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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
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November 6, 2019

VIA HAND DELIVERY

Diane Hanian, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Boulevard
Building 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. IPC-E-18-15
Study of Costs, Benefits, and Compensation of Net Excess Energy Supplied
by Customer On-Site Generation
Idaho Power Company's Comments in Support of Settlement

Dear Ms. Hanian:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Comments in Support of Settlement in the above matter. The enclosed disk contains the workpapers described in Attachment 1 to the Comments. While the parties will have access to the workpapers that have been uploaded to the FTP site, Idaho Power will provide the executable Excel files contained in these workpapers to members of the public upon request.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt

Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION TO STUDY)	CASE NO. IPC-E-18-15
THE COSTS, BENEFITS, AND)	
COMPENSATION OF NET EXCESS)	IDAHO POWER COMPANY'S
ENERGY SUPPLIED BY CUSTOMER ON-)	COMMENTS IN SUPPORT OF
SITE GENERATION.)	SETTLEMENT
_____)	

Idaho Power Company ("Idaho Power" or "Company"), by and through its undersigned attorney, hereby submits to the Idaho Public Utilities Commission ("Commission") these comments in support of the proposed Motion to Approve Settlement Agreement and Settlement Agreement submitted in the above-captioned proceeding on October 11, 2019 ("Settlement Agreement"). The Company believes that the proposed Settlement Agreement represents a reasonable compromise of the issues raised by parties and that Commission approval of the Agreement is in the public interest. The Company and parties participated in eight confidential settlement meetings to discuss issues related to the costs and benefits of customer-generation on Idaho Power's system, proper rates and rate design, transitional rates, and related issues of compensation for net excess energy provided as a resource to the Company. Over the course of those meetings, the Company and parties collaboratively worked through each issue to

determine where areas of compromise were reasonably achieved. The results of those discussions and ultimate compromise are presented in the Settlement Agreement filed by the Company and the Commission Staff on October 11, 2019.

The Company presents the following comments in support of the Settlement Agreement as follows:

Section I – provides procedural background;

Section II – summarizes the Company's position on the issues absent settlement;

Section III – provides an overview of the Settlement Agreement and the Company's rationale for agreeing to its key terms; and

Section IV – summarizes why the Settlement Agreement is fair, just and reasonable, and in the public interest.

I. PROCEDURAL BACKGROUND

A. Case No. IPC-E-17-13

In Case No. IPC-E-17-13, Idaho Power explained that the rates charged to net metering customers were not designed to reflect the value of the service being provided to them and that the inaccuracies in pricing could result in cost shifting between customers who choose to install on-site generation and those who do not. Idaho Power asked to first establish new customer classes for Residential and Small General Service ("R&SGS") customers with on-site generation and then to subsequently establish a compensation structure for customers with on-site generation to ensure that Idaho Power's service offering for customers with on-site generation was fair-priced, scalable, and sustainable into the future.

In Order No. 34046, the Commission closed Schedule 84 to R&SGS customers with on-site generation and created new tariff Schedule 6, Residential Service On-Site Generation, and new tariff Schedule 8, Small General Service On-Site Generation. The

Commission also ordered Idaho Power to initiate a docket to comprehensively study the costs and benefits of on-site generation on Idaho Power's system, as well as proper rates and rate design, transitional rates, and related issues of compensation for net excess energy provided as a resource to the Company. Order No. 34046 at 31.

B. Case No. IPC-E-18-15

As directed by Order No. 34046, on October 19, 2018, Idaho Power filed a Petition ("Petition") requesting that the Commission initiate the instant docket. On November 9, 2018, the Commission issued a Notice of Petition and Notice of Intervention Deadline in Order No. 34189, noticing the public and setting forth a deadline for intervention 21 days from its issuance. Petitions to Intervene were filed by the Idaho Conservation League, Idaho Irrigation Pumpers Association, Idaho Hydroelectric Power Producers Trust ("IdaHydro"), Rocky Mountain Power, Vote Solar, City of Boise, Idaho Clean Energy Association, Idaho Sierra Club, Snake River Alliance, NW Energy Coalition, Micron Technology Inc., the Industrial Customers of Idaho Power, and Russell Schiermeier. Snake River Alliance subsequently withdrew as an intervening party.

