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November 6, 2019

Diane Hanian, Commission Secretary
Idaho Public Utilities Commission
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Building 8, Suite 201-A
Boise, ID 83714
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UTILITIES COMMISSION

**Re: CASE No.: IPC-E-18-15
COMMENTS RE: SETTLEMENT AGREEMENT BY IDAHO
IRRIGATION PUMPERS ASSOCIATION, INC.**

Dear Ms. Hanian:

Enclosed you will find the original and seven (7) copies of the following:

1. Comments Re: Settlement Agreement by Idaho Irrigation Pumpers Association, Inc.

Electronic copies have been served per the Certificate of Service.

Please file the Comments in the case file. If you have any questions, please don't hesitate to call. Thank you.

Sincerely,

Eric L. Olsen

ELO/tf
Enclosures

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Attorney for Intervenor Idaho Irrigation Pumpers Association, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF IDAHO POWER
COMPANY'S APPLICATION TO STUDY
THE COSTS, BENEFITS, AND
COMPENSATION OF NET EXCESS
ENERGY SUPPLIED BY CUSTOMER ON-
SITE GENERATION**

**CASE NO. IPC-E-18-15
COMMENTS RE: SETTLEMENT
AGREEMENT BY IDAHO
IRRIGATION PUMPERS
ASSOCIATION, INC.**

COMES NOW Idaho Irrigation Pumpers Association, Inc. ("IIPA") and pursuant to Commission's Order No. 34315 and provides its comments on the Settlement Agreement that has been filed in this case.

I. GENERAL OBSERVATIONS

The IIPA has signed the Stipulation in this case and supports it. While the IIPA does not see the Settlement Agreement as an ideal result for its members, it does provide the best, assured outcome for all parties involved. The IIPA would like to thank the parties for their spirited, technically robust and civil discourse in reaching settlement in this case. It is often said that a good Settlement leaves all parties somewhat unhappy. If that is the case, this must have been a very good settlement, because the IIPA gave up a great deal and so did the other parties as well. Given the diversity of opinions of the various parties, the IIPA believes that the Commission should not consider the Settlement Agreement a precedent upon which to build, but just a first step in a long-term process.

The Commission may ask why is the IIPA involved and concerned about a case that deals with Residential and Small-Commercial On-Site Generators. The answer is twofold: First, it is believed that On-Site Generation may begin to rapidly develop. Additionally, it is believed that

large scale solar generation will be growing rapidly as well, e.g., Jackpot Solar. If On-Site Generation is to grow, it needs to be priced appropriately, not too low to stifle growth, but not so high as to inappropriately raise customer rates. On-Site Solar Generation should be “priced right” to the benefit of all customers.

Second, although this case is not about Irrigation On-Site Generation, what happens in this case will have an impact upon the setting of rates and policies for Irrigation, as well as other, On-site Generation customers. Although a solar panel will generate the same amount of energy if it is associated with a Residential customer or an Irrigation customer, the usage characteristics of each are different and, thus, the time and amount of energy generated and used by each customer group will be different. However, the underlying principles of the benefit (reduction in utility generation/costs) are the same. A kWh generated by an Irrigator at any given time will have the same impact upon the system as a kWh generated by a Residential customer. Both classes must receive similar treatment.

II. OUTSTANDING ISSUES

The Settlement Agreement results in a shift in how On-Site Generation is to be treated in the future, compared to the past. Some may agree with these changes and others may simply acquiesce to these changes for the sake of an overall Settlement. The IIPA has two concerns regarding rates/compensation that will need to await future efforts in order to correct. First, On-Site Generation is being treated as simply a conservation measure which means that it is compensated at the marginal energy rate of any given rate schedule. Second, On-site Generation is not being compensated at a price that reflects the benefit to the system and/or its impact on the system.

Compensation at The Marginal Energy Rate

At any given moment, a unit of On-Site Generation should be valued the same whether it is generated by a Residential, Small Commercial, Commercial, Irrigation or Industrial customer. The Settlement does not do that. Under the Settlement, a customer is compensated at his marginal cost of energy. For Residential customers using 2,010 kWh per month in the summer, one kWh of solar generation would reduce his bill by 12.2019 cents/kWh. For a Small

Commercial customer using 2,010 kWh in the summer, the reduction in his bill for one kWh of solar is less—at 10.5984 cents/kWh. Note, this reduction in the bills occurs no matter when this one kWh of solar is generated.

