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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**APPLICATION TO INITIATE A MULTI-PHASE
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**
) **REPLY COMMENTS of**
) **CLEAN ENERGY**
) **OPPORTUNITIES for**
) **IDAHO**
)

Clean Energy Opportunities for Idaho (CEO) has previously informed the Commission that it sought to provide a check on utilities' assumptions and analyses by engaging in regulatory matters related to clean energy. CEO attempts to provide such checks with these reply comments.

There are substantive changes in the revised framework Idaho Power (the Company) submitted on November 16th. CEO acknowledges the progress that Staff and Idaho Power's efforts have made as evidenced by these changes.

Nonetheless, CEO believes there remain within the revised study framework several instances where the Company's assumptions or suggested analysis methods will produce inappropriate and severe consequences. Consequences which, in some instances, may violate prior Commission direction to produce a fair study.

Specifically, CEO believes changes are needed in the following sections:

§4.1, 4.4, 7, 8, 8.1, 10, 11, 16.4, 18.1, 19, 19.1, and 20

Immediately below CEO explains why it believes changes are needed in each of those sections.

Proposed modifications to the specific wording of the framework, which CEO believes to be required in order to implement these changes, are detailed in Attachment 1 to these comments.



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§ 4.1 & 8.1 - 2019 vs 2021 IRP as a data source The Company suggests using the “most recently acknowledged” IRP, which would imply using the 2019 version, as a data source in the study. CEO believes that deficiencies in the modeling methods used in developing the 2019 IRP resulted in systematically under-estimated west coast wholesale market prices in that IRP version. Using price estimates from the 2019 IRP would unfairly bias the value of avoided energy cost analyses against self-generators and thereby produce unfair results in the study.

As has been previously acknowledged, Idaho Power did their best in developing the 2019 IRP. But the 2019 IRP was the first time the Company used a capacity expansion modeling approach and in that first iteration the Company had severe difficulty modeling the use of storage as a resource.

The difficulties Idaho Power encountered in their 2019 modeling the value of storage call into question the market price estimates produced in that IRP iteration (see IPC-E-19-19, Sierra Club Comments, Jan 20, 2021, p. 3-4). The 2019 IRP added 23 Gigawatts of wind and solar resources in west coast states without adding any storage. As a result, unrealistically large amounts of variable generation were modeled as flowing onto markets with the effect of depressing forecasted wholesale market prices.

As predicted when making their third submittal, IPC noted that future IRPs will “proceed more smoothly” (IPC-E-19-19 Amended application p 2). The 2021 IRP process has indeed proceeded more smoothly and, as a result, has produced dramatically different outcomes when compared to the 2019 version. The most current 2021 action plan calls for the Company to procure approximately 2000% more storage and five times more solar than the 2019 IRP, indicating a sharp difference in how current data and old data value solar. Using the outdated 2019 IRP would result in misleading results in the study’s assessment of the value of solar self-generators can provide.

Given the Commission direction to use the most current data sources, CEO strongly encourages the Commission to direct IPC to use the 2021, and not the 2019, IRP for any data sources required (including, for example, in section 8.1 for determining first capacity addition date) in the study envisioned in this docket.

§ 4.4 – Fuel Price Risk By not including CEO’s proposed section 4.4, the Company omitted the recommendation and established practice of including avoided fuel price risks. As noted by the Interstate Renewable Energy Council (“Checklist of Key Requirements for a Thorough Evaluation of DSG Benefits,” *A Regulator’s Guidebook: Calculating the Benefits and Costs of Distributed Solar Generation*, p36):

A fuel price hedge value should be included. In the past, utilities regularly bought natural gas futures contracts or secured long-term contracts to avoid price volatility. The fact that this is rarely done now and the customer is bearing



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the price volatility risk does not diminish the fact that adding solar generation reduces the reliance on fuels and provides a hedging benefit.

In Order No. 34753 (PAC-E-19-08, Attachment A, @ p2), the Commission directed the utility to “Analyze whether there is a fuel price guarantee value provided by on-site generators as a class”. The avoided energy value stack should include this value. CEO proposes adding a section 4.4 to remedy this oversight.

§ 7 & 18.1– If a fair value is provided for ECRs, then purchases from self-generators are no more a source of subsidy than any other market purchase. In section 7 the Company posits a concern about ECR impacts “on non-generating customers” and a need for avoiding “inter-class subsidies”. Similarly, in section 18.1 the Company raises a concern about allocation of ECR charges via an identification of “customer classes responsible and the potential impact to other customer classes”.

