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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF IDAHO )**  
**POWER COMPANY'S )**  
**APPLICATION TO COMPLETE )**  
**THE STUDY REVIEW PHASE OF ) CASE NO. IPC-E-22-22**  
**THE COMPREHENSIVE STUDY OF )**  
**COSTS AND BENEFITS OF ) CLEAN ENERGY OPPORTUNITIES**  
**ON-SITE CUSTOMER ) FOR IDAHO - REPLY COMMENTS**  
**GENERATION & FOR AUTHORITY )**  
**TO IMPLEMENT CHANGES TO )**  
**SCHEDULES 6, 8, AND 84 )**  
**)**



**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF IDAHO POWER COMPANY'S</b>	)	<b>IPC-E-22-22</b>
<b>APPLICATION TO COMPLETE THE STUDY REVIEW</b>	)	
<b>PHASE OF THE COMPREHENSIVE STUDY OF COSTS</b>	)	<b>Clean Energy</b>
<b>AND BENEFITS OF ON-SITE CUSTOMER GENERATION</b>	)	<b>Opportunities for</b>
<b>&amp; FOR AUTHORITY TO IMPLEMENT CHANGES</b>	)	<b>Idaho - Reply</b>
<b>TO SCHEDULES 6, 8, AND 84</b>	)	<b>Comments</b>

In response to comments submitted by Idaho Power, PUC Staff and other parties to this docket on or before September 21<sup>th</sup> as well as replies to Production Requests provided and the Order issued in IPC-E-22-12 both occurring since September 21<sup>th</sup>, CEO provides the following reply comments.

In their September 21<sup>th</sup> comments the Company revealed an intent to submit an updated VODER document on or before October 26<sup>th</sup>. Below CEO proposes 11 additions or clarifications that should be addressed in that updated VODER as well as 3 procedural requests for additional meetings of parties to discuss various topics that arise pursuant to resolution of matters raised in this docket.

CEO reply comments are organized around two primary matters:

1. Explanations for the changes CEO believes are needed in the updated VODER study the Company plans to submit on October 26<sup>th</sup>. These requested changes are highlighted in yellow and identified below with the symbol and text "► VODER updates";
2. Recognizing the inherent interrelations between certain topics within the VODER analysis<sup>1</sup> and absent clarity regarding the steps planned for the "recommendation/implementation phase" of this docket, CEO notes our assumptions and presents some suggestions about the follow-on process within the remainder of this docket. Instances where CEO believes that follow-on process step warrant a meeting of parties to discuss matters are identified with the symbol & text "► Technical meeting" and are highlighted in gray.

CEO's reply comments are organized as shown in the table on the following page.

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<sup>1</sup> For example, decisions related to compensation structure such as only allowing ECR credits to be applied against the customer's billings inherently provide an economic incentive for customers to limit the size of their solar generation to only produce an amount of exports that they can recover via bill offsets. Similarly, decisions related to monthly vs hourly billing periods affect whether a time-variant ECR rate structure could possibly be implemented.



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## I. Export Credit Rate

### 4.1 Avoided Energy Cost & 5.1 Frequency of Updates for Energy Inputs

#### a) IRP, ICE or ELAP as source of energy pricing data

The VODER study presents three data sources for possible use when calculating the Avoided Energy component of any ECR:

1. IRP long-term hourly forecasts,
2. ICE Mid-C day ahead hourly forecasts and
3. ELAP - Location adjusted actual hourly EIM market values.

