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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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

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**STAFF OF** the Idaho Public Utilities Commission (“Commission”), by and through its attorney of record, Erick Shaner, Deputy Attorney General, submits the following comments.

**BACKGROUND**

On June 28, 2021, Idaho Power Company (“Company”) applied to the Commission to begin a multi-phase process for a comprehensive study of the costs and benefit study of on-site generation as directed in Order No. 34046.<sup>1</sup> See Application at 1. The Company requested that a final order be issued in this case by the end of 2021 so that 2021 data can be used for the “study design” phase in the first half of 2022 and the “study review” phase can begin in June 2022. *Id.* at 10.

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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).

On July 27, 2021, the Commission issued a Notice of Application and set a deadline for intervention and deadline for the Company, Commission Staff (“Staff”), and intervening parties to confer regarding a proposed schedule for this matter. Order No. 35121. 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 (“Boise City”), Kiki Leslie A. Tidwell (“Tidwell”), *pro se*, Idaho Irrigation Pumpers Association, Inc., Richard E. Kluckhohn (“Kluckhohn”), *pro se* and Wesley A. Kluckhohn, *pro se*, ABC Power Company, LLC, Comet Energy, LLC, and Idahome Solar petitioned for and were granted intervention (“Intervenors”; collectively with the Company and Staff “the Parties” singularly a “Party”).<sup>2</sup>

On August 30, 2021, the Parties met and agreed that Staff would file the Initial Framework to Study (“Study Framework”) with the Commission on September 30, 2021. The Study Framework is based on initial work completed by the Parties and discussed on September 22, 2021. The Study Framework does not represent agreement by all parties on what should be included in the final Study Framework. Each Party will file Comments with the Commission to present their formal views and recommendations for the final Study Framework to be established by the Commission.

On September 8, 2021, the Commission issued a Notice of Parties.

On September 22, 2021, the Commission issued Order No. 35176 requiring all Parties and the public to file initial comments about the appropriate scope of the Study Framework by October 13, 2021.

On September 30, 2021, Staff filed the Study Framework based on initial work completed by the Parties.

On October 7, 2021, the Commission issued Notice of Scheduling, Notice of Modified Procedure, Notice of Virtual Public Workshops, and Notice of Telephonic Public Hearing. Order No. 35193.

On October 20, 2021, the Company held an online public workshop.

On October 26, 2021, Staff held an online public workshop.

On October 28, 2021, the Commission held a telephonic customer hearing from 6:00 PM to 7:15 PM. Six customers commented on the record.

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<sup>2</sup> See Order Nos. 35105, 35115, 35132, 35152, and 35155.

## **STAFF ANALYSIS**

Staff's comments address the feedback received from the public during the Staff workshop on October 26, 2021, the customer hearing on October 28, 2021, and comments from the public filed with the Commission.<sup>3</sup> In addition, Staff provides further clarification in specific areas of the proposed Study Framework. These comments should be considered an extension of Staff's initial comments filed on this matter on October 13, 2021, which provides an in-depth analysis of the areas proposed to study by the Company and the other Parties.

### **Measurement Intervals (#1-3)**

Customers did not provide any feedback on the Company's proposal of measurement intervals. Staff recommends the term "Separate Channel" be replaced with an "Instantaneous" or "real-time" net energy measurement. The Parties generally agree that the new terminology fits better and better describes the method of measuring consumption and exports to the grid at the same time. Staff recommends this section be included in the Study Framework.

### **Export Credit Rate ("ECR") (#4-9)**

While most of the public comments did not speak to the specific design of the ECR, several commenters stated that the Study Framework must be fair, accurate, and credible.

Staff reiterates that the ECR should be based on only those financially quantifiable costs that the Company avoids and the benefits that the Company receives that are typically included in customer rates. Furthermore, the ECR should adhere to the principle of ratepayer indifference and avoided cost<sup>4</sup> to ensure other customer classes are indifferent whether energy is supplied by exports from customer generators or from other resources supplying the Company's system to avoid inter-class subsidies.

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<sup>3</sup> As of November 16, 2021, 118 comments have been filed with Commission. Due to a public comment deadline of November 30, 2021, not all public comments have been addressed in Staff's comments.

