generation are different than R&SGS customers without on-site generation.

Q. Did the Company perform additional analyses in response to suggestions that the Company did not provide sufficient evidence to justify that R&SGS customers with on-site generation are different than R&SGS customers without on-site generation?

A. Yes.

1. Pattern of Usage

Q. What analyses did the Company perform to evaluate the pattern of use of residential customers with

[14] Otto DI, p. 4, l. 11.

[15] Levin DI, 7, ll. 9-10; Kobor DI, p. 32, ll. 18-33 through p. 33, l. 5; Donohue DI, p. 5, l. 5.

on-site generation and for residential customers without on-site generation?

A. The Company studied the load factor, the load profile, the system-coincident demands ("SCD") and the non-coincident demands ("NCD") for residential customers with on-site generation and for residential customers without on-site generation.

Q. Please summarize the results of the additional analyses performed by the Company that demonstrate the load factor, the load profile, the SCD and the NCD for R&SGS customers with on-site generation are different than R&SGS customers without on-site generation.

A. Although Mr. David M. Angell will provide the details of the additional analyses performed by the Company, as well as the statistical results of the analyses, the results can be summarized as follows:

- The Company's load factor analysis confirmed that residential customers with on-site generation have notably lower load factors than residential customers without on-site generation.[16]
- The Company's load profile analysis showed that customers with on-site generation had a higher

[16] Angell REB, p. 4, l. 20 through p. 7, l. 9.

demand for energy during the evening and nighttime hours than customers without on-site generation and their rate of change in usage during the day is larger than for customers without on-site generation. In addition, the load profile analysis shows that energy for customers with on-site generation flows in both directions. The excess energy flowing to the utility is greater in spring and summer months.[17]

- The Company's analysis of the SCD showed that the SCD of customers with on-site generation is lower from April through September than the SCD of customers without on-site generation but higher from October through March.[18]
- The Company's analysis of the NCD showed that the NCD of customers with on-site generation is higher than customers without on-site generation for all 12 months of the year.[19]

Q. In addition to the Company's analyses, does the Company have other evidence that suggests that R&SGS

[17] Angell REB, p. 12, l. 6 through p. 13, l. 10.

[18] Angell REB, p. 14, ll. 10-17.

[19] Angell REB, p. 15, ll. 7-15.

customers with on-site generation are different from R&SGS customers without on-site generation?

A. Yes. Dr. Ahmad Faruqui of the Brattle Group has also conducted empirical analysis using Idaho Power data. In his rebuttal testimony, Dr. Faruqui shares the results of his analysis which find that the differences are quite significant.[20]

2. Load Service Requirement

Q. How does the load service requirement of a customer with on-site generation differ from that of a standard service residential customer?

A. A customer with on-site generation is a partial requirements customer. Because partial requirements customers generate all or some of their own annual energy needs, the utility provides only certain services that standard service customers require -- like providing capacity. But the utility is also required to provide different services that standard service customers do not use -- like receiving excess net energy on a non-firm, if, as, and when available basis.

Q. Is it necessary to place partial requirements customers in a separate customer class?

A. Yes. Current rate designs were historically developed to recover costs from full requirements customers

[20] Faruqui REB, p. 7, l. 14. - p. 15, l. 6.

on a fully bundled, volumetric basis. This approach has been viewed as fair and reasonable when applied to customers who rely on the utility to meet all their electric needs. However, it is neither fair nor reasonable to apply fully-bundled, volumetric rates to a group of customers who choose to take unbundled services and make investments whose sole purpose is reducing or eliminating the volume of energy taken from Idaho Power.

V. STAFF'S MODIFIED COMPENSATION STRUCTURE FOR NET METERING CUSTOMERS

Q. Please provide an overview of your understanding of Staff's proposal to "correct the cost shift."[21]

A. Staff witnesses Morrison and Donohue recommend a modification to the compensation structure under Schedule 84, Net Metering Service, that would eliminate the current practice of netting consumption and generation on a monthly basis, and instead move to an hourly netting approach. Staff's proposal would also assign a value to hourly net excess generation equal to an avoided cost-based rate instead of the full retail rate.

Q. Do you believe Staff's proposal to correct the cost shift is a reasonable solution to the issue at the center of the case?

[21] Donohue DI, p. 13, l. 20.

A. I believe Staff's proposal represents a reasonable step toward correcting the referenced cost shift; however, it falls short of a complete solution. While Staff's proposal does address part of the cost shift issue by adjusting the compensation for excess net energy, it ignores that the rate design applied to these customers does not provide for an equitable assignment of the costs of utility service.

