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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER'S)	
APPLICATION TO EVALUATE SCHEDULE)	CASE NO. IPC-E-19-15
84 – NET METERING)	
)	PROCEDURAL COMMENTS
)	OF THE COMMISSION STAFF
)	
)	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Edward Jewell, Deputy Attorney General, submits the following comments.

BACKGROUND

On April 5, 2019, Idaho Power Company (“Idaho Power” or “Company”) filed an Application requesting the Commission initiate a process to study the continued reasonableness of Schedule 84. The Company requested Schedule 84 be suspended for new applicants as of April 5, 2019, during the pendency of this matter. In IPC-E-17-13, the Commission approved the Company’s request to move residential and small general service customers with on-site generation into Schedules 6 and 8. Order Nos. 34046, 34147. This left commercial, industrial, and irrigation (“CI&I”) customers with on-site generation in Schedule 84.

Two dockets stemming from IPC-E-17-13 are currently underway, IPC-E-18-15 and IPC-E-18-16. *See* Order No. 34046. In IPC-E-18-15, the Company and stakeholders have met numerous times to develop the parameters for a study that will examine the costs, benefits, rates, and rate designs for net excess energy provided by on-site generation customers who are now in

Schedules 6 and 8. *See* Order No. 34189. In IPC-E-18-16, the Company and stakeholders have met numerous times to develop the parameters for a study that will examine the Company's fixed-cost recovery and other rate design options prior to its next general rate case. *See* Order No. 34190.

The Company requests the Commission initiate a collaborative process to examine the compensation structure, value of excess net energy, and measurement interval under Schedule 84. The Company requests a timeline that allows for implementation of the findings of the collaborative process by January 1, 2020. Application at 9.

The Company states its concern that Schedule 84 customers are making investments in on-site generation based on an assumption that retail net metering rates will continue to prevail for Schedule 84. *See* Application at 5. The Company notes that a value-based rate for excess energy is currently being discussed in IPC-E-18-15. *Id.* at 5. The Company asserts retail net metering has the potential to shift costs from net metering customers to standard service customers. *Id.* at 6. The Company also points out that using the retail rate to compensate net metering customers creates a disparity between different customer classes within Schedule 84 because each class is charged and receives different rates for energy. *Id.* at 6-7.

The Company states that from year-end 2018 through the end of March 2019, there has been a 114% increase in Schedule 84 net metering capacity, including pending applications. *Id.* at 4. The Company states that the average size of installation under Schedule 84 is roughly 99 kW to comply with the 100 kW limit on an individual meter. *Id.* at 6.

In Order No. 34315, the Commission declined the Company's request to immediately suspend Schedule 84 to new applicants and instead ordered a two-week procedural comment period in which interested parties may file comments on how the Company's Application in this case should be processed. The Commission requested comments only on the procedure of this case, specifically:

- 1) Whether and to what extent this Application impacts or is impacted by IPC-E-18-15 and IPC-E-18-16.
- 2) Whether and to what extent the issues raised in IPC-E-18-15, IPC-E-18-16, and this docket can and should be examined holistically.
- 3) Whether this docket should be processed according to Idaho Power's proposal on page 8 of the Application.

4) Whether the Commission should process this docket by modified procedure or by hearings.

5) Whether the Commission should suspend Schedule 84 for new applicants while IPC-E-19-15 is being processed, and if the Commission does suspend Schedule 84 in the interim, whether the suspension should be from the date of the filing—April 5, 2019—or some other date.

6) Whether the Company's proposed effective date of January 1, 2020 in IPC-E-19-15 is feasible.

STAFF ANALYSIS

Staff believes the issues identified in the Company's Application warrant collaborative investigation. However, Staff is concerned that merging aspects of this Application with IPC-E-18-15, as the Company has proposed, will endanger the prospects for settlement in both cases and hinder parties' ability to meet the Company's proposed January 1, 2020 effective date.

In response to the Commission's specific questions:

1) Whether and to what extent this Application impacts or is impacted by IPC-E-18-15 and IPC-E-18-16.

Staff believes merging this Application with IPC-E-18-15 would negatively impact IPC-E-18-15 by expanding the scope and parties beyond what has been understood up until this point. Introducing new parties and issues deep in the settlement process is not only inefficient, but more importantly endangers the likelihood of, and timeline for, achieving settlement. Parties in IPC-E-18-15 have reached general agreement on several important issues related to calculating the value of net excess energy, but under the Company's proposal, each of those issues would need to be re-visited to include new customer classes and new parties to the case.

Staff believes the impacts of this Application to IPC-E-18-16 are less concerning because that case is already considering the proper spread of fixed costs across all customer classes, including those affected by this Application. However, IPC-E-18-16 is also well underway and the Company is preparing to run model analyses on determinants agreed upon by the parties in that case. Staff does not see a need or benefit to disrupting the progress made in IPC-E-18-16 by injecting additional parties and uncertainty into that docket by merging it in any way with this docket.

2) Whether, and to what extent, the issues raised in IPC-E-18-15, IPC-E-18-16, and this docket can and should be examined holistically.