Parties met on January 9, 2019, for a prehearing conference and subsequently held eight settlement conferences that resulted in the following settlement of issues related to the Company's Petition in this docket. Commission Staff and Idaho Power jointly filed a Motion to Approve Settlement Agreement and corresponding Settlement Agreement on October 11, 2019. All parties to the proceeding agreed to either sign the Settlement Agreement or to not oppose the Settlement Agreement. The Settlement Agreement was signed by the Company, Commission Staff, Idaho Irrigation Pumpers Association, Inc., IdaHydro, City of Boise, Idaho Sierra Club, Idaho Clean Energy Association, Industrial Customers of Idaho Power, and Russell Schiermeier, hereafter referred to jointly as "Signing Parties."

On October 17, 2019, the Commission issued a Notice of Motion to Approve Settlement Agreement, a Notice of Briefing, and a Notice of Schedule in Order No. 34460, establishing a comment deadline on the proposed Settlement Agreement of November 1, 2019. These Comments in support of the Settlement Agreement are filed in response to this Order.

II. SUMMARY OF IDAHO POWER'S POSITION ABSENT SETTLEMENT

The combination of the billing and compensation structure applicable to R&SGS customers (net monthly billing) and the existing rate design creates the potential for an under-recovery of fixed costs from the on-site generation customers, ultimately resulting in cost shifting to other R&SGS customers. Absent a settlement, the Company's advocacy would include: (1) modifying the rate design to separate the cost of the energy generated from the cost of fixed and other reliability related services, (2) shortening the measurement interval of consumption and exports to increase the accuracy and separate the measurement of the usage of the grid services from the amount of exported energy, and (3) compensating exported energy at a rate that reflects the Company's avoided costs.

III. SETTLEMENT AGREEMENT

The terms of the Settlement Agreement filed October 11, 2019, represent a reasonable compromise among differing points of view. As evidenced by the arguments made in Case No. IPC-E-17-13, considerable disagreement initially existed between the parties. Concessions were made by each of the Signing Parties to strike an appropriate balance between the interests of the Company, its customers, and the Settlement Agreement signatories.

A. Rate Design and Rate Stability

Section IV. F. of the Settlement Agreement provides that:

Except for the biennial updates to the Export Credit Rate according to the methodology established in this Agreement, Idaho Power will not propose to modify rates or rate design for customers on Schedule 6 or Schedule 8 until the next proceeding in which the Commission determines whether to change rates or rate designs for all customer classes.

Idaho Power believes modifying the rate design applicable to customers with on-site generation is necessary to better align revenue collection with the assignment of costs and to reduce intra-class subsidies. As part of a compromise to reach settlement, and as a compromise position, the Company acknowledges that Case No. IPC-E-18-16 and future rate proceedings provide an opportunity for parties to present positions related to rate design and spread of fixed costs for the Commission's consideration. The Signing Parties agreed that the Company would not file a case seeking to modify rates for only Schedule 6 and 8 customers, but that any proposed rate design changes would be part of a broader case that evaluated rate design for all customer classes.

B. Net Hourly Billing

In Section IV.A. of the Settlement Agreement, the Signing Parties agreed to implement Net Hourly Billing, where "at the end of each hour, consumption and exports within the hour will be netted and net hourly exports will be compensated at the Export Credit Rate."

The current net metering billing construct allows customers to use the excess generation from any hour to offset consumption from any other hour within the billing month. Any excess generation remaining at the end of the billing period can then be carried-forward to offset consumption in subsequent months. Shortening the interval for offset is a more accurate representation of the customer use of the grid. While the Company's meters and billing system are capable of separately recording all deliveries of energy and all receipts of exported energy instantaneously, as a compromise position, the

Company agreed to implement netting on an hourly basis as part of the settlement in the case.

