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UTILITIES COMMISSION

**LISA D. NORDSTROM**  
Lead Counsel  
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April 5, 2019

**VIA HAND DELIVERY**

Diane Hanian, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-19-15  
Study of the Measurement Interval, Compensation Structure, and Value of Net  
Excess Energy for On-site Generation Under Schedule 84 and Temporarily  
Suspend Schedule 84 Net Metering Service to New Idaho Applicants  
Idaho Power Company's Application and Testimony

Dear Ms. Hanian:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application. Also enclosed for filing are an original and eight (8) copies of the Direct Testimony of Timothy E. Tatum. One copy of the testimony has been designated as the "Reporter's Copy." A disk containing a Word version of the testimony is enclosed for the Reporter.

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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Attorney for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	
COMPANY'S APPLICATION FOR	)	CASE NO. IPC-E-19-15
AUTHORITY TO STUDY THE	)	
MEASUREMENT INTERVAL,	)	APPLICATION
COMPENSATION STRUCTURE, AND	)	
VALUE OF NET EXCESS ENERGY FOR	)	
ON-SITE GENERATION UNDER	)	
SCHEDULE 84 AND TO TEMPORARILY	)	<b><u>Expedited Consideration</u></b>
SUSPEND SCHEDULE 84 NET METERING	)	<b><u>Requested</u></b>
SERVICE TO NEW IDAHO APPLICANTS.	)	
_____	)	

Large commercial, industrial, and irrigation ("CI&I") customers are increasingly considering multi-million-dollar investments in on-site generation systems under the current net metering rules found in Schedule 84, Customer Energy Production Net Metering Service ("Schedule 84"). Despite ongoing efforts in Case No. IPC-E-18-15 ("18-15 Case")<sup>1</sup> to study the costs, benefits, and compensation of net excess energy supplied

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<sup>1</sup> In the Matter of the Petition of Idaho Power Company to Study the Costs, Benefits, and Compensation of Net Excess Energy Supplied by On-Site Generation, Case No. IPC-E-18-15.

by customer on-site generation, Idaho Power Company's ("Idaho Power" or "Company") CI&I customers continue to rely on the existing Schedule 84 on-site generation pricing and compensation structure to calculate their potential return on investment rather than a more reasonable and sustainable value. In addition to the customer frustration that this expensive misunderstanding will likely cause, both the Idaho Irrigation Pumpers Association ("IIPA")<sup>2</sup> and the Company are increasingly concerned about cost shifting to customers without on-site generation.

In accordance with *Idaho Code* § 61-502 and RP 052, Idaho Power requests the Idaho Public Utilities Commission ("Commission") initiate a collaborative process to explore modifications to the compensation structure and excess energy value applied under Schedule 84 for implementation by January 1, 2020. The Company further requests that the Commission expeditiously review and temporarily suspend service under Schedule 84 to new Idaho CI&I applicants effective as of today's date, April 5, 2019, during the pendency of this case.

In support of this Application, Idaho Power represents as follows:

#### **I. HISTORY OF SCHEDULE 84**

1. Schedule 84 is offered by the Company to provide for the transfer of electricity to the Company from customer-owned generation facilities with a capacity up to 100 kilowatts ("kW") to offset all or a portion of a customer's energy usage.

2. Prior to Schedule 84's creation in 2002, customers taking service under Idaho Power's Schedule 1 (Residential Service) and Schedule 7 (Small General Service),

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<sup>2</sup> A letter prepared by IIPA more particularly describes its concerns and support for the temporary suspension of Schedule 84 to new Idaho applicants. The letter can be found as Exhibit No. 1 to Mr. Tatum's testimony and will be filed separately by IIPA with the Commission.

took net metering service from Schedule 86, Cogeneration and Small Power Production Non-Firm Energy ("Schedule 86"). As part of the order creating Schedule 84, the Commission directed the Company to make an additional filing within six weeks extending net metering eligibility to the Company's remaining customer classes, essentially the CI&I classes.<sup>3</sup>