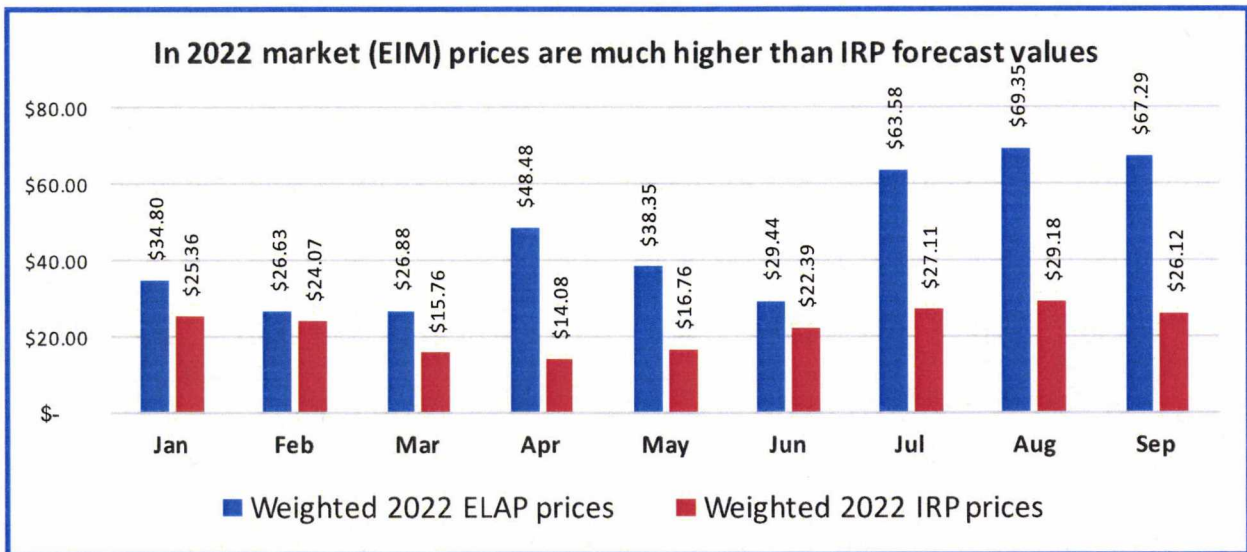
The original VODER study displayed pricing information using historic data from all three data sources, with results suggesting these pricing sources produce roughly similar Avoided Energy





values. However, comments by the parties and responses to production requests demonstrate that using IRP forecasts can result in values dramatically different than actual market prices. The VODER study needs to be updated to adequately inform the public and Commission of the magnitude of difference between the most recent market prices and IRP estimates.

The substantial difference between IRP estimates and actual market prices was evidenced in recent responses to production requests. Using data supplied in response to a production request for 2022 ELAP hourly prices through September of this year and PVWatts solar production estimates<sup>2</sup>, CEO displays in the chart below the dramatic inaccuracy of the IRP hourly price forecasts for 2022 by comparing them to the actual market prices that have occurred thus far in 2022.



Staff comments highlight the inherent trade-offs that must be made when balancing goals of accuracy, stability & predictability. Actual market prices provide a much more accurate reflection of the true value of any exported energy - and thus are more fair to both the exporter and non-generating customers - when compared to the often quickly outdated IRP forecast values. Staff initial comments note that “IRP pricing is likely the least accurate”<sup>3</sup> of three data sources.

ICL/Crossborder comments also present evidence that using actual, recent market prices results in values substantially different than those in the VODER study. As a result, ICL/Crossborder note, the pricing information displayed in the original VODER study needs to be updated to reflect the most current data.

The Company stated that they won’t make substantive changes to the VODER in the updated version they propose submitting on October 26<sup>th</sup>. CEO is not suggesting a substantive change is required, but we do think an update is needed to adequately inform the public and Commission.

<sup>2</sup> To remove the effects of variations in load between weekdays and weekends, these data were calculated taking average prices by hour each month and weighting those prices by monthly average solar production for the relevant hour to produce a monthly average value to the system from solar production.

<sup>3</sup> IPC-E-22-22 Staff Comments, 9/21/2022, at 8.





▶ VODER update #1. 2022 IRP forecast hourly prices are dramatically different than actual market prices. To meet Commission direction for use of “the most recent data”, the updated VODER needs to show how different (and thus more fairly reflective of the true value provided to the IPC system) Avoided Energy values would be using either the ICE or ELAP data sources of actual 2022 market prices than by using outdated 2022 IRP forecast values.

### **b) Averaging hourly ECR pricing data**

Trade-offs between accuracy, stability and predictability also arise when considering how frequently ECR prices should change. Crediting exports with the unique market value existing at the time of their export – 8760 separate hourly prices each year – is possible and could provide a pricing with accuracy that makes for fairness to all parties but with low stability.

