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IDAHO PUBLIC  
UTILITIES COMMISSION

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June 25, 2021

**VIA ELECTRONIC FILING**

Jan Noriyuki, Secretary  
Idaho Public Utilities Commission  
11331 West Chinden Blvd., Building 8  
Suite 201-A  
Boise, Idaho 83714

Re: Case No. IPC-E-21-21  
In the Matter of the Application of Idaho Power Company's Application to  
Initiate a Multi-Phase Collaborative Process for the Study of Costs, Benefits,  
and Compensation of Net Excess Energy Associated with Customer On-Site  
Generation

Dear Ms. Noriyuki:

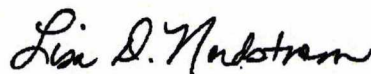
Attached for electronic filing, pursuant to Order No. 35058, is Idaho Power Company's Application in the above entitled matter.

Also attached is the Direct Testimony of Connie Aschenbrenner filed in support of the Application. A Word version of the testimony is also attached for the reporter.

Finally, copies of Idaho Power Company's customer notice/bill insert and Installer newsletter/email are also attached.

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

Very truly yours,



Lisa D. Nordstrom

LDN:sh  
Attachments

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	
COMPANY'S APPLICATION TO	)	CASE NO. IPC-E-21-21
INITIATE A MULTI-PHASE	)	
COLLABORATIVE PROCESS FOR THE	)	APPLICATION
STUDY OF COSTS, BENEFITS, AND	)	
COMPENATION OF NET EXCESS	)	
ENERGY ASSOCIATED WITH	)	
CUSTOMER ON-SITE GENERATION	)	
_____	)	

Idaho Power Company ("Idaho Power" or "Company"), in response to the Idaho Public Utilities Commission's ("Commission") directive in Order No. 34046,<sup>1</sup> respectfully requests that the Commission initiate the multi-phase process for a comprehensive study of the costs and benefits of on-site generation. Idaho Power further requests the Commission acknowledge Attachment 1 as an initial draft for Staff, other intervenors, and the public to consider and provide feedback on for the Commission's consideration. Ultimately, the Company requests the Commission to approve a final scoping document, which will conclude the "study design" phase.

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

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<sup>1</sup> *In the Matter of the Application of Idaho Power Company for Authority to Establish New Schedules for Residential and Small General Service Customers with On-Site Generation*, Case No. IPC-E-17-13, Order No. 34046 at 31 (May 9, 2018).

## **I. BACKGROUND**

### **On-Site Generation**

1. Some retail customers choose to install “on-site generation” equipment, most commonly solar panels, to meet some or all of their electric needs. While generating electricity on-site, these customers are also simultaneously connected in parallel to Idaho Power’s grid and the vast majority export energy to the grid. Customers who install on-site generation can interconnect an Exporting System under the terms of Schedule 6, Residential Service On-Site Generation (“Schedule 6”), Schedule 8, Small General Service On-Site Generation (“Schedule 8”), Schedule 68, Interconnections to Customer Distributed Energy Resources (“Schedule 68”) and Schedule 84, Customer Energy Production Net Metering Service (“Schedule 84”). Customers who install a Non-Exporting System continue to take service under the retail rate schedule they qualify for based on the applicability of the Company’s retail tariff schedules. All customers with on-site generation are subject to the terms of Schedule 68 governing interconnection.

2. As of May 31, 2021, there are 7,789 Exporting Systems interconnected and taking service under Schedules 6, 8, and 84 and three (3) Non-Exporting Systems interconnected and taking service under Schedules 9 and 19. Collectively, these customer systems represent approximately 70 MW of generation.

### **Billing Structure**

3. The billing structure currently applicable to these schedules is referred to as “net metering.” Under the net metering compensation structure, if electricity supplied by the Company during a Billing Period exceeds the electricity generated by the Customer and delivered to the Company during the Billing Period, the Customer is billed for the net electricity supplied by the Company at the rates contained within the applicable service schedule. If the electricity generated by the Customer and delivered to the Company during the Billing Period exceeds the electricity supplied by the Company during the



Billing Period, the Excess Net Energy is carried forward as a kilowatt-hour ("kWh") credit to offset energy usage in a subsequent Billing Period. These customers could also be referred to as "partial requirements" customers because they are offsetting some or all of their usage with their own generation.