3. In the Company's proposed CI&I net metering program, the CI&I net metering customer would continue to utilize a standard utility meter that measures the customer's demand and energy, and a second meter would be installed to measure the energy provided by the customer's generating facility. If at the end of the billing period, the CI&I net metering customer had delivered excess energy to the Company, each kilowatt-hour ("kWh") of net energy was to be credited at a price equal to 85 percent of the most recently calculated monthly per kWh Avoided Energy Cost – the price for non-firm energy identified in the Company's Schedule 86. The Commission subsequently approved the Company's proposed Schedule 84 net metering program proposal, also finding that expenses related to excess power purchases under Schedule 84 could be reasonably collected through Idaho Power's Power Cost Adjustment mechanism.<sup>4</sup>

4. When growth in the Schedule 84 net metering program approached the 2.9 megawatt ("MW") cap, Idaho Power sought to make changes in Case No. IPC-E-12-27 to make the program more sustainable. As part of that proceeding, the Commission

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<sup>3</sup> *In the Matter of the Application of Idaho Power Company for Approval of a New Schedule 84 – Net Metering Tariff*, Case No. IPC-E-01-39, Order No. 28951 at 12 (February 13, 2002).

<sup>4</sup> *In the Matter of the Application of Idaho Power Company for Amendments to Schedule 84 – Net Metering*, Case No. IPC-E-02-04, Order No. 29094 at 7 (August 21, 2002).



approved<sup>5</sup> substantial changes to Schedule 84's Excess Net Energy<sup>6</sup> to compensate net metering customers for Excess Net Energy using a kWh credit that would carry over indefinitely to offset the customer's electricity usage instead of a financial payment. Under certain circumstances, net metering customers who take service through multiple meters at one or more premises were also permitted to aggregate and apply net metering credits to offset usage on the other meters.

## **II. SCHEDULE 84 GROWTH**

5. From 2012 through 2018, Schedule 84 has experienced a 32 percent compound annual growth rate ("CAGR") in active cumulative generation capacity. From year-end 2018 through the end of March 2019, there has been a 114 percent increase in Schedule 84 net metering capacity, including pending net metering customers.<sup>7</sup>

6. Recent Schedule 84 growth has been primarily driven by the irrigation class, which has a 73 percent CAGR from 2012 through 2018; most of that growth occurring in the last year. In just the three months between year-end 2018 and March 31, 2019, active and pending capacity in the irrigation customer class has grown 366 percent, from 1.09 MW to 5.06 MW.

7. In addition to the active and pending applications described above, the Company is aware of an additional 5.79 MW of capacity from irrigation customers who

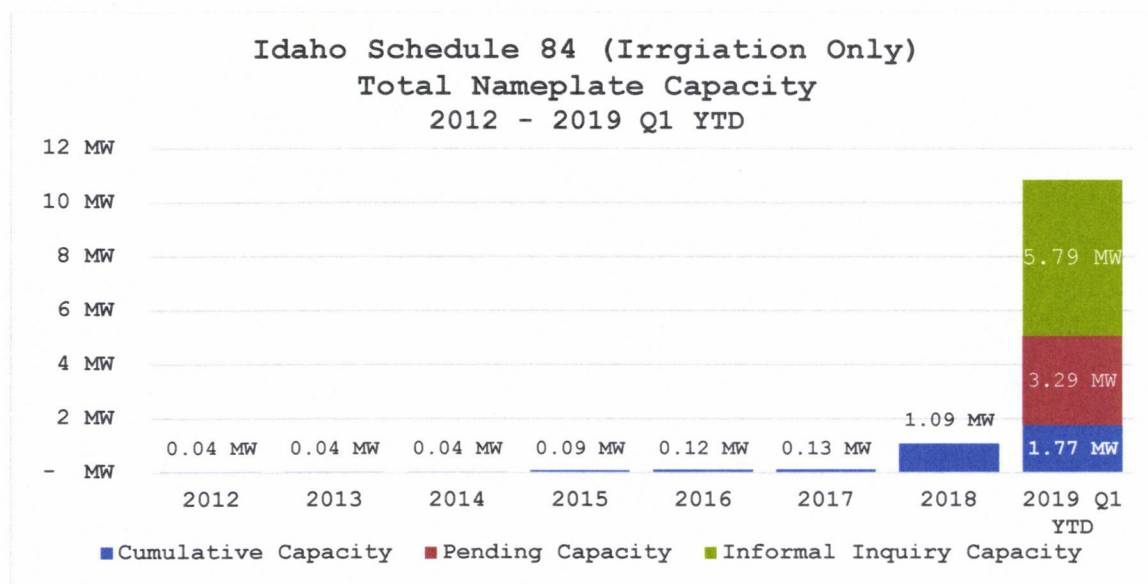
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<sup>5</sup> *In the Matter of Idaho Power Company's Application for Authority to Modify Its Net Metering Service and to Increase the Generation Capacity Limit*, Case No. IPC-E-12-27, Order Nos. 32846 (July 3, 2013) and 32925 (November 19, 2013).

