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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF CLEAN ENERGY OPPORTUNITIES FOR IDAHO'S PETITION FOR AN ORDER TO MODIFY THE SCHEDULE 84 100kW CAP & TO ESTABLISH A TRANSITION GUIDELINE FOR CHANGES TO SCHEDULE 84 EXPORT CREDIT COMPENSATION VALUES	)	**CASE NO. IPC-E-22-12** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Riley Newton, Deputy Attorney General, submits the following comments.

BACKGROUND

On April 28, 2022, Clean Energy Opportunities for Idaho ("CEO") petitioned the Commission for an order by October 31, 2022, that (1) modifies the project eligibility cap of 100 kilowatts ("kW") for Schedule 84 customers, which include commercial, industrial, and irrigation ("CI&I") net metering customers, to 100% of a customer's maximum demand; and (2) establishes a Transition Guideline that improves predictability and stability of rates by setting a limit to the pace at which the compensation for excess energy may change for Schedule 84 customers, if and when an Export Credit Rate ("ECR") is implemented.

On May 18, 2022, Idaho Power Company ("Company" or "Idaho Power") filed an Answer to CEO's Petition ("Answer") and a Motion to Dismiss ("Motion").

On June 1, 2022, CEO filed a response ("Response") to the Company's Motion.

On June 28, 2022, the Commission issued Order No. 35453, stating "anyone desiring to state a position on whether to grant CEO's Petition or grant the Company's Motion must file a written comment in support or opposition with the Commission within 21 days of the service date of this Order."

STAFF REVIEW

Staff recommends that the Company's Motion to Dismiss CEO's Petition be granted. CEO's petition carves out the following two items for resolution currently included within the framework[1] of the Comprehensive Study of Costs and Benefits of On-Site Customer Generation ("Comprehensive Study") determined in Order No. 35284, Case No. IPC-E-21-21:

I. Modification of the eligibility cap of 100 kW for Schedule 84 customers to 100% of a customer's maximum demand; and

II. Establishment of Transition Guidelines that improves predictability and stability of rates by setting a limit to the pace at which the compensation for excess energy may change for Schedule 84 customers, if and when an ECR is implemented.

The Comprehensive Study[2] results were filed with the Commission in the Company's Application to Complete the Study Review Phase of the Comprehensive Study in Case No. IPC-E-22-22 on June 30, 2022.

I. Eligibility Cap

Staff does not support changes to the eligibility cap for Schedule 84 customers outside of the Comprehensive Study process for the following reasons:

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[1] Page 25 of Order No. 35284 states that "[w]e find that a separate docket is not necessary to study these items. The Company has the necessary data and expertise to provide a thorough evaluation of the 25 kW and 100 kW predetermined caps through this study. We also find it reasonable to expand the analysis at 125% of customers' demand. The analysis of the project eligibility cap should also include an evaluation of concerns previously echoed in Order No. 28951 and Order No. 29094, such as safety, service quality, and grid reliability." Page 24 of Order No. 35284 states that "[t]he Commission also finds it fair and reasonable for updates to current cost of service, new rate designs, and transitional rates to be implemented in a general rate case. While these issues are studied within this process, we decline to order a full general cost of service study be conducted in this case."

[2] In Case No. IPC-E-22-22, the Company refers to the Comprehensive Study as the "Value of Distributed Energy Resource ("VODER") Study."

A. CEO's proposal to use an expedited process through this docket is unlikely to result in incremental capacity in time to meet the 2023 summer capacity deficiency;

B. Conducting the study and planning for implementation holistically through the Comprehensive Study process will likely result in a better outcome and could prevent unintended consequences that could occur if CEO's Petition is granted; and

C. Schedule 84 customers can choose to add generation not subject to the 100-kW cap as Public Utility Regulatory Policies Act of 1978 ("PURPA") projects or non-exporting projects.

A. CEO's Proposal to Expedite Resources in Time to Meet 2023 Deficiency is Unlikely.

CEO believes that its proposal to increase the Schedule 84 customer eligibility cap in a proceeding separate from the overall Comprehensive Study process will allow Schedule 84 customers to add capacity to the Company's system in time to meet the Company's 2023 summer capacity deficiency. *See* Exhibit 1 of the Petition. However, Staff believes this outcome is unlikely due to the combination of:

- Time needed to evaluate how the eligibility cap can be increased without unnecessary risk to system safety and reliability; and
- Extended equipment order lead-times and issues with the current supply chain.