4. Idaho Power's current retail rates were designed to align with the load characteristics of full requirements customers. A large portion of the Company's revenue requirement is collected through volumetric energy rates, including costs associated with all components of the electrical system, from investment in generation resources to the meters installed on customers' premises. Consequently, the energy rates for Idaho Power's customers include not only the variable energy-related components of the revenue requirement, but also the fixed operations and maintenance and plant-related costs associated with generation, transmission, distribution, and customer care.

5. Because fixed costs do not vary with changes in the amount of energy consumed from Idaho Power, a volumetric rate does not fully recover fixed costs associated with customers who offset their consumption with on-site generation. The Company's residential and small general service ("R&SGS") customers have the most significant portion of fixed costs – 91 percent<sup>2</sup> – collected through those schedules' volumetric charge. The Company's large general service (commercial), industrial, and irrigation customer classes ("CI&I" customers) have 60, 39, and 70 percent, respectively, of each schedule's fixed costs collected through the volumetric charges.

6. To more accurately assign the appropriate share of fixed costs and unquantified benefits of on-site generation, in Order No. 34046 the Commission directed the Company to (1) "undertake a comprehensive study of fixed costs" and (2) "initiate a docket to comprehensively study the costs and benefits of on-site generation on Idaho

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<sup>2</sup> Fixed costs collected through volumetric charges proportion is calculated from inputs sourced from the Company's most recent general rate case, Case No. IPC-E-11-08.



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."<sup>3</sup>

Case No. IPC-E-18-15

7. In Order No. 34509 the Commission directed Idaho Power to prepare and file a "credible and fair study" of the costs and benefits of distributed on-site generation where: (1) the study must use the most current data possible and must be readily available to the public, and in the Commission's decision-making record; (2) the Company must design the study in coordination with the parties and the public, and the Commission will determine the final scope of the study; (3) the study must be written, so it is understandable to an average customer, but its analysis must be able to withstand expert scrutiny.<sup>4</sup>

8. In its Order, the Commission outlined a "study design" phase and a "study review" phase. During the "study design" phase, Staff and the Company will both "host public workshops to share information and perspectives on net-metering program design with the public and to listen to customer concerns and input."<sup>5</sup> In the "study review" phase, the public will have the opportunity to comment on whether the study sufficiently addressed their concerns and their opinions on what the study shows.

9. While the study is intended to inform future implementation of on-site generation compensation and billing structures, the Commission's order established criteria<sup>6</sup> to define legacy treatment for systems under Schedule 6 and Schedule 8. The

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<sup>3</sup> Order No. 34046 at 31 .

<sup>4</sup> *In the Matter of the Application of Idaho Power Company to Study the Costs, Benefits, and Compensation of Net Excess Energy Supplied by Customer On-Site Generation*, Case No. IPC-E-18-15, Order No. 34509 at 9 (December 20, 2019).

<sup>5</sup> *Id.* at 9.

<sup>6</sup> Order No. 34509 at 14-15 and Order No. 34546 at 8-9 and 10-11.

legacy systems would be subject to the rules in place as of the service date of Order No. 34509, December 20, 2019. A legacy system is defined as either an on-site generation system interconnected with Idaho Power's system as of the service date of Order No. 34509, or a customer with a binding financial commitment to install an on-site generation system that proceeds to interconnect their system on or before December 20, 2020.<sup>7</sup> While legacy systems operate under the terms of Schedule 6 or Schedule 8 as those Schedules existed on December 20, 2019, rates and rate structure are subject to change for legacy systems until and after legacy status terminates on December 20, 2045.<sup>8</sup> As of May 31, 2021, there are 5,400 legacy R&SGS systems interconnected to Idaho Power's system.