**Annual true-ups:** The VODER displays annual prices based on weighting prior year hourly prices according to hourly export levels. IIPA noted that if an annual average price based on IRP forecast hourly values were used, it could have a “true-up”<sup>4</sup> to adjust for annual variations. CEO does not take a position on using an annual true-up approach, but notes that predictability and accurate price signaling are poorly served by using inaccurate IRP prices which are likely to require surprising customers with a year-end bonus or penalty true-up adjustment.

**Number of years of data:** Staff notes that using more years of historical data enhances stability, though stability may come at the expense of accuracy. CEO believes that using market prices from the prior year, with or without an annual true-up, provides a reasonable balance between stability, predictability and accuracy.

▶ VODER update #2. The VODER study update should show that ECR values can be set to change hourly (the 8760 alternative), averaged over the course of the most recent year, or averaged over multiple years. The study should explain the trade-offs between accuracy, stability and predictability that each alternative provides.

### **c) Seasonal-diurnal Time Variant vs Flat annual rate**

Having long argued in favor of time-of-use pricing in other fora, in concept, CEO heartily agrees with Staff’s observation<sup>5</sup> regarding the value for time-variant prices to influence customer choices and behavior. However, there are substantive issues associated with establishing a time-variant

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<sup>4</sup> IPC-E-22-22 IIPA comments 9/21/22 at 5

<sup>5</sup> Staff 9/21 comments at 8: “The seasonal time variant method would provide price signals to incentivize customer behavior to enhance grid reliability.”



rate structure for exports before implementing similar time and rate variance on the consumption side.

At this time, CEO remains concerned by the artificial economic incentive created by asymmetrically imposing on-peak/off-peak rates for exports while customers have no access to on-peak/off-peak rates for consumption. Customers could be inappropriately incentivized to make investments based on a rate structure where a kWh of export is worth substantially more than a kWh of reduced consumption.

Additionally, CEO agrees with the concerns Staff raised that the VODER study does not show “enough resolution to differentiate the avoided cost of energy; (between) the proposed “On-Peak” and “Off-Peak” time windows. <sup>6</sup> Resolving the question of in which specific hours exports provide substantially differing benefits also naturally arises when considering the potential for exports to have a value for avoiding generation, transmission or distribution system capacity outlays.

As described more fully in the Avoided Capacity section below, CEO supports Staff’s call for a meeting of the parties to discuss capacity time variant value. CEO believes that discussions related to the timing when exports can avoid capacity related expenses should naturally link to a discussion of Time-variant compensation rates more generally.

CEO believes a holistic review of time-varying rates for consumption and exports should be a goal of the next rate case, rather than a partial, export only, review within the VODER context. Based on these concerns, CEO believes implementation of time-variant export rates should be deferred until after a forthcoming rate case provides the venue for crafting symmetric Time of Use rates for both exports and consumption.

► VODER update #3. The updated VODER study needs to point out the problems with asymmetrically imposing on-peak/off-peak rates for exports before customers have access to on-peak/off-peak rates for consumption. The update should also provide additional clarity and/or a method for determining how “on-peak” and “off-peak” time periods could be developed and applied consistently to rates for consumption and export credits.

### **d) Fuel Price Risk**

The Commission ordered the evaluation of fuel price risks within the VODER study.<sup>7</sup> The need for inclusion of a fuel price hedge value was informed by evidence presented during IPC-E-21-21,

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<sup>6</sup> Staff 9/21 comments at 9

<sup>7</sup> Order 35284 at 22: “The Company reviews energy and capacity needs. The Company’s regular risk management practices lock in fuel for energy production and dictate whether the Company enters into contracts to hedge prices with physical or financial contracts. This process is already in place and looks out 18 months in advance. It is reasonable to evaluate fuel price risks.”





including the Interstate Renewable Energy Council (IREC) “Checklist of Key Requirements for a Thorough Evaluation of DSG Benefits”.

**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 the price volatility risk does not diminish the fact that adding solar generation reduces the reliance on fuels and provides a hedging benefit.<sup>8</sup>

CEO agrees with the City of Boise and ICL/Crossborder comments that the VODER study did not sufficiently evaluate a fuel price hedge value and cannot accurately conclude the value to be zero. CEO requests that –

▶ VODER update #4. The updated VODER study should reflect that there are methodologies for assigning value to this component of the ECR such as the Maine Distributed Solar Valuation Study.