However, if this same Residential Customer was using only 1,990 kWh per month (20 kWh less) in the summer, he would be compensated at 10.2715 cents/kWh for that same kWh of solar generation. On the other hand, if the same Small Commercial customer was using the same 1,990 kWh per month in the summer and reduces his consumption by one kWh, he is still compensated at 10.5984 cents/kWh—more than the compensation given to a similar Residential customer. Again, this reduction in the bills occurs no matter when this one kWh of solar is generated.

Another anomaly of the Settlement rates is that a Residential customer is compensated for Excess Generation (amount of energy put back on the grid) at a rate of 10.222 cents/kWh (winter, spring, summer, or fall). However, a Small Commercial customer with Excess Generation is compensated at a rate of 8.680 cents/kWh (winter, spring, summer, or fall)—much less than a Residential customer. Once again, an undefined kWh of energy being put back on the grid should not receive a different rate of compensation based upon rate class.

The discrepancies become greatly magnified when applying this same process (compensation at the marginal energy rate) to customers with both a demand and an energy charge. Residential customers have all demand costs rolled into their energy rates. On the other hand, customers such as the Irrigators have a large portion of their demand costs collected in their demand charges, thus lowering the energy rate that needs to be charged. Using this same marginal energy approach to compensate On-Site Generations for an Irrigator at the highest usage rate would result in a reduction of only 5.7696 cents/kwh for one kWh of solar generation.

Thus, there are major problems with the compensation scheme for different customer groups choosing On-Site Generation. A reading of the Commission's order in this case suggests that rate design was not intended to be a topic for Case No. IPC-E-18-15. Given that interpretation, it would seem beneficial to the appropriate development of On-Site Generation to address compensation issues such that all customers are treated fairly.

Price/Compensation That Reflects the Benefit to The System

The fact that On-Site Generation customers are compensated for using their own generation as if it were conservation, not only impacts the compensation between classes and within each class of On-Site Generation customers, but it also impacts the overall system cost and, thus, the cost/benefit to all Non-On-Site Generation customers. With the exception of losses, if a single kWh is generated in a given hour on a given day, there is no reason why the cost/benefit to the system should be any different if that kWh is generated by a Residential, Small Commercial, Commercial, Irrigation, or Industrial customer. The level of compensation is even further complicated by the fact that a customer on any given rate schedule could be taking his last/marginal kWh at a different rate than others on his same rate schedule. Additionally, there should be no difference if that single kWh is consumed by the customer or put onto the grid for others to use—either way, the Company will acquire one less kWh.

Given the wide diversity of compensation that is to be paid to differently situated customers for their own On-Site Generation, it cannot be claimed that all this compensation is just and reasonable and in the best interest of all the other system customers.

As pointed out above, a kWh generated by an On-Site Generator reduces the need for the Company to generate one kWh at the margin. This all sounds well and good if the Company's marginal costs are high, but what if the marginal costs are less than the price being paid/compensated for the On-Site Generation? What if the Company is in a position where it must pay to have another utility take energy off its system and On-Site Generators continue to add unneeded energy to the system? These are not theoretical considerations, but real-life situations.

III. CONCLUSION

IPC-E-18-15 did not address rate design issues. As a result, there are many flaws in what is contained in the Settlement Agreement that were not addressed in this case. The Commission should look at another venue for correcting these problems and the IIPA will provide additional comments on these issues in the IPC-18-16 Fixed Cost case. Until rate design issues are

addressed, On-Site Generation customers will not be fairly treated compared to each other and On-Site Generators will not be operated in a manner that is in the best interest of the system.

DATED this 6th day of November, 2019.

ECHO HAWK & OLSEN

A handwritten signature in black ink, appearing to read "Eric L. Olsen". The signature is fluid and cursive, with a large initial "E" and "O".

ERIC L. OLSEN

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 6th day of November, 2019, I served a true, correct and complete copy of the aforementioned document to each of the following, via U.S. Mail or private courier, email or hand delivery, as indicated below:

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