Given that the Company is resolving its 2023 deficits through resources it is acquiring through its 2021 Request for Proposal and by potentially obtaining approval through Case No. IPC-E-22-13, Staff does not believe taking additional risk by expediting the process outside of the Comprehensive Study process is justified.

Determination of a Modified Cap for Schedule 84 Customers

The Company is responsible for maintaining the safety and reliability of its system and for any liabilities and risks associated with the safe and reliable operation of its system. Staff believes the Company has provided sufficient justification that modifying the eligibility cap should be carefully considered. Given the effort needed to study the feasibility and to develop a modified eligibility cap framework, Staff does not believe a modification to the cap is likely to

happen in time to meet the Company's 2023 capacity deficiency without increasing risks to the safety and reliability of its system.

The Comprehensive Study uses PURPA facilities as an example to explain how projects at a specific interconnection point could require additional reviews and studies. Screening criteria are applied to a PURPA project to determine if additional studies are necessary. One screening criterion automatically requires a more detailed study to be conducted for projects larger than 2 megawatts ("MW") and/or exceeding 15% of the distribution line section. Then, based on the screening criteria, a determination is made on whether additional studies are needed to evaluate various system impacts, such as distribution voltage and line equipment impacts, voltage flicker from generation output variability, deadline reclosing, ground fault current contribution limits, and other system upgrades. Even if it is determined that no additional studies are needed, a preliminary review may still be required. CEO did not consider the potential for case-by-case reviews and interconnection studies, which could take one month to several months to complete, depending on the circumstances surrounding each project.

In addition, the Company needs to periodically change connections to its distribution line sections by closing and opening distribution switches to manage its distribution system. Section 9.2.2.2 of the Comprehensive Study states:

> [A]n area of distribution line with a large quantity of customer generation associated with seasonal loads could start exporting all generated energy to Idaho Power's system. Under the current 100 kW cap for non-residential customers, there is an opportunity to limit the number of customer-generator systems switched at a time. However, increasing the cap to a customer's demand could negatively impact the switching process during seasons or certain times with low customer load.

The Comprehensive Study discusses two potential solutions to resolve this issue. The first requires larger customer-generator systems to include a communications connection to allow remote curtailment by Idaho Power. The second requires implementing a Distributed Energy Resource Management System ("DERMS"). For comparison, the Comprehensive Study states "PURPA projects are typically remotely curtailed during the distribution switching operations and left off until the system is returned to normal operation status." Comprehensive Study at 101. Staff believes it takes additional time to determine the specific solution needed and to install additional upgrades.

Because of the Company's priority in preventing safety and reliability issues in its system, Staff believes that time must be expended to study and understand potential issues that could arise from modifying the eligibility cap and to develop a comprehensive set of criteria and rules to mitigate such issues.

Equipment Delivery Lead-Time Issues

Global supply chain disruptions have caused significant delays for electric equipment necessary for solar installations. For example, there is a critical shortage of transformers, meters, and other distribution-related equipment necessary to interconnect additional customer generation for Schedule 84 customers. According to the American Public Power Association, lead times for these types of equipment have risen from 3 months to over a year.[3] In addition, solar panels, inverters, and other equipment necessary for customer generation installations are also experiencing extended order lead times.[4] According to industry experts, shortages and order lead time issues are not expected to lessen this year and are likely to continue well into 2023.[5] The Company has provided some of the reasons for the additional lead times and shortages in its Motion , stating that, "[c]urrent supply chain constraints for renewable energy equipment and components, combined with extended tariff and the current federal investigation related to non-domestic solar panel components, could impact construction timelines and the commercial operation date for new renewable projects." Motion to Dismiss at 17.

In addition to numerous delays in receiving electrical equipment, following the construction of a solar system, solar projects can often experience delays with inspections, permitting and the interconnection process before a system can be operational. These issues combined, lead Staff to believe that CEO's proposal to expedite resources in time to meet the 2023 deficiency date is unlikely.