#### **4.1.3 Firmness of Export Energy.**

Though IPC-E-18-15 deliberations were confidential, issues associated with the non-firm adjustment were thoroughly considered, and the Commission instructed that “The work done in this docket can and should be built upon in the next docket.” (Order No 34509 at 7 and reiterated in Order No. 34892 at 9).

The independent analysis provided by ICL/Crossborder<sup>9</sup> demonstrated that customer-owned generation in Idaho Power service territory carries far less uncertainty than was associated with resources from which the 82.4% non-firm value was derived.

▶ VODER update #5. The updated VODER study should acknowledge the conclusion from IPC-E-18-15 that 10% is an appropriate reduction in energy value to reflect the non-firm nature of energy provided by on-site generators and include this alternative valuation.

#### **4.2 Avoided Generation Capacity Costs**

**Measuring “On-Peak” exports:** Staff comments note that the quantity of exports is more accurately measured in real-time than hourly.<sup>10</sup> Correspondingly, the true value of avoided capacity is more accurately derived from calculations based on real-time rather than hourly exports.

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<sup>8</sup> A Regulator’s Guidebook: Calculating the Benefits and Costs of Distributed Solar Generation, p36, by the Interstate Renewable Energy Council. This was presented in CEO’s IPC-E-21-21 comments.

<sup>9</sup> Crossborder study at 2: The issue of the “firmness” of distributed solar is a matter of the time scale - on an individual day, the amount of solar generation from an individual distributed solar system can be variable depending on the weather. But the solar output becomes much more predictable as both the time scale and the number of distributed systems increases. On an annual basis for an entire solar fleet, the amount of solar generation can be accurately predicted with a relatively small uncertainty - much less than the uncertainty in hydro generation, for example.

<sup>10</sup> Staff 9/21/2022 Comments, at 6: The measurement on a real-time basis is more accurate than on an hourly basis.





A policy decision regarding netting interval for billing purposes must consider tradeoffs between accuracy and practical considerations. The contribution to peak calculation is not limited by those same tradeoffs. CEO believes the percentage used to calculate contribution to peak should be as accurate as possible, and that the calculation is independent of a what netting period is selected for billing purposes going forward.

► **VODER update #6.** The updated VODER study should clarify that the real-time contribution to peak can be used to accurately calculate ECR capacity value components even in the event an hourly netting period is selected for billing purposes.

**Energy markets do not accurately reflect capacity value:** Elsewhere within Staff comments is the assertion that capacity value is embedded in on-peak energy prices – “The contribution of capacity in the time-variant scenario is embedded in the energy actually delivered and does not require a separate capacity contribution estimate as required in the flat annual rate scenario.”<sup>11</sup>

CEO strongly believes this assertion is incorrect. Participants in energy markets may find it to their advantage to sell into the market whenever the incremental revenues received from that sale exceed the incremental costs they incur to provide the energy. Those suppliers have no duty to provide energy as needed the way an on-system capacity resource can. Capacity valuation should reflect the full-cost of providing this “whenever needed” capability. Energy prices do not necessarily reflect those full costs. Thus, CEO asserts that market energy prices during IPC’s “on-peak” periods do not accurately reflect the full value of both energy and capacity during those hours.

**On-peak hours warrant discussion:** Additionally, within the parties’ comments there are concerns raised as to how the hours within “on-peak” periods are determined. In addition to the NREL and ELCC methods previously presented, ICL/Crossborder comments present the Peak Capacity Allocation Factor (PCAF) alternative for determining the timing of capacity requirements/contributions. CEO believes these topics warrant technical discussions among interested parties.

► **Technical meeting #1.** CEO supports Staff’s request that the parties be directed to meet and discuss the issues related to which seasonal and diurnal time periods appropriately affect capacity requirements for additional generation, transmission and/or distribution resources.

### 4.3 Avoided Transmission and Distribution Costs.

The ICL/Crossborder study combines two methodologies in order to value avoided T&D<sup>12</sup>:

- a) The National Economic Research Associates (NERA) regression method, which correlates Idaho Power’s long-term transmission and distribution additions with changes in peak load.