Case No. IPC-E-20-26

10. To determine legacy treatment for CI&I customers, the Company initiated Case No. IPC-E-20-26 for authorization to change Schedule 84's two-meter requirement to a single-meter requirement for new customer-generators and to establish legacy treatment for existing customer-generators under the current rules as of December 1, 2020. The Commission ultimately established criteria similar to Case No. IPC-E-18-15, to provide legacy treatment to Schedule 84 systems under the rules in place as of the service date of Order No. 34854.<sup>9</sup>

11. The Commission's Order Nos. 34854 and 34892 delineated between legacy systems and new systems subject to future changes informed by a comprehensive study. A legacy system is defined as either an on-site generation system interconnected with Idaho Power's system as of the service date of Order No. 34854, or a customer with a

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<sup>7</sup> Order No. 34509 at 14.

<sup>8</sup> *Id.* at 9.

<sup>9</sup> *In the Matter of Idaho Power Company's Application to Modify Schedule 84's Metering Requirement and to Grandfather Existing Customers with Two Meters*, Case No. IPC-E-20-26, Order No. 34854 at 11 (December 1, 2020).



binding financial commitment to install an on-site generation system that proceeds to interconnect their system on or before December 1, 2021.<sup>10</sup>

12. Similar to Case No. IPC-E-18-15, the Commission determined that Schedule 84 systems that qualify for legacy treatment continue to be subject to changes in consumption rates but not to changes in the 1:1 monthly kWh retail rate compensation structure until legacy status terminates on December 1, 2045.<sup>11</sup> As of May 31, 2021, there are 302 legacy Schedule 84 systems interconnected to Idaho Power's system.

## **II. STUDY DESIGN PHASE: IDAHO POWER'S PROPOSED SCOPE**

13. The Company's primary objective of the study process is to establish a sustainable on-site generation offering that limits subsidies by implementing a more equitable pricing and compensation structure. The multi-phase study process will be accomplished through a transparent and collaborative approach with stakeholders and the public. Ultimately, the Company anticipates proposals to implement changes to the on-site generation offering will be informed by the studies and should seek to eliminate or minimize potential cross-subsidies that exist between participants and non-participants of on-site generation through rate design and compensation structures for on-site generation customers. Further, the Company believes recommendations to modify the existing offering should focus on cost-of-service principles, while identifying the appropriate value of excess net energy to ensure equitable compensation for on-site generators.

14. In compliance with Commission Order No. 34509, the Company has developed a draft scope of an on-site generation study for public review and input. The draft scope is included as Attachment 1. To develop the draft scope of the study design

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<sup>10</sup> *In the Matter of Idaho Power Company's Application to Modify Schedule 84's Metering Requirement and to Grandfather Existing Customers with Two Meters*, Case No. IPC-E-20-26, Order No. 34892 at 9 (January 14, 2021).

<sup>11</sup> Order No. 34854 at 11.



the Company leveraged information developed in the studies performed in Case No. IPC-E-18-15; considered comments from intervenors in Case Nos. IPC-E-18-16, IPC-E-20-26, and IPC-E-20-30; and to the extent applicable, considered components of the Commission-approved scope in Order No. 34753<sup>12</sup> for Rocky Mountain Power.

15. Regarding billing structure, the Company proposes to evaluate the following measurement intervals: (1) monthly, (2) hourly, and (3) separate channel, which is sometimes referred to as “instantaneous.” Under each of the three measurement intervals, the Company would evaluate the class revenue requirement and consider revenue collection for existing customer-generators under each proposed measurement interval. Additionally, the Company would conduct a bill impact analysis to compare how each measurement interval may impact existing and future customers with on-site generation.

16. The Company proposes to include several value components of the Export Credit Rate (“ECR”) such as an avoided cost of energy and study the firm versus non-firm nature of exported energy from customer-generators. Additionally, Idaho Power proposes to evaluate avoided generation capacity, avoided transmission and distribution capacity, avoided line losses, and integration costs as part of the value components of the ECR study. The Company also recommends studying how the expenditures associated with the ECR should be recovered.

17. In addition to billing structure and the ECR applicable to customers with on-site generation, Idaho Power also proposes to include a review of the project eligibility cap in coordination with program fundamentals, including rate design and the pricing for exports. The Company has also included various implementation issues such as credit expiration and the frequency of updating the ECR.