Staff does not believe these three cases can or should be examined holistically. While some of the issues are similar, there are many important differences that make a holistic approach unwieldy at best. Staff believes the separation between IPC-E-18-15 and IPC-E-18-16 has been beneficial thus far and does not recommend impeding that process by combining them with each other, or this Application, at this advanced stage. Staff believes that parties have demonstrated they are capable of effectively tracking related, but distinct issues in parallel dockets.

Staff believes there are significant class-specific discussions that are more efficiently handled separately than together. The different locations, voltage conditions, and rate structures under which Schedules 6 & 8 customers take service and Schedule 84 customers take service are significant differences that make combining IPC-E-18-15 and the net excess energy portion of this Application unworkable. Each of these distinctions results in different costs and benefits that can be attributed to the two different customer groups. Because the costs and benefits are different, that means the value of the net excess energy they produce is also likely to be different.

For example, the Schedule 19 rate structure for Large Power Service has provisions for a contract option, a substation allowance, and a transmission line vested interest that should be considered when establishing the appropriate value of net excess energy produced by that customer class. It is important to determine whether the value of net excess energy should include the value of the load reduction on transmission facilities in which a Schedule 19 customer has a vested interest. Staff believes it will be very difficult to meet the Company's proposed deadline of January 1, 2020 if these types of class-specific discussions are analyzed in a single case rather than simultaneously in parallel cases.

3) Whether this docket should be processed according to Idaho Power's proposal on page 8 of the Application.

Staff does not believe this Application should be processed according to Idaho Power's proposal on page 8. Instead, Staff believes the Application should be processed under a settlement structure mirroring that underway in IPC-E-18-15. Therefore, Staff recommends the Commission direct parties to begin holding settlement meetings as soon as possible and further direct Staff to file a progress report every three months for the duration of the case to keep the Commission updated. This process has been productive for the IPC-E-18-15 case thus far, and

Staff believes it to be a reasonable model to replicate for this Application. Staff believes parallel paths to address these issues for the two distinct customer groups is more likely to reach settlement than merging these dockets in any way.

4) Whether the Commission should process this docket by modified procedure or by hearings.

Similar to IPC-E-18-15, Staff recommends that the parties work towards settlement under modified procedure for this Application. Staff recommends the Commission set a two week intervention period in this case.

5) Whether the Commission should suspend Schedule 84 for new applicants while IPC-E-19-15 is being processed, and if the Commission does suspend Schedule 84 in the interim, whether the suspension should be from the date of the filing—April 5, 2019—or some other date.

Staff recommends the Commission not suspend Schedule 84 to new applicants during the pendency of this case. Staff believes the Company's stated concern that customers will make investments based on an assumption of continued retail net metering is partially resolved by the Company's filing of this Application. Those concerns can be further resolved by the Commission ordering Idaho Power to communicate with CI&I customers that this docket will study the costs and benefits of on-site generation for Schedule 84 participants, and that a change in the compensation structure for Schedule 84 is likely, which would impact the financial viability of an on-site generation project. The Commission can also make a statement in its Order establishing a procedure in this case that a change is likely, and that the change may impact existing Schedule 84 customers.

If a CI&I customer still decides to make an investment in an on-site generation system given the regulatory uncertainty, that is the customer's decision to make. So long as it is an informed decision, Staff does not perceive a threat. Additionally, given the Company's representation that a significant portion of growth in Schedule 84 is due to on-site generation systems being implemented by irrigators, Staff recommends the Commission encourage the Idaho Irrigation Pumpers Association, a party in this docket, to convey to its membership that this docket is underway and that it is likely to result in a different price for energy exported to the grid by on-site generation projects.

Further, because CI&I customers have a retail rate structure for grid consumption that collects far fewer fixed costs in the volumetric energy charge than residential customers, the

potential for cross subsidies of fixed costs (i.e. harm to other customers within the class) is smaller. Also, the lower CI&I retail energy rate means that a future change (possibly a reduction) in the payment for exported energy is unlikely to have the same magnitude and impact of a similar, but as yet undetermined, change for residential customers. Both of these facts indicate that the current situation is not an emergency that requires immediate and drastic action.

6) Whether the Company's proposed effective date of January 1, 2020 in IPC-E-19-15 is feasible.

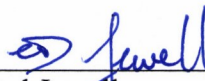
The Company's proposed effective date of January 1, 2020 may be feasible if parallel dockets are established. Staff recommends the Commission order parties to target a January 1, 2020 effective date and work towards settlement by that date with all possible speed. Staff proposes revising this target date later in the process if necessary.

STAFF RECOMMENDATION

Staff recommends the Commission order:

- 1) A two-week intervention period,
- 2) Parties to commence stand-alone settlement meetings for this Application and direct Staff to file a report every three months for the duration of the case, and
- 3) Parties target a January 1, 2020 completion date.

Respectfully submitted this ^{2nd} day of May 2019.



Edward Jewell
Deputy Attorney General

Technical Staff: Stacey Donohue
Michael Morrison

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 2ND DAY OF MAY 2019, SERVED THE FOREGOING **PROCEDURAL COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-19-15, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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