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<sup>11</sup> Staff 9/21 comments at 9

<sup>12</sup> ICL 9/21/2022 Comments, Crossborder Study Attachment, see p4-5 of study

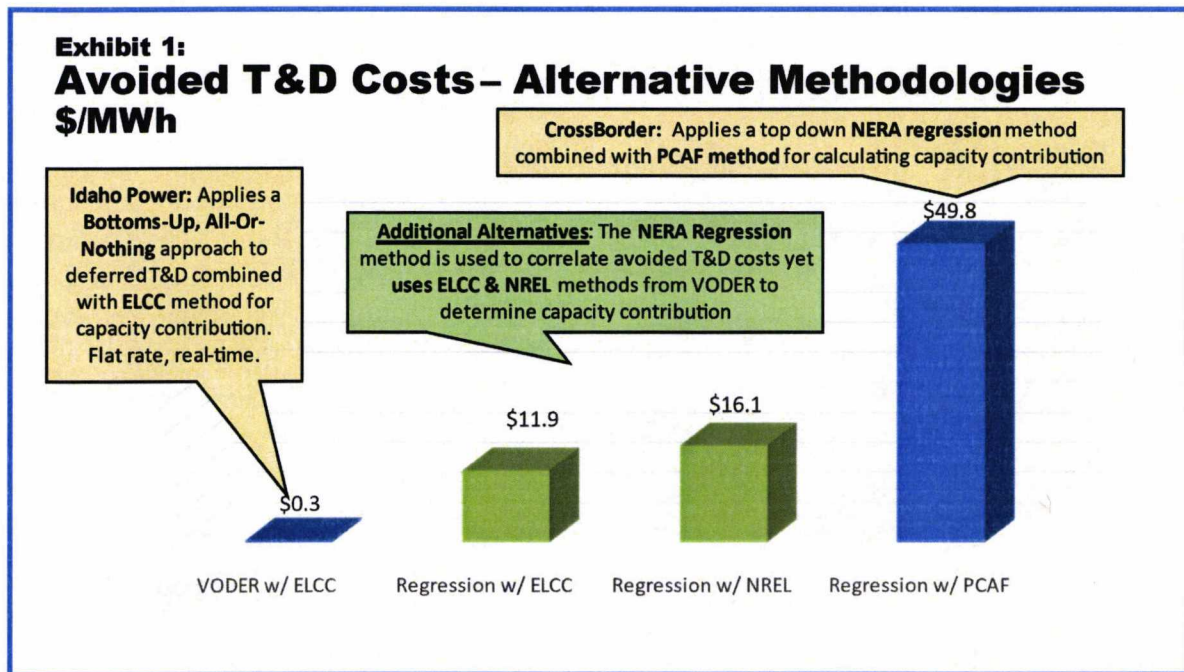


- b) The Peak Capacity Allocation Factor (PCAF) method for determining capacity contribution as an alternative to ELCC or NREL methodologies.

As reflected in the request for technical discussions mentioned immediately above, CEO acknowledges that the methodology for determining capacity contribution (ELCC, NREL, or PCAF) is a separate decision, which can result in very different values. The NERA method can be used in combination with PCAF, NREL, or ELCC.

With regard to the methodology for determining avoided T&D costs, the NERA method is more stable and accurate than the project-specific, all-or-nothing method used in VODER. The Company’s criteria are unreasonable to require that the quantity of the exports would need to be sufficient to exceed the planning capacity shortfall for a specific project in order for any capacity value to be assigned. Exports *do contribute* to the deferral of T&D and increase the probability that costs can be deferred. Further, as described in prior comments<sup>13</sup>, the Company’s all-or-nothing approach can result in extremes.

As illustrated in Exhibit 1 below (see Attachment 1 for calculations), different analytical methods can produce dramatically different estimates of the appropriate T&D capacity value. The VODER study should display this range of alternate valuations.



<sup>13</sup>CEO 9/21 Comments: If a project-specific, all-or-nothing method is used, it can result in near zero values (as is the case with Idaho Power’s approach at this time) or could result in extremely high values (envision the straw that broke the camel’s back by requiring an expensive upgrade, and the cost assignable to that straw).