<sup>6</sup> Schedule 84 defines "Excess Net Energy" as "the positive difference between the kWh generated by a Customer and the kWh supplied by the Company over the applicable Billing Period." It is the amount of energy a customer generates above and beyond what that customer consumes.

<sup>7</sup> Pending net metering customers are customers who have sent in their completed application and paid a \$100 application fee. Historically, 96 percent of customers that have applied for net metering service have transitioned to Schedule 84.

have requested the Company provide detailed information on their meter data points, including geographic information system data flagging contiguous property, names of distribution feeders for each meter, transformer sizes, and rate schedule detail for each meter, with an interest in installing photovoltaic systems on their properties. If all these systems come on-line, this would represent a March 31, 2019, year-to-date over year-end 2018 increase in irrigation net metering capacity of 900 percent. Figure 2 from Mr. Tatum's testimony represents active and pending growth between 2012 and 2019 for the irrigation class and includes the capacity associated with the informal inquiries.



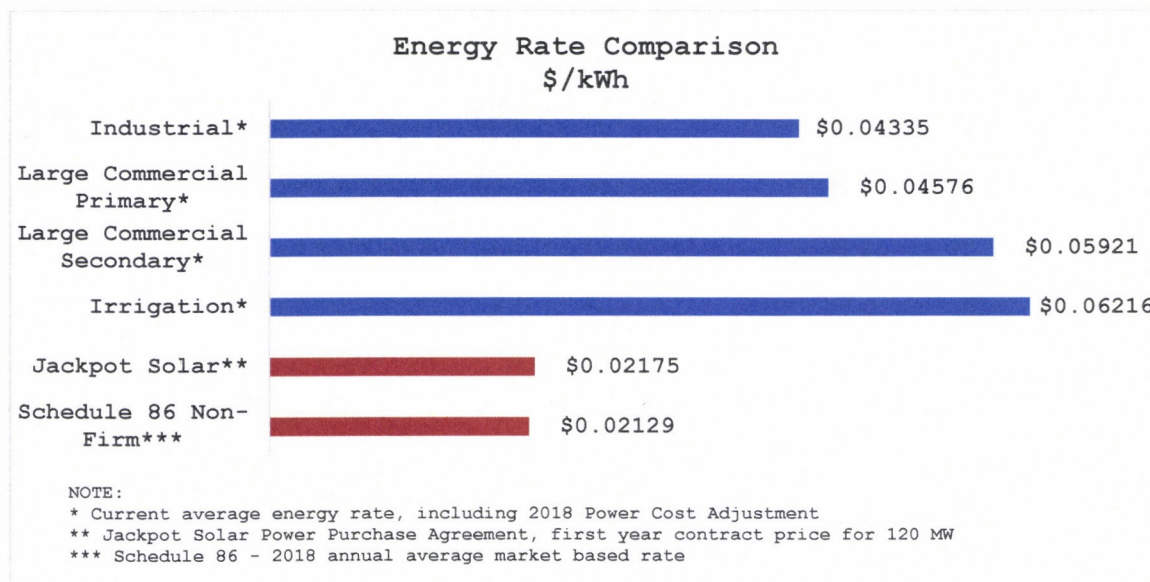
8. The Company is concerned that flawed economic signals and incentives provided through retail rate net metering may mislead customers considering multi-million-dollar investment decisions in on-site generation. Specifically, potential irrigation net metering customers may not be considering the financial impact that a change to the Excess Net Energy credit may have on their investment decisions, if Excess Net Energy were to be credited at a value-based rate, as is currently being discussed in the 18-15 Case.