If the ECR rates reflect a fair value based on both the costs and benefits they produce on IPC’s system, how could those impacts produce inter-class subsidies? With fair compensation for ECRs what difference does it make which customer class is “responsible” for the export event? How would allocation of incurred costs for power purchased from customers at fair ECR rates impose “impacts to other customer classes” any more than any of the Company’s other power purchases produce?

Fair ECR rates means those exports do not produce a subsidy. CEO proposes that sections 7 and 18.1 be eliminated.

§ 8, 10 & 11 - Capacity should be valued by the total effect on Company load, not just based upon the subset of self-generation which is exported. In sections 8, 10 and 11 the Company proposes analyzing the capacity value provided by self-generators based only on the portion of the generation that is exported. When determining the capacity value of efficiency or QF alternatives, the basis for analysis is the amount that the Company’s net load is reduced. The same analytical basis should be employed in this study.

Capacity values associated with self-generation should be based upon the extent that such generation reduces Company load. Irrespective of whether that self-generation results in higher exports from the customers who self-generate or from their meeting some of their need from their self-generation and thus reducing load, the appropriate measure for capacity is based on how much the Company’s net load is reduced, not just the portion self-generators export.

The language in sections 8, 10, and 11 should be adjusted accordingly.



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§ 16.4 There are additional values associated with the renewable attributes of exports from self-generators beyond just REC sales. In section 16.4 the Company limits the basis for quantifying the value produced by net metering exported energy to just REC sales. CEO believes this is an unnecessarily restrictive view which would result in underestimating the inherent value of self-generator exports.

There are potentially large accounting related costs that could be incurred in establishing REC certification for exports from a large number of self-generators. The Company has previously informed the public of large and growing requests from customers for “Green Power”. Exports from self-generators are a potential source of the renewable power customers are increasingly interested in procuring from the Company.

CEO believes section 16.4 should be expanded to include a review of all possible ways to harvest the renewable energy value of self-generator exports, not just via REC sales.

§ 19 & 19.1 - Cost-of-Service (COS) studies, inherently based on historic cost information, are analytically inappropriate for valuing the cost and benefits of future additions of customer self-generation. Inclusion of COS studies are also procedurally inappropriate. For both reasons section 19 should be modified to exclude COS studies. In section 19, the Company proposes that its study of the “Costs, Benefits, and Compensation of Net Excess Energy” should include an evaluation of cost-of-service methodologies and rate designs for customer-generators. CEO believes that any COS based review is inappropriate and outside the scope of the study.

Review of rate design options for customer-generator exports is a completely appropriate topic for study review. But piecemeal study of rate designs for consumption which specifically target customer generators is inconsistent with the principles previously established by the Commission. Order 34046 states, “Further, cost of service issues will be fully vetted if and when the Company applies to change the rates of customers that take and provide service under Schedules 6 and 8.”

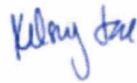
Further, customers without on-site generation are impacted by such evaluations and have not been duly noticed. Fixed cost recovery for customers with low consumption or part-time electricity requirements is not specific to customer-generators. All customers impacted by evaluating cost-of-service methodologies and potential rate designs have not been given fair opportunity to engage.

Partially vetting consumption side rate alternatives in the context of this study discourages the necessarily holistic consideration of issues, opportunities, and options related to self-generation and should not be undertaken outside of a general rate case.



§ 20 - The added costs to CI&I customers imposed by the 100kW project eligibility cap and the discouragement of investments in customer-owned generation should continue no longer than absolutely necessary. Given prior discussion with stakeholders, CEO believes the pros and cons of changing the project eligibility cap for CI&I customers could be resolved in a more-timely manner. CEO proposes that the Company file an application proposing changes to the CI&I cap, which should be no less than a customer's peak electric load, as soon as possible.

Respectfully submitted on November 30, 2021



Kelsey Jae

Attorney for Clean Energy Opportunities for Idaho



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IPC-E-21-21

ATTACHMENT 1
to
Clean Energy Opportunities for Idaho Reply comments

November 30, 2021

Only sections of the framework with proposed changes are shown.

Proposed deleted materials shown with strikethrough (*example*).

Both deletions and additions are shown in red.

Brief summary of CEO rationale for proposed change shown in underlined italics

Avoided Energy Value

§ 4.1 & 8.1 - CEO believes the modeling method used in the 2019 IRP had “first-time-used” problems that systematically under-estimated market prices. Using price estimates from the 2019 IRP would unfairly bias the value of avoided energy cost analyses against self-generators, thereby producing unfair study results. The 2021 IRP is the appropriate data source for use in this study.