- ▶ VODER update #7. CEO believes the updated VODER study should present the option of utilizing the NERA method for valuing avoided T&D in combination with the ELCC, NREL, and PCAF methods for calculating T&D capacity contribution values.

#### 4.4 Avoided Line Losses

**Marginal, not average losses.** The Commission ordered that line losses “are important issues to study” and the study should include “the difference between using static or marginal losses and the magnitude of each as part of the valuation to be included in the ECR.”<sup>14</sup>

Marginal avoided line losses are the established and appropriate methodology, as demonstrated in *A Regulator’s Guidebook: Calculating the Benefits and Costs of Distributed Solar Generation*.<sup>15</sup> CEO agrees with ICL/Crossborder that the VODER study failed to provide an appropriate evaluation of marginal avoided line losses.

- ▶ Technical meeting #2. CEO supports Staff’s request that the parties be directed to meet and discuss topics related to T&D capacity valuation including transformer losses, marginal vs average avoided line losses and loss estimates that change with different load levels.

#### 4.5 Avoided Environmental Costs

As reflected in CEO’s previous comments within this docket, CEO believes that the environmental attributes of self-generator exports do tie to a measurable and avoidable cost impacting rates. For example, Idaho Power currently purchases REC’s (certified renewable energy credits) and resells them to customers willing to pay a premium for renewable energy. Further CEO asserts that the VODER study does not accurately reflect those avoided costs (or increased revenues) when it assumes that all customers require REC certification of the renewable aspects of clean energy attributes they purchase from the Company and that REC certification imposes administrative costs that outweigh any potential benefit that could be attributed to renewable energy exports from self-generators.

- ▶ VODER update #8. CEO supports Staff’s request that the updated VODER study provide information related to the intricacies and requirements to obtain and track RECs, including a review of what quantity of exports from a particular customer would warrant incurring the costs of registering and recording those exports as RECs.

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<sup>14</sup> Order 35284 at 20: The Commission finds that line losses are important issues to study and that it is reasonable and fair for the Study Framework to include these issues in its scope at both the distribution level and transmission level. It is also reasonable to study the difference between using static or marginal losses and the magnitude of each as part of the valuation to be included in the ECR.

<sup>15</sup> Interstate Renewable Energy Council. E.g., on p23: “Considering losses on a marginal basis is more accurate and should be standard practice as it reflects the likely correlation of solar PV to heavy loading periods where congestion and transformer thermal conditions tend to exacerbate losses.”





During implementation phase, CEO anticipates addressing our request from 9/21 comments: At the time net metering tariffs are revised, such revisions should provide customers the option when registering an on-site generation system to transfer to the Company the environmental attributes of their future exports.

### **4.6 Integration Costs**

CEO agrees with the points made by ICL/Crossborder regarding the need to show lower estimates of integration costs in light of the Company's plans to acquire battery resources.

▶ VODER update #9. CEO believes ICL/Crossborder comments regarding the Company's ability to use batteries (as are identified in the 2021 IRP for resource acquisition) to reduce integration costs require that the updated VODER study reflect this alternative estimate of integration costs.

## **II. Cost of Service (Chapter 7)**

CEO acknowledges Staff concerns related to cost causation by customer class and the need for adequate Company revenue recovery. But the CCOS methodology the Company used in the VODER study is outdated and thus highly inaccurate. Recommendations regarding compensation for net excess generation should not be derived from that CCOS review nor should they be held up by that revenue requirement analysis. As PUC Staff has noted:<sup>16</sup>

“Although Staff takes it as axiomatic that rates must allow the Company a fair opportunity to recover its revenue requirement, Staff notes that many different rate designs can achieve this goal. So long as rates afford the Company an opportunity to recover its revenue requirement, Staff believes that rates may be chosen to achieve other goals, such as energy efficiency, incenting customer behaviors that defer or avoid future plant investment, or allowing customers the ability to control their bills.”