9. The current Schedule 84 pricing for Excess Net Energy combined with the current meter aggregation rules are not aligned with the costs and benefits of on-site generation, ultimately removing any incentive for customers to right-size their systems, especially for an irrigation customer. Within the last two years, nearly all of the active or pending irrigation net metering customers in 2018 and 2019 have installed or requested to install, on average, 99 kW systems to comply with the 100-kW limit at an individual meter point. Large increases in net metering capacity may result in cost shifts to standard service customers who are not installing net metering systems.

### **III. POTENTIAL COST SHIFT IMPACT**

10. The current practice of applying standard retail rates to the net metering service creates the potential for inappropriate cost shifting between net metering customers and standard service customers. Any reduction in energy consumption because of on-site generation results in a reduction in the fixed costs recovered through the volumetric rate. Figure 4 from Mr. Tatum's testimony illustrates the percentage of fixed costs collected through the fixed and volumetric energy charges of primary CI&I classes.

11. By using the retail rate to compensate customer-owned generation, the Company is effectively paying different prices for the same resource type (e.g., solar) simply based on the rate classification of each individual customer. Figure 5 from Mr. Tatum's testimony illustrates the likely rate disparities between the current average retail energy rates for each CI&I class compared to reasonable proxies for the value of solar generation on Idaho Power's system:



While the retail energy rates for each of the CI&I classes differ by as much as \$0.019/kWh or \$19.00 per megawatt-hour ("MWh"), the retail rates exceed the Jackpot Solar and non-firm Schedule 86 proxy valuations by as much as \$0.040/kWh, or \$40.00/MWh.

12. The rapid growth of net metering and the potentially large disparity between retail rates and a reasonable value of on-site generation warrant immediate and careful reexamination of the Schedule 84 compensation structure requested in this case.

#### **IV. CASE PROCEDURE**

13. To mitigate the risk of CI&I customers pursuing the installation of net metering systems that may not prove to be economic under a different compensation structure, the Company requests the Commission expeditiously consider and immediately suspend Schedule 84 service available to Idaho CI&I applicants, as of the date of this filing.

14. During this suspension, the Company also requests the Commission establish a schedule in this case that could facilitate a change to the CI&I dual meter measurement interval and compensation structure under Schedule 84 by January 1, 2020. Idaho Power requests an intervention period be set to identify interested parties



that wish to participate in this docket. If the Commission determines that a technical hearing is required, the Company has contemporaneously filed Mr. Tatum's testimony and stands ready to present its testimony and support the Application.

15. For administrative efficiency relative to the issues currently being evaluated by stakeholders in the 18-15 Case and Case No. IPC-E-18-16 ("18-16 Case"),<sup>8</sup> Idaho Power recommends CI&I-related on-site generation issues be processed as follows:

- CI&I dual meter measurement interval and compensation structure for Schedule 84 in this case;
- Value of net excess energy for all on-site generation classes – Schedules 6, 8, and 84 – in this case and the 18-15 Case as combined cases for this single issue; and
- Rate design and rate structures for all classes, including CI&I customers, in the 18-16 Case.

16. Because the value of on-site generation is resource-specific and not class-specific, it would be most efficient to address this issue comprehensively for all on-site generators, rather than in a piecemeal fashion. To accomplish this, the Company recommends that the Commission issue a notice in this case to invite intervention from those stakeholders not currently participating in the 18-15 Case, but who may ultimately be impacted by decisions in that case regarding on-site generation valuation, to participate and contribute to the outcome.

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<sup>8</sup> *In the Matter of the Petition of Idaho Power Company to Study Fixed Costs of Providing Electric Service to Customers*, Case No. IPC-E-18-16.