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<sup>12</sup> *In the Matter of the Application of Rocky Mountain Power to Close the Net Metering Program to New Service & Implement a Net Billing Program to Compensate Customer-Generators for Exported Generation*, Case No. PAC-E-19-08, Order No. 34753 (August 26, 2020).

18. It is the Company's desire that Staff, other intervenors, and the public provide feedback to develop a record for the Commission to approve the completion of scope for the "study design" phase.

### **III. PROPOSED STUDY DESIGN SCHEDULE**

19. In evaluating the "two-phase" approach that the Commission has laid out for the study, the direct testimony of Company witness Connie Aschenbrenner proposes a broader schedule to provide transparency to parties and the public as it relates to the "study design" and "study review" phases, and to the eventual implementation as informed by a Commission-approved study.

20. The Company believes the following timeframe for the "study design" phase will provide the public, stakeholders, and the Commission time to adequately consider these issues:

- a notice of public workshops to be held in August or early September 2021
- party comments to be filed in early October 2021
- Company reply comments due late October or early November 2021.

21. This proposed procedural schedule would position the Commission to issue an order establishing the scope of the study before the end of 2021. Because the Company plans to use the most recent data available to complete its study (and was directed to do so in Order No. 34046), receiving an order establishing the scope by the end of 2021 will allow the Company to use 2021 data to complete the study in the first half of 2022. The Company could then initiate the "study review" phase by June 2022.

22. Absent the Commission establishing a different process, the Company anticipates making a request to implement any potential changes to the net metering rate design, compensation structure, or ECR after the Commission acknowledges a study.

#### **IV. STAKEHOLDER & CUSTOMER NOTIFICATION**

23. Idaho Power will notify its customers of this application to initiate the study with a bill insert that will be sent to all customers in their next billing cycle. Included as Attachment 2, this bill insert will be sent to existing customer-generators, regardless of legacy treatment, and all other customers that might choose to pursue on-site generation in the future.

24. The bill insert will provide notice to all customers of the Company's application to initiate the study. Additionally, the bill insert addresses the following: (1) a brief summary of on-site generation; (2) why Idaho Power is making the filing to initiate the study, (3) the key tenants of the study as directed by the Commission, (4) an estimated timeline to complete both the study design and study review phases, and (5) how customers can participate and provide feedback in the study design and study review process.

25. Idaho Power will notify the on-site generation system installer community through an email to the distribution list for its periodic publication, the Customer Generation Newsletter. Attachment 3 to the Application includes a copy of the notification that will be sent to installers following the filing.

26. The Company has, concurrent with this filing, updated its website to notify potential customers of the proposal; the Company will maintain a list of Frequently Asked Questions ("FAQs") that will remain accessible to customers, as well as installers. Idaho Power has also served its Application and testimony on the parties of record in Case Nos. IPC-E-18-15 and IPC-E-20-26.

#### **V. MODIFIED PROCEDURE**

27. Idaho Power believes that a hearing is not necessary to consider the issues presented herein, and respectfully requests that this Application be processed under

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Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present testimony in support of its Application.

## **VI. COMMUNICATIONS AND SERVICE OF PROCEEDINGS**

28. Service of pleadings, exhibits, orders, and other documents relating to this proceeding should be served on the following:

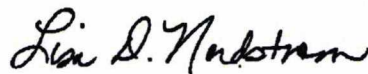
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## **VII. REQUEST TO INITIATE STUDY PROCESS**

29. The Company requests that the Commission initiate the multi-phase process for a comprehensive study of the costs and benefits of on-site generation. Idaho Power further requests the Commission acknowledge Attachment 1 as an initial draft on which Staff, other intervenors, and the public may provide feedback for the Commission to approve the completion of scope for the "study design" phase. If this order is issued by year-end 2021, the Company will use 2021 data to complete the study in the first half of 2022 before initiating the "study review" phase by June 2022.

DATED at Boise, Idaho, this 25<sup>th</sup> day of June 2021.