As was demonstrated in IPC-E-18-16 and again by the VODER analysis of revenue collection relative to revenue requirements: Schedule 1 residential customers over-pay the most, and Irrigators under-pay the most. In any forthcoming rate case, the Commission will be faced with difficult policy choices. Representatives of Irrigator interests can be expected to strongly oppose the elimination of cross-class subsidies while Residential customer interests will oppose disproportionately bearing the rising burden of energy costs.

CEO does not envy that the Commission will face these tradeoffs, yet we can strongly recommend that allowing irrigators to self-generate could help reduce the cross-class tension. PUC Staff has noted the importance of tying rates to cost causation, and the portion of summer peak attributable to irrigators will impact cost allocations. The ability of self-generators within the Irrigator class to

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<sup>16</sup> IPC-E-18-16 Staff Comments, 1/21/2020



collectively lower Irrigator class demand during peak periods can help in enabling new cost allocations to be both fair and – from a customer’s perspective – reasonable, and less extreme.

Finally, there is a fundamental disconnect between ECR analyses based on incremental real-time and future cost avoidance and cost of service allocations based on historical costs. CEO believes a general rate case, rather than a VODER study, will provide the appropriate forum for resolving these inconsistencies. As the Commission noted ten months ago, “we do anticipate that a general rate case filing will be forthcoming”<sup>17</sup>. The sooner the rate case is forthcoming, the better. Nevertheless, VODER related decisions, such as the project eligibility cap, should not be held hostage by CCOS matters until that rate case occurs.

### **III. Project Eligibility Cap (Chapter 9)**

CEO appreciates the productive all-party technical meeting held 9/12/2022 and looks forward to subsequent meetings as needed to discuss specific recommendations and markup any tariffs necessary for implementing changes to eligibility caps. The Commission agreed with this approach in its Order dismissing CEO’s petition under IPC-E-22-12, commenting:

“we encourage Staff, CEO, the Company, and interested parties in Case No IPC-E-22-22 to continue to communicate and, if necessary, meet and discuss specific technical issues and options relating to modifications to the Schedule 84 cap and associated revisions to Schedules 84 and 68 in a meeting between the parties.”<sup>18</sup>

In 9/21 comments, CEO summarizes that setting the cap according to demand should not be the only alternative considered for modifying the cap. As Staff noted in its comments:

“As long as each project's interconnection point is evaluated and the proper investments and upgrades to harden the system are implemented based on these evaluations, the size of the eligibility cap from a safety and reliability perspective is not an issue.”<sup>19</sup>

For Irrigators, the current practice is to install multiple 100kW systems rather than a right-sized system.<sup>20</sup> Doing so imposes unnecessary costs while resulting in the same capacity.<sup>21</sup> CEO believes

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<sup>17</sup> Order 35284 at 24

<sup>18</sup> Oder 35547 at 11

<sup>19</sup> Staff Comments at 15

<sup>20</sup> Idaho Grain Producers Association, IPC-E-22-12 public comments: “The current 100kW cap on irrigator projects imposes unnecessary costs on farmers who want to invest in solar. Rather than being able to design, build, and connect a single site to match their consumption, farmers are instead required to build multiple, smaller sites in multiple locations – which is more expensive and less efficient for all parties involved.”

<sup>21</sup> Duane Grant, Grant 4-D Farms, public comment, IPC-E-22-12: “The only thing negative about the sites is the fact that Idaho Power's rules, blessed by the PUC, illogically limit the size of the sites to 100 KW, thus requiring the sites to be scattered willy-nilly across the landscape wherever one can make the sizing and combination rules work. We would have much preferred to construct 3 logical, efficient 1,000 KW central sites on a main feeder as opposed to the 26 scattered sites we currently have.”





that imposing unnecessary costs that discourage solar projects is poor policy. There appears to be broad recognition of the need to modify the 100kW cap - the devil may be in the details.

For reasons partially described in earlier sections, CEO takes exception to IIPA's comment<sup>22</sup> implying that review of Schedule 84 eligibility caps should be delayed until a rate case review is completed.

