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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Idaho Clean Energy Association, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

Case No. IPC-E-17-13

REBUTTAL TESTIMONY OF KEVIN KING

ON BEHALF OF

IDAHO CLEAN ENERGY ASSOCIATION, INC.

JANUARY 26, 2018

ORIGINAL

1 Q. Please state your name and address.

2 A. My name is Kevin King and my business address is 401 N. Main St., Meridian, ID
3 83642.

4 Q. On whose behalf are you testifying?

5 A. I am testifying on behalf of the Idaho Clean Energy Association (ICEA).

6 Q. What is the purpose of your rebuttal testimony?

7
8 A. On behalf of ICEA, I would like to provide an industry perspective in response to the
9 recommendations made in the testimony of the Commission Staff, Stacey Donahue and Dr.
10 Michael Morrison. Secondly, I will propose recommendations that, in ICEA's opinion, will
11 strengthen Staff's proposal.

12 Q. Have you reviewed the testimony of Dr. Michael Morrison and Stacey Donahue?

13 A. Yes.

14 Q. Overall, what is your reaction to Staff's testimony?

15 A. ICEA appreciates and wholeheartedly agrees with Staff's primary recommendation that
16 Idaho Power's current proposal is not justified and should not be adopted.

17 ICEA also appreciates Staff's effort to apply an evidence-based, objective, and non-
18 discriminatory approach to this process. Staff's focus on the relevant issue – how to value
19 excess generation – enables stakeholders to scope the issues and consider alternatives. ICEA and
20 its members stand ready to work with Staff and other stakeholders toward fair and long-term
21 solutions to appropriately value excess generation.

22 I particularly would like to highlight Ms. Donohue's direct testimony (page 11, lines 14-
23 20):

24 Staff does not believe that power consumed by the customer at the

1 time it is produced by the customer's own generation should be
2 included in the cost shift calculation. The only transactions that
3 should be considered are those that happen at the meter: 1) the
4 power supplied by the Company, and 2) excess generation supplied
5 by the customer.

6 ICEA strongly agrees with this principle, which supports each Idahoan's right to control their
7 own energy consumption while not unduly impacting others.

8 Q. What is your reaction to the other parts of the Staff's testimony?

9 A. Conceptually, I agree with the philosophy that customers pay retail rate for what they
10 consume and receive fair compensation for what they upload. However, the Staff testimony and
11 that of other parties makes clear that the parties and the Commission do not have sufficient data
12 or analysis to understand the impacts of Staff's proposals. Therefore ICEA favors creating a
13 predictable, measured approach to consider these proposals. ICEA also recommends that any
14 potential changes are made in a manner that is gradual, that fully recognizes the benefits of solar,
15 and that occur after the level of installed rooftop solar capacity justifies the administrative burden
16 for the utility, regulators, and stakeholders (like distributed energy providers) to implement
17 changes.

18 The remainder of my testimony will address four aspects of the Staff's testimony:

19 **(a) Opposing Idaho Power's request to segregate net metering customers;**

20 **(b) Valuing exports from net metering customers at an avoided cost determined in a**
21 **subsequent docket;**

22 **(c) Proposing a shift from monthly to hourly netting of consumption and**
23 **production;**

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(a) Opposing Idaho Power's request to segregate net metering customers

A. Yes. In summarizing his recommendations, Dr. Morrison states (page 22, Direct Testimony) “The new rate classes provided by the Company are unnecessary.” On behalf of ICEA, I strongly agree with this conclusion that Idaho Power did not establish any factual basis for segregating NEM customers based on consumption patterns.

(b) Valuing exports from net metering customers at an avoided cost determined in a subsequent docket

A. First, ICEA agrees with Staff that any potential cost shift that may occur between NEM and non-NEM customers is small today and for the foreseeable future. Although Staff proposes changing the valuation of exports primarily out of principle, ICEA submits that the materiality of any potential cost shift should be considered before imposing the administrative costs and disruption associated with changing the value of exports. Because any potential cost shift is immaterial, ICEA recommends no changes to net metering policy at this time.

More generally, ICEA agrees that it is fair to compensate customers for excess generation at a rate that reflects the cost and benefits of that power. Because Idaho Power cannot show any meaningful impact of using the retail rate to value excess generation today, ICEA believes the

1 retail rate remains an adequate proxy that balances accuracy with administrative ease. As NEM
2 participation grows, however, ICEA acknowledges that the need for more precision increases.

3 Staff describes that the DSM avoided cost was used as a placeholder for estimating the
4 impact of Staff's proposal, as described on page 11, lines 7-12 of Dr. Morrison's Direct
5 Testimony (revised):

6 In order to estimate an average net metering customer's bill under
7 Staff's proposal, I used 2015 DSM avoided cost rates; however, as
8 I indicated earlier, I believe that the exact methodology for
9 calculating net metering avoided cost rates should be determined in
10 a separate docket.

