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October 13, 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 Initial Comments in the above entitled matter.

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

Very truly yours,

Lin D. Madotrom

Lisa D. Nordstrom

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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IN THE MATTER 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

CASE NO. IPC-E-21-21

IDAHO POWER COMPANY'S INITIAL COMMENTS

Pursuant to the Notice of Application and Notice of Initial Comment Deadline issued by the Idaho Public Utilities Commission ("Commission") in Order No. 35176, Idaho Power Company ("Idaho Power" or "Company") submits its initial comments in the above-referenced case. In these comments, the Company intends to provide additional context on its proposed scope, with modifications as appropriate, for consideration.

The Company anticipates the Commission's approval of a final scope will conclude the "study design" phase of the "comprehensive study of the costs and benefits of on-site generation on Idaho Power's system, proper rates and rate design, transitional rates, alongside the related issues of compensation for net excess energy provided as a resource to the Company."¹ The Company looks forward to the opportunity to review parties initial comments and hear feedback from its customers at the public workshops scheduled for October 20, 2021, and October 26, 2021, and the public hearing scheduled for October 28, 2021.² This feedback will ultimately inform the Company's final comments filed in this case.

I. BACKGROUND

The Company filed its Application in this matter on June 28, 2021 ("Application") in response to the Commission directives issued in Order Nos. 34046³ and 34509.⁴ The Application included Attachment 1 as an initial draft for Commission Staff ("Staff"), other intervenors, and the public to consider and provide feedback for the Commission's consideration prior to approval of a final scoping document.

On July 27, 2021, the Commission issued a Notice of Application and established an intervention deadline. The Commission directed Staff to informally confer with the

¹ 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).

² Notices of Scheduling, Virtual Public Workshops, and Telephonic Public Hearing, Order No. 35193 (October 7, 2021).

³ Order No. 34046 at 31 (the Commission 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.").

⁴ In the Matter of the Petition 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) ("The Company must prepare and file a credible and fair study on the costs and benefits of distributed on-site generation to the Company's system.")("... Commission 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.").

Company and any intervening parties about how to further process this case and report back on a proposed schedule.

Parties who intervened and/or were listed on the September 8, 2021, Notice of Parties included the Company, Staff, Industrial Customers of Idaho Power ("ICIP"), IdaHydro, Idaho Conservation League ("ICL"), Idaho Clean Energy Association ("ICEA"), Clean Energy Opportunities for Idaho ("CEO"), Idaho Solar Owners Network ("ISON"), Micron Technology, Inc. ("Micron"), City of Boise, Kiki Leslie A. Tidwell ("Tidwell"), Richard E. Kluckhohn and Wesley A. Kluckhohn ("Kluckhohn's"), ABC Power Company, LLC ("ABC Power"), and Idahome Solar, LLC ("Idahome Solar") (collectively the "Parties").

Staff held meetings with Parties on August 30 and September 22, 2021, to develop a general framework to study the costs, benefits and compensation of net excess energy associated with customer on-site generation ("Study Framework") and discuss a general schedule for this case. In the first meeting, the Company reviewed Attachment 1 from its Application and responded to Parties' questions regarding the proposed scope outline. Parties provided informal comments in advance of the second meeting, where parties had an opportunity to discuss initial feedback and additional items they recommended be included within the scope of a study. On September 30, 2021, Staff filed its Study Framework summarizing the Parties' informal comments on the proposed scope.

On September 22, 2021, the Commission issued Order No. 35176 inviting Parties and any persons desiring to state a position to file initial comments about the appropriate scope of the Study by October 13, 2021.

IDAHO POWER COMPANY'S INITIAL COMMENTS - 3

II. MEASUREMENT INTERVAL

A. Idaho Power Proposes to Study Three Measurement Intervals and Two Billing Structures.

In its draft study design scope included as Attachment 1 to the Application, the Company proposed to study three measurement intervals: (1) monthly, (2) hourly, and (3) separate channel. In response to feedback from Parties, the Company proposes to replace the term "separate channel" with "instantaneous" or "real-time" net energy measurement. This terminology more appropriately describes the proposed measurement interval – "separate channel" is a method to measure the energy for net billing under either an hourly or instantaneous/real-time net energy measurement interval. Table 1 provides an overview of the measurement intervals and associated billing structures that are described in more detail in the following two sections.