B. The Comprehensive Study Should Be Reviewed Holistically

Staff believes the Comprehensive Study should be reviewed holistically to ensure: 1) policy decisions consider all on-site generation customers instead of considering Schedule 84

[3] https://www.publicpower.org/policy/critical-infrastructure-and-supply-chain-constraints-0
[4] Jackpot Solar anticipates at least a 40-day delay in project completion due to extended equipment lead times. *See* Response to Staff's Production Request No. 8 in Case No. IPC-E-21-43.
[5] https://www.utilitydive.com/news/solar-storage-delays-price-supply-chain/620537/

customers separately; 2) all the actions taken in the implementation plan are done based on dependencies between all implementation activities and performed in the proper order; and 3) each study area is treated fairly with the same level of public involvement.

First, policy decisions regarding the project eligibility cap should consider all on-site generation customers, because of the similarity of issues across all customer generators. For example, the Comprehensive Study examines four questions that could affect all on-site generation customers:

- "Should a demand-based system size cap apply to all customer-generators or only commercial, industrial, and irrigation customers?"
- "What is the definition of a customer's demand for purposes of a system size cap?"
- "How will a demand-based system cap be defined for a customer without historical usage data?"
- "How do changes in system ownership that result in considerable changes in customer demand impact a customer-specific and demand-related cap?" Comprehensive Study at 101.

Addressing these questions in review of the Comprehensive Study, rather than in this case, will result in final policies that are more consistent, fair, comprehensive, and more likely to eliminate unintended consequences that cannot be envisioned when addressing Schedule 84 customers separately.

Second, by developing the implementation plan for all solutions authorized as a result of the Comprehensive Study simultaneously (except for items specified by the Commission to be implemented in a general rate case), dependencies between actions needed to implement the full set of solutions can be taken into consideration so that they can be performed in the proper order. The benefit of this approach will produce efficiencies and prevent unnecessary rework of issues during implementation. For example, if the project eligibility cap is modified, the Company proposes to hold technical workshops to discuss proposed interconnection requirements prior to submitting Schedule 68 tariff changes for Commission approval. The Company also plans to train customer service and other customer-facing employees adequately to respond to customer inquiries prior to implementing any modifications. In addition, the Company plans to develop

written communication and host educational workshops with the installers to make sure they understand how Idaho Power's customers will be impacted. Comprehensive Study at 112.

Third, each study area can be treated fairly with the same level of public involvement. The Company has not developed a specific recommendation based on the Comprehensive Study, but it believes that the ultimate recommendation "will be best guided and informed by feedback and input received from parties to the case and members of the public". Case No. IPC-E-22-22, Application at 15. The Company proposes that public involvement include public workshop(s), initial all-party comments, all-party reply comments, all-party comments proposing recommendations for implementation, and all-party final reply comments on implementation recommendations. This level of public involvement is considerably higher than what is it would likely be in processing CEO's Petition to meet CEO's proposed timeline.

C. Higher Capacity for Schedule 84 Customers Can Be Achieved Through PURPA Projects or Non-exporting Projects.

Schedule 84 customers can install capacity greater than the current 100 kW eligibility cap through two separate alternatives. They can construct their project as a PURPA project or configure their system under Schedule 68 as a non-exporting[6] project. Comprehensive Study at 97. Staff believes this provides customers with viable alternatives to offset the cost of their electricity usage, while contributing to the capacity needs of the system.

II. ECR Transition Guideline

In its Petition, CEO proposed to establish a Transition Guideline for Schedule 84 customers if and when an ECR is implemented. Petition at 1. Specifically, for 2023 and 2024, regardless of what an ECR would be, CEO proposed the credit for Schedule 84 customers be no less than the current 1:1 kilowatt hour ("kWh") credit or a Blended Base Energy Rate defined in Settlement Agreement in Case No. IPC-E-18-15. Starting in 2025, if an Order has been issued to