11 ICEA agrees with Staff that a proceeding to determine a robust method to value exported
12 energy is a good step to take at the appropriate time. Valuing excess at DSM avoided costs is one
13 methodology worth considering because it focuses on costs avoided by the actions of individual
14 customers. However, the current DSM methodology would need to be improved and expanded to
15 capture all of net metering's costs and benefits. ICEA believes that ICL Exhibit 404 provides a
16 good list of elements that should be included in the analysis of the costs and benefits of
17 distributed generation. These elements from Exhibit 404 include, but should not be limited to,
18 the following:

- 19 • Energy (including system losses)
- 20 • Capacity (including generation, transmission, distribution, and DPV installed capacity)
- 21 • Grid Support Services
- 22 • Financial Risk (including fuel price hedging and market price response)
- 23 • Security Risk (including reliability & resilience)

- Environmental
- Social & Economic Development

Further, as I recommended in direct testimony, ICEA asks that the process for determining the appropriate valuation of excess generation be governed by the regulatory version of a “referee” and include representation from stakeholders.

(c) Proposing a shift from monthly to hourly netting of consumption and production

Q. Please comment on Staff’s proposal to change from monthly to hourly netting on consumption and generation.

A. Staff states the following (page 22, Morrison Direct):

The simplest way to eliminate this intraclass subsidy is to modify Schedule 84 so that net metering customers pay full retail rates for the hours in which they are net consumers of energy, and receive credit at avoided cost rates for the hours in which they produce excess energy.

Hourly netting introduces some practical concerns for solar installers and our customers, which I would like to highlight:

- 1. Wide Range of Impacts.** Staff has provided an estimate of their proposal’s impact on the average net metering customer’s bill. Dr. Morrison Direct Testimony, p. 11, lines 2-19. However, there is a great deal of disparity in the level of impacts across all net metering customers. Some would be minimally affected, while others would be substantially affected. Estimating the impact to an average net metering customer is useful but does not fully illustrate the impacts of the proposal.
- 2. Complexity.** Given the wide range of impacts, customers cannot rely on a description of

1 the impact on the average customer in order to determine how the hourly netting proposal
2 will impact them. It is actually quite complicated for a customer to determine how hourly
3 netting would impact him or her: a customer would need a spreadsheet that provides
4 annual hourly usage data; a solar installer would then need to marry this spreadsheet,
5 hour-by-hour, with projected hourly production data; the customer would then need to
6 apply some complex calculations regarding which tiered rate would be offset and which
7 avoided cost rate would apply. This analysis would be beyond the capability of most net
8 metering customers. Even if customers attempted the calculation, there is a high
9 likelihood that they would reach incorrect or inaccurate results.

10 I am also concerned that the complexity could lead to different companies all
11 acting in good faith but providing inconsistent information to customers. As an industry
12 association, ICEA supports providing clear, understandable, and accurate information to
13 all Idahoans.

14 **3. Uncertainty.** The above factors lead to uncertainty regarding the value of investing in
15 rooftop solar, which takes a toll on solar installers and can unnecessarily discourage
16 customers who could otherwise benefit from rooftop solar. Currently, one of the
17 challenges for solar installers is the administrative time required to help customers
18 determine if rooftop solar is a good fit for the customer. Many customers evaluate the
19 investment based on their historical bills and performance data we provide or that is
20 publicly available. With hourly netting, customers would need to be very adept at Excel
21 and motivated to spend the time to figure out the return on an investment in rooftop solar.
22 In my experience, this type of uncertainty and effort required to evaluate an investment
23 can dampen demand for what could otherwise be an economically beneficial option.

1 **4. Risks to limited-income customers.** As described in my direct testimony, a significant
2 segment of customers we solar installers serve are those planning for fixed income
3 constraints and therefore trying to control and levelize their future energy costs. ICEA
4 believes that helping people manage energy bills is good public policy, and our
5 businesses provide a valued service to help Idahoans do so. Given that some portion of
6 customers would be substantially impacted by hourly netting, and that it is complex to
7 determine what the impacts would be on a given household, I am concerned that some or
8 many customer with fixed or limited income could face significant increases in their bills.

9 Q. In light of ICEA's concerns, do you have any recommendations regarding Staff's
10 proposals for hourly netting and using avoided costs to value net metering exports?

11 A. Yes. Given the practical concerns above, I would recommend, if it is determined in a
12 subsequent docket that the value of excess generation is substantially different than retail rates,
13 that at a date in the future when the installed capacity of rooftop solar reaches a significant level,
14 an appropriate value for distributed generation be applied to excess generation on a monthly
15 netted basis rather than an hourly netted basis.

16 If it is determined in a subsequent docket that the method for compensating excess
17 generation should change, I would emphasize the need for stability, gradualism, and visibility to
18 future changes. For example, Staff has proposed both hourly netting and valuing excess
19 generation at avoided cost. Again, I do not believe the practical concerns and burdens created by
20 hourly netting are justified by the insignificant level of cost shifting. However, if changes to
21 monthly netting or the value of exports do occur in the future, I recommend that any changes be
22 phased in separately with clear, long-term visibility. Customers and solar installers have little
23 data or experience base to project the complex impact of both changes. Phasing changes in

1 separately would not eliminate the concerns I have expressed above, but it would help provide
2 installers and customers the time and visibility necessary to predict and mitigate the impact of
3 the changes.