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LISA D. NORDSTROM  
Attorney for Idaho Power Company

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 25<sup>th</sup> day of June 2021 I served a true and correct copy of IDAHO POWER COMPANY'S APPLICATION TO INITIATE A MULTI-PHASE COLLABORATIVE PROCESS FOR THE STUDY OF COSTS, BENEFITS, AND COMPENATION OF NET EXCESS ENERGY ASSOCIATED WITH CUSTOMER ON-SITE GENERATION upon the following named parties by the method indicated below, and addressed to the following:

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Sandra D. Holmes  
Legal Administrative Assistant



**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

**CASE NO. IPC-E-21-21**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 1**



## DRAFT

### Attachment 1: Idaho Power-Proposed Scope of On-Site Generation Study

#### Measurement Interval

1. Calculate the class revenue requirement if each of the existing customer-generators net their energy exports:
  - a. Monthly
  - b. Hourly
  - c. Separate channel
2. Calculate the export credit payments if each of the existing customer-generators net their energy exports:
  - a. Monthly
  - b. Hourly
  - c. Separate channel
3. Analyze bill impacts to existing customer-generators, stratified by usage, if energy exports are netted:
  - a. Monthly
  - b. Hourly
  - c. Separate channel

#### Export Credit Rate ("ECR")

##### *Avoided Energy Value*

4. Provide the calculations and documentation for the avoided cost of exported energy using:
  - a. Energy price assumptions in the Company's most recently acknowledged Integrated Resource Plan ("IRP")
  - b. Market index price assumptions
5. Provide the calculations and documentation showing if the avoided cost of exported energy produced by customer-generators should be discounted to reflect the non-firm nature of the exported energy.

##### *Avoided Capacity Value*

6. Analyze the capacity value of exported energy provided by customer-generators. Provide the calculations and documentation for evaluating the capacity resource value and the contribution to peak.

##### *Avoided Transmission and Distribution Costs*

7. Quantify the value of transmission and distribution costs that could be avoided by energy exported to the grid by customer-generators.

##### *Avoided Line Losses*

## **DRAFT**

### **Attachment 1: Idaho Power-Proposed Scope of On-Site Generation Study**

8. Quantify the avoided line loss associated with the avoided energy value and avoided capacity value.

#### *Integration Costs*

9. Study methods for determining the integration costs of customer-generators. Provide the calculations and assumptions showing if the ECR should be reduced to account for integrating the customer-generator resource.

#### **Recovering Export Credit Rate Expenditures**

10. Quantify the annual costs under varying assumed ECR values.
11. Analyze how these costs would be allocated and recovered by rate class.

#### **Cost-of-Service & Rate Design**

12. Evaluate cost-of-service methodology and potential rate designs for customer-generators.

#### **Project Eligibility Cap**

13. Analyze pros and cons of setting a customer's project eligibility cap according to a customer's demand as opposed to predetermined caps of 25 kW and 100 kW.

#### **Environmental and Other Benefits**

14. Evaluation of the quantifiable environmental and other system benefits provided by customer-generators.

#### **Implementation Issues**

##### *Billing Structure*

15. Explain how potential customer-generators and on-site generation system installers will have accurate and adequate data and information to make informed choices about the economics of on-site generation systems over the expected life of the system.

##### *Export Credit Expiration*

16. Quantify the magnitude, duration, and value of accumulated export credits.
17. Explain the need for the credits to expire.
  - a. Show how the Company does or does not benefit from the expiration of customer export credits.
  - b. Show how non customer-generators are harmed or benefited from the expiration of customer export credits.
    - i. Quantify the impact to non customer-generators of a 2-year, 5-year, and 10-year expiration period.

##### *Frequency of Export Credit Rate Updates*

18. Quantify the impact of biennial updates as compared to annual updates of the ECR.



**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-21-21**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 2**





## **Idaho Power Begins Collaborative Process for On-Site Generation Study**

Idaho Power has initiated the process for a comprehensive study of the costs and benefits of on-site generation.

This request is outlined in a recent filing with the Idaho Public Utilities Commission (IPUC). It kicks off a multi-phase process whereby Idaho Power will work with the commission, the public and other stakeholders to (1) review the scope for a study, (2) complete and review the study and (3) implement potential changes to Idaho Power's on-site generation offerings.