## **V. COMMUNICATIONS AND SERVICE OF PLEADINGS**

17. Communications and service of pleadings with reference to this Application should be sent to the following:

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Idaho Power Company  
1221 West Idaho Street (83702)  
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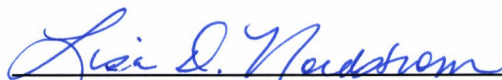
Timothy E. Tatum  
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## **VI. REQUEST FOR RELIEF**

18. As described in greater detail above, Idaho Power respectfully requests that the Commission initiate a collaborative process to explore modifications to the compensation structure and excess energy value applied under Schedule 84 for implementation by January 1, 2020.

The Company further requests that Commission expeditiously review and temporarily suspend service under Schedule 84 to new Idaho CI&I applicants effective as today's date, April 5, 2019, during the pendency of this case.

DATED at Boise, Idaho, this 5<sup>th</sup> day of April 2019.



LISA D. NORDSTROM  
Attorney for Idaho Power Company



**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-19-15**

**IDAHO POWER COMPANY**

**ATTACHMENT 1**  
**PROPOSED TARIFF**



SCHEDULE 84  
CUSTOMER ENERGY PRODUCTION  
NET METERING SERVICE

AVAILABILITY

Service under this schedule is available throughout the Company's service territory within the State of Idaho for Customers intending to operate Net Metering Systems to generate electricity to reduce all or part of their monthly energy usage.

**Effective June 1, 2018**, Schedule 84 is closed to service for Idaho residential and Idaho small general service customers; and,

For prospective Idaho participants who submit an application **on or after April 5, 2019**, Schedule 84 is temporarily suspended until further notice.

APPLICABILITY

Service under this schedule is applicable to any Customer that:

1. Does not take service under Schedule 4 or Schedule 5; and
2. Owns and/or operates a Generation Facility fueled by solar, wind, biomass, geothermal, or hydropower, or represents fuel cell technology; and
3. Maintains its retail electric service account for the loads served at the Point of Delivery adjacent to the Generation Interconnection Point as active and in good standing; and
4. Meets all requirements applicable to Net Metering Systems detailed in the Company's Schedule 72 Interconnections to Non-Utility Generation; and
5. Takes retail electric service under:

- a. Schedule 1 or Schedule 7; and

Owns and/or operates a Generation Facility with a total nameplate capacity rating of 25 kilowatts (kW) or smaller that is interconnected to the Customer's individual electric system on the Customer's side of the Point of Delivery, thus all energy received and delivered by the Company is through the Company's existing watt-hour retail meter.

- b. Schedules other than Schedule 1, Schedule 4, Schedule 5, or Schedule 7; and

Owns and/or operates a Generation Facility with a total nameplate capacity rating of 100 kW or smaller that is interconnected at a Generation Interconnection Point that, at the Company's discretion, is located either adjacent to or on the Customer's side of the Point of Delivery and is metered through a meter that is separate from the retail load metering at the Customer's Point of Delivery. A separate meter from the existing retail load metering at the Customer's Point of Delivery is not required if the Customer meets the criteria below. The One Meter Option is available if:

- i. The Generation Facility has a total nameplate capacity rating of 25 kW or smaller; and
- ii. The Generation Facility has a total nameplate capacity rating that is no more than 2% of the Customer's Basic Load Capacity (BLC) or comparable average maximum monthly Billing Demands.



**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-19-15**

**IDAHO POWER COMPANY**

**ATTACHMENT 2**  
**TARIFF IN LEGISLATIVE FORMAT**



SCHEDULE 84  
CUSTOMER ENERGY PRODUCTION  
NET METERING SERVICE

AVAILABILITY

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Owns and/or operates a Generation Facility with a total nameplate capacity rating of 100 kW or smaller that is interconnected at a Generation Interconnection Point that, at the Company's discretion, is located either adjacent to or on the Customer's side of the Point of Delivery and is metered through a meter that is separate from the retail load metering at the Customer's Point of Delivery. A separate meter from the existing retail load metering at the Customer's Point of Delivery is not required if the Customer meets the criteria below. The One Meter Option is available if:

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