4 **(d) Deferring a decision on Schedule 72**

5 Q. Staff has recommended that Idaho Power's proposed changes to Schedule 72 be denied
6 and that changes to Schedule 72 be submitted and considered as part of a separate case. How do
7 you respond?

8 A. ICEA appreciates Staff's recognition that the changes to Schedule 72 are more significant
9 than represented by Idaho Power in its application. I agree that the changes are outside the scope
10 of this docket and should be denied.

11 Regarding the initiation of a new case, please recognize that ICEA and its members bear
12 a heavy cost to provide time and administrative costs to respond to dockets affecting our
13 businesses. ICEA proposes that, before filing a separate case on Schedule 72, Idaho Power be
14 required to 1) provide evidence that there's a material problem to be resolved; and 2) involve
15 ICEA in reviewing the issues and considering solutions before a case is filed.

16 **Additional observations and comments**

17 Q. Staff recommends that, though any potential cost shift is financially insignificant, the rate
18 design for net metering should nevertheless be addressed at this time. Please respond.

19 A. As described in my direct testimony, solar installers value stability and predictability. I
20 support a fair and objective process to resolve the appropriate methodology for valuing excess
21 customer-generated solar power. However, note that:

- 22 • Staff and other intervenors confirm that the potential cost shifting is insignificant.
- 23 • Implementation of any changes creates an administrative burden on solar installers.

- In order to accurately advise potential solar customers, solar installers need time to build a base of experience with readily available data in order to best help customers consider their options.

In light of these considerations, I propose that any changes to net metering rate policy not go into effect until after the total nameplate capacity of net metering residential solar reaches a benchmark level of 60MW, which is approximately an additional 50 MW. For context, please note from Ms. Donahue's testimony (page 3, Lines 14-16) that Idaho Power's system peak-hour load requirement is forecasted to grow by 50MW for each of the next twenty years.

Q. Do you have any other observations about Staff's proposals?

A. Yes. Staff proposes changing net metering rate policy out of principle of fairness. While, as discussed above, I don't think changes are justified at this time, if changes to net metering policy are considered, changes to policy based on a principle of fairness should also include changes to ensure net metering customers are treated in a non-discriminatory manner. For example, the rate programs available to residential customers for utility-supplied power should be available equally to net metering and non-net metering customers. I agree with Staff's philosophy that net metering customers should pay fair rates for energy that is downloaded and receive fair compensation for energy that is uploaded. If changes to net metering policy were implemented to change the method for valuing excess generation, I know of no reason to deny net metering customers the opportunity to participate in Time of Day rate programs or in any other rate program available to standard customers for the company-supplied power they consume.

Summary of recommendations

Q. Please summarize your specific recommendations.

1 A. ICEA recommends:

- 2 • That the Commission deny the Company's proposal to establish two new rate classes,
3 which are unnecessary and unjustified.
- 4 • That the Commission establish guidance that power consumed by the customer at the
5 time it is produced by the customer's own generation should not be included in a cost
6 shift calculation.
- 7 • That a separate docket determine a robust methodology for valuing excess generation,
8 that the analysis is performed by a neutral third party and governed by an objective
9 "referee", and that the methodology covers the full range of benefits and avoided costs
10 provided by distributed generation.
- 11 • That any changes to net metering rate policy should not go into effect until after the total
12 nameplate capacity of net metering residential solar reaches a benchmark level of 60MW.
- 13 • That when the installed capacity of net metering residential solar reaches the benchmark
14 level, an appropriate value for distributed generation be applied to excess generation on a
15 monthly netted basis rather than an hourly netted basis.
- 16 • Regarding the method for compensating excess generation changes, that changes should
17 be phased in separately and with clear, long-term visibility.
- 18 • That, if the Commission were to approve changes to the methodology of compensating
19 net metering customers for excess generation, the variables affecting those changes be
20 available and visible to customers for two years before going into effect.
- 21 • That net metering customers be allowed to participate in Time of Day rates available for
22 the company-supplied power they consume.
- 23 • That proposed changes to Schedule 72 be denied and that such changes be proposed in a

1 separate docket only after the Company has evidence of a material problem and after the
2 Company reviews any issues and potential solutions with ICEA and other relevant
3 stakeholders.

4 Q. Does this conclude your testimony?

5 A. Yes.

CERTIFICATE OF SERVICE

I certify that on January 26, 2018, a true and correct copy of the REBUTTAL TESTIMONY OF KEVIN KING was served upon all parties of record in this proceeding via the manner indicated below:

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January 26, 2018

Diane Hanian, Commission Secretary
Idaho Public Utilities Commission
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Re: Direct Testimony on Rebuttal
Case No. IPC-E-17-13

Dear Ms. Hanian:

Enclosed for filing is the original and 9 copies of the Rebuttal Testimony of Kevin King. Please accept the original as the reporter's copy under Commission Rule 231.04. Two CDs containing a searchable PDF version of the Rebuttal Testimony is also enclosed. The parties will be served electronically.

Please do not hesitate to contact our office if you have any questions or concerns.

Sincerely,



Preston N. Carter

PNC/klh
Enclosures
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