### **What is on-site generation?**

On-site generation is a service offering available to Idaho Power customers who install electricity generating equipment — most commonly solar panels — at their home or business to meet some of their energy needs while remaining connected to Idaho Power's grid. This offering, also known as customer generation or net metering, is available to the following customers:

- Idaho residential (Schedule 6)
- Idaho small general service (Schedule 8)
- Idaho and Oregon commercial, industrial, and irrigation as well as Oregon residential and small general service (Schedule 84)

### **Why is Idaho Power making this filing?**

The IPUC directed Idaho Power and interested stakeholders to collaborate on a comprehensive study of the costs and benefits associated with on-site generation. This filing will allow participating parties to recommend a final scope of what should be considered and included in the study for IPUC approval.

### **What will the study include?**

The study will use current, publicly available data; be available for public input; and be clearly written but also

able to withstand expert scrutiny. Factors considered during the scoping phase will include compensation structure, excess energy credit rate, rate design, system size eligibility, and environmental and other system benefits.

### **Who would future changes apply to?**

The IPUC previously ordered that existing on-site generation customers be grandfathered for 25 years to receive credits in the form of kilowatt-hours for excess energy produced. Customers who install on-site generation after the dates of those orders (December 20, 2019 for Schedule 6 and 8; December 1, 2020 for Schedule 84) are subject to future changes to compensation structure, including how much they are compensated for excess energy. All on-site generation customers, regardless of grandfathered status, are subject to changes in rates (energy prices), billing components, and billing structure.

### **What is the timeline?**

Idaho Power has requested that the IPUC consider a schedule that would provide for the scoping phase to be completed by the end of 2021. The study would then be completed and made available for public input before the IPUC issues an order. Implementation of changes to the on-site generation offering would follow, with proposals informed by the findings of the study.

### **How can customers participate?**

Idaho Power is requesting a series of public workshops to gather feedback on the scope of the study. Customers with interest in participating should visit **[puc.idaho.gov](http://puc.idaho.gov)** and reference case **IPC-E-21-21** for workshop schedules and other updates. Copies of Idaho Power's application are available to the public at IPUC offices (11331 W. Chinden Blvd. Building 8, Suite 201-A, Boise, ID 83714), Idaho Power offices, or at **[idahopower.com](http://idahopower.com)** or **[puc.idaho.gov](http://puc.idaho.gov)**. Customers also may subscribe to the IPUC's RSS feed to receive updates via email about the case. As always, written comments regarding Idaho Power's proposal may be filed with the IPUC.

***Thank you for reading this notice.  
We value your business.***



**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-21-21**

**IDAHO POWER COMPANY**

**ATTACHMENT NO. 3**





## **Idaho Power Begins Collaborative Process for On-site Generation Study**

Idaho Power has initiated the process for a comprehensive study of the costs and benefits of on-site generation. This request is outlined in a recent filing with the Idaho Public Utilities Commission (IPUC). It kicks off a multi-phase process whereby Idaho Power will work with the commission, the public and other stakeholders to (1) design the scope for a study, (2) complete and review the study and (3) implement potential changes to Idaho Power's on-site generation offerings.

### **What is on-site generation?**

On-site generation is a service offering available to Idaho Power customers who install electricity generating equipment — most commonly solar panels — at their home or business to meet some of their energy needs while remaining connected to Idaho Power's grid. This offering, also known as customer generation or net metering, is available to the following customers:

- Idaho residential (Schedule 6)
- Idaho small general service (Schedule 8)
- Idaho and Oregon commercial, industrial, and irrigation as well as Oregon residential and small general service (Schedule 84)

### **Why is Idaho Power making this filing?**

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### **What will the study include?**

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structure, including how much they are compensated for excess energy. All on-site generation customers, regardless of grandfathered status, are subject to changes in rates (energy prices), billing components, and billing structure.

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### **Questions about customer generation?**

Contact us at 208-388-2559 or [cg@idahopower.com](mailto:cg@idahopower.com) or visit [www.idahopower.com/customergeneration](http://www.idahopower.com/customergeneration).