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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for the Idaho Conservation League

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

The Idaho Conservation League (ICL) submits the following Reply Comments on the proposed customer on-site generation study framework. Following Order 35176, ICL filed Formal Comments on the Study Design on October 13, 2021. Those comments formalized ICL's initial input shared with the parties in the initial phase of this docket. We continue to stand by those comments. Pursuant to Order 35193, ICL now files these Reply Comments to respond to a few issues raised in other parties' filings. Overall, ICL supports the improvements and clarifications to the proposed study framework provided by the PUC Staff, Idaho Power, and all the other stakeholders. ICL comments seek to clarify our positions and suggest some further improvements to the study design.

I. Cost of Service and Rate Design

ICL wishes to clarify our position on whether and how to include cost of service and rate design issues into a study of the costs, benefits, and compensation of net excess energy associated with customer on-site generation. In sum: ICL agrees with Staff and Micron that cost of service and consumption rate design options may be part of this study, but any changes in this area must happen in a general rate case.

We recognize the further clarity provided by Micron, Staff, and Idaho Power. Micron provides a helpful distinction by explaining they wish to evaluate a range of cost of service methods in order to gather data on the topic and not because Micron has already assumed any cost shifting.¹ We also support the PUC Staff’s position that any changes to cost of service methodologies or rates must occur in a general rate case.² Idaho Power improved the study framework by clarifying that the study will include a range of cost of service methodologies and will consider this issue across all customer classes.³ In addition, Idaho Power clarified that the study will not presuppose any cost shift, will consider a range of methods and options as applied to all customer types, and will provide information to be further considered in a general rate case.

The above revised approach to explore a range of options that could be implemented in a future case after fuller review addresses ICL primary concern about this topic. As we explained in our formal comments, cost of service applies to the consumption of utility services by customers. Cost of service attributable to customer classes is an important topic for the Commission to consider, but this should occur in a general rate case where all costs and customer types are comprehensively considered. Regarding rates: it is appropriate to consider rate options related to the customer-generator exports in this study, but changes to rates for consumption are appropriately implemented in a general rate case. Further, this distinction respects the perspectives of other parties who uniformly recommend focusing on customer-exports and not consumption of utility power. Given these changes, ICL believes this portion of the study framework is more appropriately designed

II. Measurement Interval

ICL appreciates the PUC Staff and Idaho Power clarifying the framework by changing “separate channel” to the term “instantaneous” or “real time”.⁴ Idaho Power provided some further clarifications in the revised study framework filed as Attachments 1 and 2 on November 16, 2021.⁵ While improved, ICL believes a key feature is missing – how the measurement interval affects the value of the export to the customer-generator. As we explained in our Formal

¹ Micron Final Comment at 2 – 3 (November 16, 2021).

² Staff Comments at 5 (November 16, 2021).

³ IPC Final Comment, Attachment 2 at 4.

⁴ Staff Comments at 3; IPC Final Comment at 4 (November 16, 2021).

⁵ IPC Final Comment at 4, Attachment 2 at p. 1 (ICL uses Attachment 2, legislative format, to see the changes).

Comments, a comprehensive study should assess how the measurement interval enables stakeholders to match the timing of exports with the value to the system.⁶ Adding this clarity to the Measurement Interval section is especially important to fully and fairly examine the capacity value provided by customer-generators.

III. Export Credit Rate

All stakeholders provided productive input on the value categories and methodology options to determine a fair and robust export credit rate. Idaho Power's revised framework incorporates most of these suggestions. ICL has six remaining concerns:

- (a) The study should use the most recent IRP for data sources;
- (b) Methods exists to examine the locational benefits unique to distribution resources;
- (c) IPC proposes a vague term to study "any impact" of the energy credit rate;
- (d) The study narrowly defines capacity value;
- (e) The study should asses avoided distribution and transmission costs by all customer-generators on the same circuit regardless of customer class; and
- (f) Many environmental benefits are already included in rates and should be included in the Export Credit Rate.

a. Use the 2021 IRP as the starting point for data

First, because the Commission ordered that this study should use "the most current data possible."⁷ Idaho Power should rely on data from the 2021 IRP and not the 2019 IRP. Idaho Power proposes to use the now-stale 2019 IRP because it is the most recently acknowledged IRP by the Commission.⁸ The Commission's acknowledgement of an IRP, however, does not provide additional weight to the ongoing relevance of the IRP data, it just confirms that the Company followed a required process:

"With this Order, the Commission does not approve the IRP or any resource acquisitions referenced in it, endorse any particular element in it, opine on Idaho Power's prudence in selecting the IRP's preferred resource portfolio, or allow or approve any form of cost recovery. The appropriate place to determine the prudence of the IRP or Idaho Power's

⁶ See ICL Formal Comments at 7 – 10. (October 13, 2021).