| | Net Energy Metering (NEM) | Net Billing (NB) |
|---|---|--|
| Netting Frequency | Monthly (Billing Cycle) | Hourly or Instantaneous/Real-Time |
| Quantities Measured and Billed | Net consumption over the billing cycle Net excess kWh credits to be banked | Hourly or instantaneous net consumption throughout the billing cycle Hourly or instantaneous net exports throughout the billing cycle |
| ECR Applicability | Accrued net excess generation kWh credits | Net hourly or instantaneous DER exports |
| Value of DG to Customer | Retail rate for self- consumption and exported generation | Retail rate for self- consumption ECR for hourly or instantaneous net DER exports |
| Intra-Billing Cycle Banking of kWh's | Yes | No |

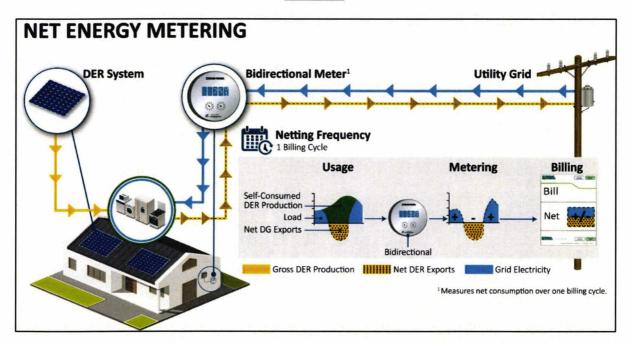
Table 1

1. Net Energy Metering – Monthly Measurement Interval

Net energy metering ("NEM"), often referred to as net metering, allows a distributed energy resource ("DER") system owner who is generating more electricity than they are consuming to export that excess energy to the utility grid, receiving a credit in kilowatthours ("kWh"). The credit can be applied to offset electricity consumption (also measured in kWh) within the current billing cycle or future billing cycles. The DER owner is billed for net energy consumption during a billing cycle (i.e., what the system owner consumed during the billing cycle, less what the DER system generates during the same period). NEM requires a single bidirectional meter that provides one net reading at the end of the billing cycle.

NEM is the Company's existing offering for on-site generation customers and is what the Company intends to study for the "monthly" measurement interval. Under NEM, a DER system owner can "bank" kWh credits *within* a billing cycle, as the meter only reports net consumption at the end of the billing cycle. A DER system owner's produced electricity may exceed electricity consumed from the grid during a billing cycle, and DER system owners can also bank those credits *between* billing cycles. Figure 1 shows an illustrative diagram of NEM configuration, and the gray box illustrates usage, metering, and billing.





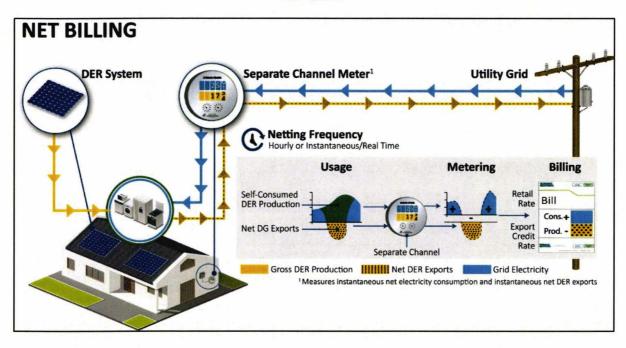
2. Net Billing – Hourly & Instantaneous/Real-Time Measurement Intervals

NEM was implemented in 1983 when residential rate designs were limited by meters that could only track inflow and outflow, and DERs were an expensive and nascent technology. The circumstances that existed when NEM policies and practices were originally established have changed dramatically. First, Idaho Power has deployed Advanced Metering Infrastructure ("AMI") in its service area, enabling the Company to achieve more precise measurement intervals. Second, the cost of DERs has continued to decline resulting in increased adoption.

Electric utilities and regulators nationally are considering significant net metering reforms. The predominant successor tariff structure is net billing ("NB"). NB is where a DER system owner can consume electricity generated by their DER system in real-time and export any generation in excess of on-site consumption to the utility grid. In this way, NB is akin to NEM. However, banking of kWh within a billing cycle to offset future consumption does not occur under NB. Instead, the DER owner is typically billed for net energy consumption under either (1) hourly net billing or (2) instantaneous/real-time net billing. NB allows for a more precise measurement of both grid consumption and net DER exports. A billing structure that allows for a more precise measurement and compensation for both grid consumption and net DER exports is more equitable to the DER system owner and the utility's other customers.