C. Value-Based Export Rate

In Section I.B. of the Settlement Agreement, the Signing Parties agreed the initial methodology to determine the export credit would be comprised of three primary components:

1. Avoided Energy Value is the two-year levelized energy-weighted average of the Demand-Side Management (“DSM”) Alternate Cost obtained from the pricing periods set forth in the most recently acknowledged Integrated Resource Plan (“IRP”) calculated as the summation of the product of hourly energy exports and the DSM price divided by Total Annual Energy Exports for the class. The energy value will be decreased by 10 percent to reflect the non-firm nature of the energy provided by on-site generators.
2. Avoided Capacity Value will be the product of the DSM Capacity Resource Value, Nameplate Capacity, and the Peak Contribution Factor divided by the Total Annual Energy Exports. The 25-year levelized cost calculation will not include any avoided capacity cost recognition until the first capacity deficit year most recently approved by the Commission.
3. Avoided Transmission & Distribution (“T&D”) Line Losses are included to reflect the avoidance of transmission and primary distribution level line losses.

The Company believes that the value customers are compensated for their excess energy should reflect those costs avoided when customers export excess energy to the grid. While the Company initially presented a non-firm market-based rate, adjusted for line losses, avoided T&D capacity, and integration costs, in an effort to reach compromise, the Company ultimately agreed to an export credit rate methodology that utilizes the same basis for avoided energy and capacity as is used to determine cost-effectiveness of energy efficiency, adjusted to account for line losses and to reflect the

non-firm nature of the energy provided by the on-site generators. The workpapers supporting calculation of the Settlement Agreement's Export Credit Rate can be found in Attachment 1. The Signing Parties agreed that other costs and benefits (avoided T&D capacity, integration costs, and environmental benefits) may be measurable, but agreed not to include those costs or benefits as part of the Settlement Agreement.

D. Export Credit Rate Expense

During the transition period, as described in Section IV.E. of the Settlement Agreement, the difference between the Export Credit Rate and the Blended Base Energy Rate will be collected through the Fixed Cost Adjustment ("FCA"). After the transition period, the Export Credit Rate will be recovered 100 percent through the Power Cost Adjustment ("PCA").

The Signing Parties agreed that the Export Credit Rate expense is appropriately collected through the Company's PCA mechanism. Because Signing Parties agreed to the transition period described in the following paragraph, the Signing Parties agreed that compensation for exported energy in excess of the Export Credit Rate should continue to be collected through the Company's FCA mechanism to minimize cost shifting to other customer classes.

E. Transition Period

Section IV.G. of the Settlement Agreement provides for an 8-year transition period from each class-specific Blended Base Energy Rate to the class-specific Export Credit Rate, with an update occurring every two years concurrent with the Company's IRP cycle (as outlined in Section IV.C. of the Settlement Agreement).

The Company's initial position included immediate implementation of a value-based Export Credit Rate. However, Idaho Power is sensitive to those investments made by R&SGS customers under the existing net metering billing construct and believes a

transition period applicable to all R&SGS customers is a reasonable way to mitigate the negative financial impact a Residential or Small General Service customer may experience from transitioning from net metering to net hourly billing.

**IV. SETTLEMENT IS FAIR, JUST, AND REASONABLE
AND IN THE PUBLIC INTEREST**

The Company believes that the proposed Settlement Agreement is a reasonable resolution of the complex issues it addresses and is in the public interest. The Company would like to acknowledge its appreciation for the willingness by the Commission Staff and other parties to consider and discuss the merits of the Company's position and to reach mutually agreeable terms for the Settlement Agreement.

For all the reasons presented in these comments, Idaho Power urges the Commission to adopt the Settlement Agreement submitted in this proceeding as filed, without modification, and to issue an order authorizing the terms of the Settlement Agreement.

DATED at Boise, Idaho, this 6th day of November 2019.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 18th day of October 2016 I served a true and correct copy of IDAHO POWER COMPANY'S COMMENTS IN SUPPORT OF SETTLEMENT upon the following named parties by the method indicated below, and addressed to the following:

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Kimberly Towell, Executive Assistant

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-18-15**

IDAHO POWER COMPANY

**COMMENTS IN SUPPORT
OF SETTLEMENT**

**ATTACHMENT 1
WORKPAPERS
(PROVIDED ON CD)**