⁷ Order No 34509 at 9.

⁸ IPC Formal Comment at Attachment 2, page 1.

decision to follow or not follow it, and the validation of predicted performance under the IRP, is a general rate case or other proceeding where the issue is noticed.’ and does not provide any review or endorsement of the underlying data.”⁹

Further, the Commission has recognized in the past that determining avoided cost values does not require an acknowledged IRP. For example, Idaho Power uses the most recent IRP to establish resource values and rates for independently-owned generation before the Commission has acknowledged that IRP. The Commission endorsed this approach in Order 32697 by ordering that “when a utility submits its Integrated Resource Plan to the Commission,” the utility should file a parallel docket to examine avoided cost pricing updates based on the just-filed IRP.¹⁰ ICL is a long-term participant in Idaho Power’s IRP Advisory Committee and we support the comments of Clean Energy Opportunity describing how the current 2021 IRP shows a fundamentally different load profile, a different preferred resource mix, and an increasing focus on flexibility rather than basic capacity when compared to the 2019 IRP.¹¹ All of this new information highlights the increasing value of distributed energy resources to Idaho Power’s rapidly growing system. Using the most recent IRP also supports the Staff position that the Export Credit Rate should be based on future values and not just historical data.¹² ICL recommends the Commission direct Idaho Power and others to use the 2021 IRP as the basis for the most current data available.

b. Methods to Determine the Timing and Locational Value of Distributed Resources

An essential characteristic of customer-owned generation is the placement of small resources distributed across the grid at the distribution level. We appreciate Idaho Power adding in an assessment of the time and location benefits that distributed resources can bring to the system.¹³ We also agree this may result in a more accurate avoided cost. However, we are concerned with Idaho Power’s caveat that “if a method is not available” they will evaluate a placeholder.¹⁴ Other states and utilities have used established tools and methods in this area,

⁹ Order No 34959 at 25.

¹⁰ Order No. 32697 at 23.

¹¹ See Clean Energy Opportunity Second Comments (November 16, 2021).

¹² Staff Comments at 4.

¹³ IPC Final Comment at 5, Attachment 2 at 1.

¹⁴ IPC Final Comments, Attachment 2 at 1.

which primarily focus on avoided distribution capacity, avoided line losses, as well as reliability and resiliency benefits. This webpage from the Lawrence Berkeley National Lab provides dozens of examples addressing this area going back to 2017: <https://emp.lbl.gov/projects/time-value-efficiency>. ICL recommends that the Commission direct Idaho Power to utilize these established methodologies to assess the locational value of distributed energy and refrain from using a placeholder for any avoided costs. In addition, ICL recommends that Idaho Power prepare an assessment of how the timing of exports relates to the utility's avoided costs at that same time.

c. Avoid Vague Terms to Ensure Transparency

Idaho Power's November 16th Final Comments and Revised Study Framework included, for the first time, a new issue to study "any impact of the [export credit rate] on the non-generating customers to ensure other customer classes are held neutral to avoid inter-class subsidies."¹⁵ ICL is highly concerned that the vague statement "any impact" undercuts the transparency and rigor of this study. The statement "avoid inter-class subsidies" presupposes that a subsidy exists and undercuts IPC's commitment to neutrally study a range of cost of service methods and rate options. Also, it is not clear how the impact of the export credit rate on non-generating customers is relevant to determining the value of the export for generating customers. Rather, the impact to non-generating customers is related to the methods IPC uses to account for the cost of any credit, which is addressed in the export credit rate recovery study components. Because the term "any impact" is vague and does not provide useful information about the value of the export credit rate, ICL recommends the Commission remove component #7 from the Revised Study Framework.

d. Capacity Value

The capacity value is likely to be a primary driver of the value of export credit rate. ICL supports most of the Staff's proposed improvements and notes that Idaho Power incorporated this into the Revised Study Framework. Our remaining concern is the focus on adding new resources to meet future capacity and not on avoiding capacity costs whenever they occur. Idaho Power's system needs capacity in every hour of the year and this always incurs costs, such as

¹⁵ IPC Final Comment, Attachment 2 at page 2 (adding framework component 7) .

fuel for peaking gas plants. As the system grows, forecasts show that Idaho Power may need additional capacity to meet load. A customer generator that exports during peak hours can avoid both existing capacity costs and defer new capacity costs. We point out that just as existing PURPA projects get paid for capacity because they are currently deferring capacity needs, existing customer-generators should be paid for capacity regardless of the utility deficiency date. We recommend the Commission amend number 8(a) in the proposed framework to: “Consider valuation of avoided capacity based *on the capacity costs Idaho Power incurs at the same time the export occurs.*”¹⁶

e. Distribution and Transmission Avoided Cost

ICL is pleased to see that Idaho Power accepted our suggestion to look at avoided distribution and transmission costs separately.¹⁷ However, we are concerned that the Company’s suggestion to study the impact at the customer class level misses the mark. For distribution circuits, the key point is whether the amount of distributed resources on that circuit can avoid costs regardless of the customer class that hosts the resource. For the larger transmission system, the key question is whether the entire set of distributed energy resources can avoid transmission costs, regardless of the customer classes hosting each resource. ICL recommends the Commission revise this portion of the Study framework to say:

10.a. “Evaluate the range of avoided capacity between individual customer generators and avoided capacity costs *at the distribution circuit level.*” and

11.a. “Evaluate the range of avoided capacity between individual customer generators and all customer-owned generators *at the transmission system level.*”

f. Utility rates include environmental costs that can be avoided and other benefits realized

ICL believes the environmental and other benefits included in the Revised Study Framework are all types of costs that are typically included in rates today and thus should be included in the export credit rate value. The Staff set out four criteria for including environmental benefits into the export rate value.¹⁸ ICL believes the environmental benefits listed in the study fit these criteria. Utility rates today include pollution control costs that arise at

¹⁶ IPC Final Comment, Attachment 2 at page 2.

¹⁷ IPC Final Comment at 7.

¹⁸ Staff Comment at 6.

Idaho Power owned fossil plants every time they operate; customer generation will help Idaho Power avoid these costs. Idaho Power's IRP process shows that customer loads and hydroelectric production will deviate from historical norms due to climate change and incur different operating costs for the utility. Pollution control costs and operating costs are both typically included in rates today. In both examples, as long as customer generators are fairly compensated, then non-participating customers are held harmless. Also in both examples, the forecasting of these benefits is at least as accurate as other forecasts like gas prices, wholesale electricity prices, and other resource costs. Just like every reputable study of the value of customer-generation, we are encouraged to see the environmental, reliability, and security benefits included in this study framework and look forward to seeing these values reflected in the export credit rate.

IV. Implementation Issues

a. Customer Credit Expiration

ICL is encouraged that both Staff and Idaho Power clarified that the study will consider whether customer credits should ever expire and, if so, how to do so in a manner that protects the customer generators.¹⁹ We support the topics and issues highlighted in the Staff Comments of November 16, 2021.²⁰ ICL recommends the Commission direct Idaho Power to add one additional consideration on this topic – impact to the customer generators whose credits would potentially expire. Including this perspective will provide a more well-rounded study than the current focus on impacts to the Company and non-customer-generators.²¹

b. Frequency of Updates to the Value of Solar

ICL interpreted Idaho Power's statement in the proposed Study Framework that it would “quantify the impact of biennial updates as compared to annual updates of the ECR” to say that the study will look at those two options. We are pleased to see that Idaho Power clarified that these two specific time periods were actually just “examples” and the Company has no desire to limit the scope of the study.²² We recommend the Commission request further clarity on what

¹⁹ Staff Comments at 7; IPC Final Comments at 12.

²⁰ Staff Comments at 7.

²¹ See IPC Final Comment, Attachment 2 at 4-5.

²² IPC Final Comment at 13.

Idaho Power means by “Consider the impact of timing of updates”.²³ For example: what types of impacts will the study consider? Is the Company, customer-generators, or non-customer generators the impacted entity? And, what are the options to avoid, minimize, or mitigate each impact?

c. Individual System Caps

ICL seeks to clarify our suggestion regarding the cap on individual system sizes. ICL did not suggest that the Commission address the system size cap *before* a comprehensive study, as alleged by Idaho Power.²⁴ Rather, we recommended that this issue could be dealt with in a separate docket in parallel with the export value study. The sizing of individual systems to meet individual customer needs does not dictate the value of exports from customer generators. ICL believes that system design rules that more accurately match customer systems with customer needs is a common sense step to take as soon as possible. We recommend the Commission direct Idaho Power to open a parallel docket that addresses the system size cap. This approach is similar to the recent dockets implementing streamlined interconnection rules and inverter settings while stakeholders work through the larger issue of the export credit rate.

Conclusion

ICL recognizes the hard work of all the parties and the public input thus far. The Revised Study Framework is a better starting point for the VOS Study than initially filed. Idaho Power’s statement that “nothing in the Revised Study Framework is in anyway intended to be limiting”²⁵ is also very encouraging. We look forward to this curious, inclusive approach to the analysis of the value of customer generators exports.

Respectfully submitted this 30th day of November, 2021.

/s/ Benjamin J Otto
Idaho Conservation League

With technical assistance from
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²³ IPC Final Comment, Attachment 1 at 5.

²⁴ IPC Final Comment at 11.

²⁵ IPC Final Comment at 13.

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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