<sup>4</sup> Avoided costs under PURPA means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source. See 18 C.F.R. § 292. 101 (b)(6). Order No. 25884 at 4 states that "[r]atepayers should be indifferent to whether a resource serving them was constructed by a utility or an independent developer. The cost and quality of service provided by either should be the same. Ratepayers should not be asked to subsidize the QF industry through the establishment of avoided cost rates that exceed utility costs that would result from an effective least cost planning process." Order No. 32262 at 8 states that "PURPA entitles QFs to a rate equivalent to the utility's avoided cost, a rate that holds utility customers harmless - not a rate at which a project may be viable."

Staff has also provided additional comment related to developing the ECR for: (1) the form of the credit, (2) penetration levels of customer generation in the system, (3) future versus historic basis for rates, and (4) output profiles used to value avoided cost and to construct the rate.

#### *Form of Credit*

Staff believes the ECR should be provided on a price per kilowatt-hour (“kWh”) basis and not a kWh credit. As discussed in Staff’s October 13, 2021, comments, the value of exported energy varies by time of day, week, month, and year. Providing a kWh export credit against a kWh of consumption could lead to a mismatch in value between energy exported and energy consumed with impacts to other customer classes in the form of inter-class subsidies.

#### *Penetration Levels*

Staff believes that it is important to design the ECR for various penetration levels so that the net exported energy can be accurately valued. This is especially important regarding adjustments for integration cost associated with the net exported energy, since increased penetration of variable resources in the system affects the cost of regulating reserves the Company needs to carry to balance the system. Staff also recommends that the Company determine the specific penetration levels based on the customer generator growth trend, the frequency of ECR updates, the different configurations of customer generators, and other relevant factors.

#### *Future versus Historic Basis for Rates*

The net exported energy should be based on the value it will provide to the Company’s system when customer generators export their energy. The accuracy of the two main components of avoided cost, capacity and energy, depend on costs that can reasonably be forecasted. Avoided energy cost depends on future fuel costs, the future price of wholesale electricity, and the resources the Company will have in place when exports occur. Avoided capacity cost depends on when future capacity deficits occur, and the resources needed to fill them. However, Staff believes future costs can be estimated based on historic data, but the context of the rate should be future-oriented.

### *Output Profiles*

Customer generator output profiles will be important to differentiate the value of energy when exported to the Company's grid and to determine the rate design of the ECR. As such, the output profiles need to be based on existing customer generators within the Company's system using historic data reflecting actual exports net of actual consumption. In addition, the output profiles in the study need to have enough time resolution so the ECR can reflect an accurate value based on when the energy is exported to the Company's grid and should be differentiated based on different customer generator configurations, with and without batteries.

### **Recovering ECR Expenditures (#11-12)**

Customers did not provide feedback on the Company's proposal to recover the ECR. The Study Framework should present how the bill credits paid to net metering customers are booked, how the Company's proposal would differ from the method, and the impact of those methods on each customer rate class. Staff recommends the section of recovering ECR expenditures be included in the Study Framework.

### **Cost-of-Service and Rate Design (#13-15)**

Customers did not provide feedback on the Company's proposed cost-of-service and rate design. Updates to current cost-of-service, new rate designs or even transitional rates should be implemented in a general rate case. Staff recommends this section to be included in the Study Framework.

### **Project Eligibility Cap (#16)**

Customers did not provide feedback on the Company's proposal for evaluating the project eligibility caps of 25 kilowatt ("kW") and 100 kW. However, a few customers did question the need for caps. The analysis of the project eligibility cap should evaluate previous concerns echoed in Order No. 28951 and Order No. 29094, such as safety, service quality, and grid reliability concerns.

### **Environmental and Other Benefits (#17-18)**

Customer comments and testimony during the customer hearing focused on environmental and other benefits section of the Study Framework. Customers expressed concern over the Company's lack of depth in this section and believes it needs more detail than what the Company proposed in its Application. One customer stated they were disappointed with the proposal and believe the Company is contradicting its recent promotion of clean energy by excluding environmental benefits in the Study Framework. Multiple customers commented that they support the proposals of the Intervenors. Another customer mentioned in testimony, that at the very least, this section should include the same parameters as ordered in Case No. PAC-E-19-08, Order No. 34753, Attachment A at 3.