Instead of banking kWh credits, all net energy exports are metered and measured as they are injected into the grid under NB. If at any point the customer is generating more electricity than they are using on-site, then the customer is *net exporting* – injecting electricity into the grid. Similarly, if at any point the customer is using more electricity than they are producing, then the customer is *net consuming* – drawing electricity from the grid. A DER system owner's meter separately records the following: (1) real-time *net* grid electricity consumption and (2) real-time *net* DER exports. Both are measured and aggregated separately by the meter. Figure 2 shows an illustrative diagram of NB configuration, and the gray box illustrates usage, metering and billing.





Hourly Net Billing

A customer is billed under hourly NB for net energy consumption during every hour of the billing cycle (i.e., what the system owner *net consumed* from the grid during the hour, <u>less</u> what the DER system *net exported* during the hour). If the customer is generating more electricity than they are using on-site in any hour, they will be credited at a predetermined export credit rate ("ECR"). If the customer consumes more electricity than they are generating on-site in any hour, the customer will pay the applicable retail rate.

Instantaneous/Real-Time Net Billing

Under instantaneous/real-time NB all net exports will be measured separately, and all kWh would receive the predetermined ECR. Similarly, the meter will measure all net consumption separately, and all kWh would be charged the applicable retail rate. Instantaneous/real-time net energy measurement removes the need to "net" in the billing system (i.e., subtract what the system owner net consumed and what the DER system net exported every hour). Instead, the DER system owner simply receives the ECR for all DER net exports and all consumption from the grid is charged the applicable retail rate.

B. The Company Intends to Study Impacts of Different Measurement Intervals.

The 'Measurement Interval' section of Attachment 1 to the Company's Application includes the three proposed primary areas of focus for studying and evaluating each measurement interval proposed under a range of potential ECR values: (1) calculate the revenue requirement, (2) calculate the total credit value for exported energy, and (3) analyze bill impacts.

The Company intended to create consistencies, to the extent reasonable, between the proposed scope in Attachment 1 with what was approved by the Commission in Case No. PAC-E-19-08.⁵ The 'Measurement Interval' section (Item Nos. 1 – 3) in Attachment 1 is essentially identical to what the Commission approved in Order No. 34753, issued in Case No. PAC-E-19-08. The purpose of this section is to provide a comparative analysis between the proposed measurement intervals and billing structures. Item No. 1 is intended to evaluate revenue collected for net consumption under each of the measurement intervals studied. Based on initial discussions with Parties, Idaho Power believes there is potential to state Item No. 1 more clearly by modifying "revenue requirement" to "revenue collection." Item No. 2 is intended to quantify the total amount credited to customers at a predetermined ECR (or range of ECRs) to evaluate potential recovery mechanisms. Last, with Item No. 3, the Company plans to include a bill impact

⁵ 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, Attachment A (August 26, 2020).

analysis under each measurement interval. It is common practice for the Company to evaluate the impact to customer bills when considering any potential change.

III. EXPORT CREDIT RATE

The Company has proposed to study several components for potential inclusion in the study and valuation of an ECR to be applied to net exports (Item Nos. 4 - 9, 13). These components include an avoided energy value (Items Nos. 4 - 5), avoided capacity value (Item No. 6), avoided transmission and distribution costs (Item No. 7), avoided line losses (Item No. 8), integration costs (Item No. 9), environmental and other benefits (Item No. 14). Each of these components is similarly addressed in the scope the Commission approved in Case No. PAC-E-19-08.

The Company proposes evaluating the avoided cost of energy component of the ECR using (1) energy price assumptions from the most recently acknowledged Integrated Resource Plan ("IRP") and (2) market index price assumptions. The Company is not presupposing that one method is more favorable – only that it is reasonable to evaluate alternative valuation methodologies and provide the calculations and documentation for all methodologies evaluated.

IV. RECOVERY OF EXPORT CREDIT RATE EXPENDITURES

In Case No. PAC-E-19-08, Rocky Mountain Power filed for authority to recover the exported energy credits from the NB program through its annual Energy Cost Adjustment Mechanism ("ECAM"). Commission Order No. 34753 approved several areas to be included in the Rocky Mountain Power scope of a study regarding the recovery of export credit rates. Idaho Power proposes evaluating a similar recovery mechanism in Attachment 1 of its Application (Item Nos. 10 - 11). The Company proposes guantifying

the annual costs under varying assumed ECR values and analyzing how these costs would be allocated and recovered by rate class.