§ 4.4 In Order No. 34753 (PAC-E-19-08, Attachment A, @ p2), the Commission directed the utility to “Analyze whether there is a fuel price guarantee value provided by on-site generators as a class”. The avoided energy value stack should include this value. CEO proposes adding a section 4.4 to remedy this oversight.

- 4** Provide the calculations and documentation for the avoided cost of exported energy using:
1. Energy price calculations from the Company’s 2021 *most recently acknowledged* Integrated Resource Plan (“IRP”)
 2. Market index price assumptions
 3. Other methods to determine an avoided energy value (e.g., surrogate resource)
 4. *Fuel price hedging value.*



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§ 7 & 18.1— If a fair value is provided for ECRs, then purchases from self-generators are no more a source of subsidy to a particular customer class than any other market purchase. CEO believes Sections 7 and 18.1 as drafted are prejudicial and should be deleted.

- 7 ~~Consider any impact of the ECR on non-generating customers to ensure other customer classes are held neutral to avoid inter-class subsidies.~~

Avoided Capacity Value

§ 8, 10 & 11 - When determining the capacity value of efficiency or QF alternatives, the basis for analysis is the amount that the Company's net load is reduced. The same analytical basis should be employed in this study. CEO believes capacity should be valued in this study by the total effect on Company load, not just based upon the subset of self-generation which is exported.

- 8 Analyze the capacity value ~~based on the amount that the Company's load is reduced of exported energy provided~~ by customer-generators. Provide the calculations and documentation for evaluating the capacity resource value and the contribution to reducing the Company's system coincident peak (i.e., the Company's net peak – the hour(s) that drive the need for capacity or capacity-equivalent resource additions) as a component of the Company's broad resource portfolio.]
1. Consider valuation of avoided capacity based on the timing of the Company's first ~~planned capacity additions in the 2021 IRP deficiency~~ and how it can be incorporated into the development of the ECR.

Avoided Distribution Costs

- 10 Quantify the value of distribution costs that could be avoided ~~based on the amount that the Company's load is reduced of exported energy provided~~ by customer-generators.

Avoided Transmission Costs

- 11 Quantify the value of transmission costs that could be avoided ~~based on the amount that the Company's load is reduced of exported energy provided~~ by customer-generators.

Avoided Environmental Costs and Other Benefits

§ 16.4 CEO believes the study should include a review of all possible ways to harvest the renewable energy value of self-generator exports, not just via REC sales.

- 16 Evaluate environmental and other costs that are quantifiable, measurable, and only include avoided costs that affect rates.
- 4 Quantify the possible net values of ~~renewable attributes Renewable Energy Credit sales~~ produced by net metering exported energy.



Recovering Export Credit Rate Expenditures

- 18** Analyze methods for how these costs would be allocated and recovered by rate class.
- 1 ~~Identify the customer classes responsible and the potential impact to other customer classes.~~

~~Cost-of-Service & Export Rate Design~~

§ 19 & 19.1 Review of rate design options for customer-generator exports is a completely appropriate topic for study review. But piecemeal study of rate designs for consumption, which specifically target customer generators, is inconsistent with the principles previously established by the Commission. CEO believes that partially vetting consumption side rate alternatives in the context of this study discourages the necessarily holistic consideration of issues, opportunities, and options related to self-generation and should not be undertaken outside of a general rate case. References to historical cost of service should not be included within the study framework.

- 19** Evaluate ~~cost-of-service methodologies and~~ potential ~~export~~ rate designs for customer-generators that could be implemented in the Company's next general rate case.
- 1 ~~Provide the impact to all customer classes, including customer generators.~~

Project Eligibility Cap

§ 20 - The added costs to CI&I customers imposed by the 100kW project eligibility cap and the discouragement of investments in customer-owned generation it produces should continue no longer than absolutely necessary. CEO proposes that the Company file an application proposing changes to the CI&I cap, which should be no less than a customer's peak electric load, as soon as possible.

- 20** Analyze pros and cons of setting a customer's project eligibility cap according to a customer's demand (peak electric load) as opposed to predetermined caps of 25 kW and 100 kW. ~~As soon as possible after an order issues on this study design proposal, the Company should file an application proposing changes to the CI&I cap.~~
1. Analyze at 100% of customer's demand.
 2. Analyze at 125% of customer's demand.



CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of November, 2021, I delivered true and correct copies of the foregoing REPLY COMMENTS to the following persons via the method of service noted:

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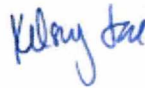
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