[6] Non-exporting systems with total nameplate capacity of 3 MVA or greater are required to sign a Uniform Customer Generator Interconnection Agreement. *See* Schedule 68. Idaho Power's website also states that "[a]ll customer generation applications will undergo a Feasibility Review to determine Idaho Power's electrical grid's capability to incorporate the proposed generation system and to determine if upgrades are necessary. In some cases, proposed systems may require an additional Feasibility Study to determine if upgrades or protection equipment is needed. Idaho Power will conduct Feasibility Studies for systems under 3 megawatts (MW) on a case-by-case basis. Systems over 3 MW will require additional study." *See* https://www.idahopower.com/energy-environment/green-choices/solar-power-options-customer-generation/frequently-asked-questions/

use an ECR different than the current 1:1 kWh credit, and if the value is lower than the 1:1 kWh credit or the Blended Base Energy Rate, the value would decline by no more than 15% in 2025 and by no more than 15% over each subsequent two-year period until the value reaches the level of the ECR determined to be most current at that time. Petition at 16. Staff does not support establishment of a Transition Guideline outside of the Comprehensive Study process for the following reasons:

A. Transitional rates should not be developed in the absence of the Comprehensive Study;
B. Transitional rates should be studied in the Comprehensive Study process; and
C. The need for transitional rates should be determined.

A. Transitional Rates Should Not Be Developed in the Absence of the Comprehensive Study

Staff believes that the transitional rates should not be developed in the absence of the Comprehensive Study. CEO's Petition was filed on April 28, 2022, before the Company filed the Comprehensive Study on June 30, 2022. In Case No. IPC-E-18-15, the parties filed a Settlement Agreement with the Commission, which included transitional rates over 8 years. However, the Commission rejected the Settlement Agreement and stated in Order No. 34509 that "filing the Settlement Agreement in the absence of a comprehensive study does not comply with our directive to parties in Order No. 34046." Order No. 34509 at 6. Therefore, Staff believes developing transitional rates in the absence of the Comprehensive Study does not comply with Order No. 34509.

B. Transitional Rates Should Be Studied in the Comprehensive Study Process.

Order No. 35284 states that "[t]he Commission also finds it fair and reasonable for updates to current cost of service, new rate designs, and transitional rates to be implemented in a general rate case. While these issues are studied within this process, we decline to order a full general cost of service study be conducted in this case." Order No. 35284 at 24 and 25. Based on that Order, Staff believes it is the Commission's expectation that transitional rates are to be studied in the Comprehensive Study process, and Staff does not believe a separate process is necessary.

Additionally, Staff believes that transitional rates should be developed relative to a determined and known ECR. In other words, transitional rates should be determined after an ECR is determined and known. Without knowing the destination that a transition plan is designed to reach, developing such a plan would be futile. Because the ECR is determined in the Comprehensive Study process, Staff believes that transitional rates should be included in the same process.

C. The Need for Transitional Rates Should Be Determined

Before transitional rates are developed, the question of whether they are needed should be answered. CEO's Petition begins the discussion of transitional rates but doesn't fully document the need based on program changes. On the other hand, the Comprehensive Study states that "the Commission could evaluate if it should cap the average customer impact. If so, the Commission could assess proposals for transitional rates over a given number of years to transition non-legacy systems from the retail rate to a Commission-approved ECR under Net Billing." Comprehensive Study at 111.

Staff believes the question of whether transitional rates are needed should be examined in the Comprehensive Study process. If there is a need for the transitional rates, then the next question is what transitional rates should be used.

Previously, transitional rates have been used to help mitigate rate shock. For example, in Order No 35247, the Commission approved a transition plan for Eagle Water Customers over seven years to help avoid rate shock as the Eagle Water System merged into the Suez Water System. Similarly, Staff believes if needs for transitional rates are identified in the Comprehensive Study, a transition plan should be considered.

STAFF RECOMMENDATIONS

Staff recommends that the Company's Motion to Dismiss CEO's Petition be granted. Staff does not support changes to the eligibility cap or establishment of a Transition Guideline for Schedule 84 customers outside of the Comprehensive Study process.

Respectfully submitted this 19th day of July 2022.

Riley Newton
Deputy Attorney General

Technical Staff: Yao Yin
Travis Culbertson

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19th DAY OF JULY 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. IPC-E-22-12, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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