Staff believes that any environmental benefits included as an avoided cost in the ECR should be valued based on the following criteria: (1) the benefits included should ultimately be realized by the Company's customers, (2) other customer classes should be held harmless, (3) environmental benefits included in the ECR should maintain accuracy over time, and (4) the environmental benefits included should only be those typically included in customer rates. However, the environmental benefits included in the Study Framework that do not impact customer rates at this time, but may impact rates in the future, can be examined as a risk variable similar to how the Company performs a scenario analysis of potential future federal legislation in the Company's Integrated Resource Plan ("IRP").

Staff addressed, in its previous comments, the pros and cons of having a third-party consultant conduct a study on the environmental benefits section of the Study Framework. During the customer hearing, multiple customers testified in support of the entire study of cost and benefits of on-site generation to be conducted by a third-party consultant. Customers asserted that a third-party conducting the study would provide an unbiased and fair evaluation. However, if a third-party contractor does perform the study, funding to conduct it and who will pay for it, customer generators or all customers, will need to be identified.

In addition, in many areas of the proposed Study Framework the Company has the best overall understanding of the data for determining how exports from customer generators will avoid cost and provide benefits to its system. For example, the Company's experience in determining avoided cost is routinely demonstrated in its IRP, which is conducted every two years.

### **Implementations Issues (#19-23)**

During the customer hearing, many customers commented that export credits should never expire. Based on the Company's Application and proposed areas of study, Staff does not believe it is the Company's intent to have export credits expire at this time, but to provide information on whether there is any justification for it in the future. To make an informed decision, data and information such as magnitude, duration, and value of the accumulated export credits should be included in the Study Framework. In addition, if export credits were to expire, Staff believes there are many additional areas to study for handling of credits, including, but not limited to, how credits will be tracked, how excess credits will be handled at the end of an expiration period, how the Company will record expired credits that have been recovered, and how credits that have been billed are returned to customers.

A customer comment suggested that while they are not in support of export credits expiring, if they expired, instead of basing the expiration period on a traditional calendar year, basing the expiration period off a period of April through March would be necessary to allow customers to use accumulated export credits built up in the summer throughout the entire winter. Staff believes this is a reasonable approach as many solar systems are designed to primarily offset a customer's consumption, with most accumulated exports occurring in the summer months and utilized to offset consumption during winter.

Another customer comment stated concerns over their inability to transfer their excess accumulated credits between their residential and irrigation accounts and suggested this be included in the Study Framework.

### **Public Input**

As of November 16, 2021, 118 public comments have been filed in this case. Many of the customer comments filed to date have focused on providing a fair study that moves Idaho towards a clean energy future.

One area of customer comments discussed in Staff's comments was for the Study Framework to examine and compare it to other electric utilities that have adopted new customer generator programs. Similarly, during the customer hearing a customer suggested utilizing recent studies as recommended by ICL in the Study Framework. Leveraging recent studies and other utilities recently adopted programs can help the Company by building on the successes and

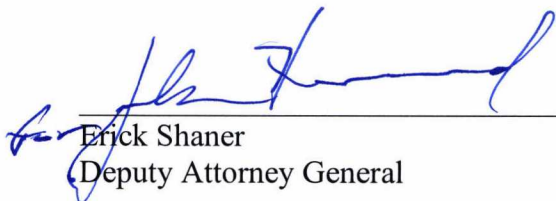
learning from the failures of the cost and benefits of on-site generation. It is important to recognize that studies and programs are designed for particular states, regions, and utilities that have their own unique energy sources and needs at specific times of the day, month, and/or year. If any studies and programs are used, any data used in developing the ECR will need to be based on the Company's system to ensure that the benefits and avoided costs generated through customer generator exports can be accurately captured and reflected. Additionally, any studies and programs will need to be vetted to ensure calculations of the cost and benefits of onsite generation do not account for adders or subtractors to the calculation that would not be applicable for the Company's service territory.

Multiple customers testified during the customer hearing recommending the Commission publish a draft study before making a final order. The public expressed concern about the inability to provide feedback on the Study Framework and wishes to have a comment period to provide feedback on a Commission drafted Study Framework before a final Study Framework is published by the Commission.

#### **STAFF RECOMMENDATIONS**

Staff recommends that the Commission order the Company to begin constructing its comprehensive cost and benefits of on-site generation study laid out in more detail on Staff's Comments filed on October 13, 2021 and based on Staff's recommendations included above.

Respectfully submitted this <sup>16<sup>th</sup></sup> day of November 2021.

  
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Deputy Attorney General

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16<sup>th</sup> DAY OF NOVEMBER 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-21-21, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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