Q. Does the Company support the adoption of the Staff's proposal to modify the compensation structure for customers with on-site generation as an interim step?

A. Yes. The Company does support adoption of the Staff's recommendation for a modified compensation structure for customers with on-site generation, because it does represent meaningful movement toward addressing the cost shifting at issue in this case. However, the Company does not believe adoption of Staff's modification should prevent the establishment of separate classes for R&SGS customers with on-site generation. While Staff's proposal may effectively address the appropriate level of compensation for net excess generation, the rate design flaws that exist by applying volumetric rates to net metering customers would remain unaddressed. The Company believes that the establishment of separate classes for

R&SGS customers with on-site generation, in conjunction with Staff's proposal, would represent important steps toward fair and sustainable rate and compensation structures for this unique group of customers.

Q. If the Commission chooses to implement Staff's proposed compensation structure to be applicable to the new classifications of R&SGS customer with on-site generation, what value should be assigned to the net excess generation?

A. The Company believes that the proxy value of the DSM Alternative Cost used by Staff in its analysis would represent a reasonable interim value for the net excess generation. Should the Commission adopt a specific DG valuation methodology following the conclusion of the workshop process recommended earlier in this testimony, the Company recommends that the Commission transition to applying that resulting value on a going-forward basis.

VI. CONCLUSION

Q. Please summarize your testimony.

A. An increasing number of Idaho Power's customers are choosing to invest in technologies that allow them to interact with the Company's electric system, or the grid, in new and innovative ways. In response to these changes, the grid is transforming from a one-way service provider to an interactive, enabling platform for the interconnection of customer driven technologies. In

support of this transformation, it is essential that the Company's pricing structures also transform to align with new ways customers are choosing to take services from the grid.

In this case, the Company has presented sufficient evidence that the load service requirements and usage characteristics of R&SGS customers who install on-site generation are different than that of R&SGS customers without on-site generation. These differences justify the establishment of a separate rate structure to provide a reasonable opportunity to recover the cost-of-service from those customers. Taking steps today to recognize these important differences will pave the way toward maintaining a fair-priced and sustainable service offering into the future.

Q. What is your recommendation for the Commission?

A. The Company recommends that the Commission issue an order authorizing the following: (1) closure of Schedule 84, Customer Energy Production Net Metering Service, to new service for Idaho R&SGS customers with on-site generation, (2) establishment of two new classifications of customers applicable to R&SGS customers with on-site generation that request to interconnect to Idaho Power's system on or after the date of the

Commission's order in this case, with no pricing changes at this time, (3) acknowledgement that smart inverters provide functionality that is necessary to support the ongoing stability and reliability of the distribution system by ordering the Company to amend its applicable tariff schedules to require the installation and operation of smart inverters for all new customer-owned generator interconnections within 60 days following the adoption of an industry standard definition of smart inverters as defined by the IEEE, (4) commencement of a generic docket at the conclusion of this case with the purpose of establishing a generation value for customer-owned DG that reflects both the benefits and costs that DG interconnection brings to the electric system, and (5) adoption of Staff's proposed compensation structure to be applicable to the newly established rate classifications referenced in subpart (2).

Q. Does this conclude your testimony?

A. Yes, it does.

ATTESTATION OF TESTIMONY

STATE OF IDAHO)
) ss.
County of Ada)

I, Timothy E. Tatum, having been duly sworn to testify truthfully, and based upon my personal knowledge, state the following:

I am employed by Idaho Power Company as the Vice President of Regulatory Affairs and am competent to be a witness in this proceeding.

I declare under penalty of perjury of the laws of the state of Idaho that the foregoing rebuttal testimony is true and correct to the best of my information and belief.

DATED this 26th day of January, 2018.

Timothy E. Tatum

SUBSCRIBED AND SWORN to before me this 26th day of January, 2018.

Notary Public for Idaho
Residing at: Boise, Idaho
My commission expires: 12/20/20

KIMBERLY K. TOWELL NOTARY PUBLIC STATE OF IDAHO


KIMBERLY K. TOWELL
NOTARY
PUBLIC
STATE OF IDAHO

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 26th day of January 2018 I served a true and correct copy of REBUTTAL TESTIMONY OF TIMOTHY E. TATUM upon the following named parties by the method indicated below, and addressed to the following:

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