V. COST-OF-SERVICE & RATE DESIGN

The Company has proposed to include an evaluation of cost-of-service methodology and potential rate designs for customer-generators within the scope of a study. Each of the studied measurement intervals will impact a cost-of-service study differently and the Company believes it is essential to provide a comparative analysis of the impact that each of the studied measurement intervals would have on cost-of-service.

The Commission articulated in Order No. 34046 what it desired this docket to study and expressly included proper rates and rate design for on-site generation:

> "We find it reasonable to direct the Company, Commission Staff, and all interested parties to initiate an Idaho Power specific docket on <u>on-site generation</u> to study the costs and benefits of net metering on Idaho Power's system, <u>proper</u> <u>rates and rate design</u>, alongside the related issues of compensation for net excess energy provided as a resource to the utility."⁶

Therefore, the Company contends that cost-of-service and rate design must be included within the scope of a study. The study will be one critical component of Commission review but will not preclude Parties or the public from introducing, and the Commission considering, other relevant pieces of information when it is time to address proposals for implementation.

VI. PROJECT ELIGIBILITY CAP

The Company has proposed analyzing the pros and cons of setting a customer's project eligibility cap according to a customer's demand instead of the existing caps of 25

⁶ Order No. 34046 at 22. (emphasis added)

kW and 100 kW.⁷ In Order No. 34854, the Commission supported including an evaluation of the existing caps in the study:

"...we acknowledge the comments submitted regarding the 100 kW cap and meter aggregation rules but decline to address them in this docket. There will be opportunities to address these issues <u>during or after the forthcoming</u> comprehensive study."⁸

VII. IMPLEMENTATION ISSUES

The final area the Company has proposed to include within the scope of a study addresses implementation issues (Item Nos. 15-18). Any measurement interval or billing structure studied must allow potential DER system owners to have accurate and adequate data and information to make informed choices about the economics of on-site generation (Item No. 15). Idaho Power also recommends evaluating if unused credits should expire or remain available indefinitely (Item No. 17). Last, the Company intends to assess and provide recommendations on the frequency of ECR updates (Item No. 18).

VIII. CONCLUSION

Idaho Power filed its Application in compliance with the Commission's direction to "study the costs and benefits of net metering on Idaho Power's system, proper rates and rate design, alongside the related issues of compensation for net excess energy provided as a resource to the utility."⁹ The Company provided a draft scope of a study as

⁷ Schedule 6, Residential Service On-Site Generation and Schedule 8, Small General Service On-Site Generation limit applicability for exporting systems to a total nameplate capacity rating of 25 kW. Schedule 84, Customer Energy Production Net Metering Service limits applicability under Schedule 9, 19, and 24 to 100 kW.

⁸ In the Matter of Idaho Power Company's Application for Authority 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 12 (December 1, 2020). (emphasis added)

⁹ Order No. 34046 at 22.

Attachment 1 to its Application, which leveraged information developed in the studies performed in Case No. IPC-E-18-15, and considered comments from intervenors in Case Nos. IPC-E-18-16, IPC-E-20-26, and IPC-E-20-30. The Company also considered components of the Commission-approved scope in Order No. 34753 for Rocky Mountain Power, recognizing that "the Commission has consistently tried to align the net metering programs between Idaho utilities to the extent reasonable."¹⁰

The Company appreciates the opportunity to provide these Initial Comments to provide additional background and supporting rationale for using Attachment 1 to develop a basis of an approved scope of study. Idaho Power is encouraged by the discussions to date with the Parties and looks forward to input received from the public through the public workshops and the Commission's public hearing, and the continued contributions from Parties to develop a complete record for the Commission to approve a final scope and complete the "study design" phase.

DATED at Boise, Idaho, this 13th day of October 2021.

Lin D. Madotrom

LISA D. NORDSTROM Attorney for Idaho Power Company

¹⁰ Case No. PAC-E-19-08, Proposed Order No. 34752 at 7 (August 26, 2020).

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 13th day of October 2021, I served a true and correct copy of IDAHO POWER COMPANY'S INITIAL COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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