IIPA's suggestion is inconsistent with comments filed in IPC-E-22-12 by farmers, dairies, the Idaho Farm Bureau, and the Idaho Grain Producer Association in support of modifying the 100kW cap. Additionally, in 2020 (IPC-E-20-26), farmers were asking the Commission to do "everything it can to enable farmers to make informed decisions on solar generation during 2021,"<sup>23</sup> and again in IPC-E-21-21 "to share the sense of urgency for us to access customer-owned generation."<sup>24</sup>

PUC Staff notes in general that compensating exports on a 1:1 kWh basis can result in cost shifts; that is not in dispute. However, it is misleading to extrapolate that allowing Irrigators to invest in right-sized solar to offset their needs would unfavorably impact other ratepayers.<sup>25</sup> On the contrary, IPC-E-18-16 established that any reduction in Irrigator demand could reduce the need for fixed cost additions by the utility.

**PURPA:** Staff comments introduced concerns that raising the cap could enable PURPA projects to inappropriately take advantage of certain opportunities. CEO is confident this concern can be resolved via technical meetings and/or appropriate language in the tariff modifications.

► **VODER update #10** CEO appreciates Staff's request to include Company responses to Production Requests 4, 7, 10 & 11 in the updated VODER. With regard to Company responses to Staff's Production Requests 5 & 6, CEO also appreciates that Staff did not ask for these to be added to the study, and CEO specifically requests that these histograms not be included in the updated VODER because they are misleading<sup>26</sup> and there is not adequate opportunity to reply to the addition.

► **Technical meeting #3.** CEO requests that the parties be directed to meet and discuss topics related to any remaining technical issues and options relating to modifications to the Schedule 84 cap and associated revisions to Schedules 84 and 68

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<sup>22</sup> See IIPA comments at 8

<sup>23</sup> IPC-E-20-26 comment, Michael N. Kochert, Roseberry Farms, Gooding, 12/28/2020: "I ask that the PUC to do everything it can to enable farmers to make informed decisions on solar generation during 2021."

<sup>24</sup> IPC-E-21-21 public comment, Russell Schiermeier, Bruneau, Idaho, 11/28/2021

<sup>25</sup> PUC Staff 9/21/2022 Comments, p17: The implementation timing for changing the eligibility cap is a consideration to protect non-generating customers from cost shifts. As discussed above, subsidies exist under the current NEM framework where credits are rewarded on a one-for-one per kWh basis. If the eligibility cap is increased prior to an avoided-cost-based ECR being implemented, it would result in more customer generation capacity being added with additional cost shifts to non-generating customers.

<sup>26</sup> For example, CEO is aware of an Irrigator who has 28 service points, most of which have demand less than 100kW, yet as a customer he found the 100kW cap problematic.





### **Figure 10.3 -Payback analysis of Rooftop solar**

The VODER study presents in Figure 10.3 an analysis of the payback a residential customer might expect from an investment in rooftop solar. CEO perceives this analysis as biased and inappropriate to include in the VODER study.

Figure 10.3 is introduced (p108-109): "Sample Payback: In addition, Idaho Power provides an example of a typical home's potential payback on a net monthly and net hourly scenario."

The analysis reflects choices which do not represent objective investment advice. A few examples:

- **Excess Energy Credit Value:** The calculations for a "Modified Compensation Structure" assume an ECR of 2.175¢. The VODER study demonstrates that this far under-values net excess energy.
- **Retail Rate Forecast:** The payback analysis of rooftop solar assumes that residential retail rates will escalate 1.3% per year for the life of the system. Response to production request # 5 shows that from 2007 – 2021 residential retail rates have risen 4.0% per year (Compound Annual Growth Rate).
- **Value of Reduced Consumption:** The analysis assumes that customers offset consumption at an *average* retail rate. Residential rates are tiered, and solar first offsets consumption in the higher rate tiers.

▶ VODER update #11. The VODER study should be as close to objective as possible. CEO sees this payback analysis as less than even-handed. As such it should be deleted from the VODER study.

## **IV. Request for Clarification of Next Steps**

CEO requests clarification of next steps and suggests a strawman below informed by the Company's IPC-E-22-22 application. The proposed next steps assume that the Company files an updated VODER study which adequately addresses issues raised and does not introduce new issues for which an additional comment period would be merited.

The Company proposed a process in which all parties would file recommendations, originally targeted for 10/12/2022. At this point in time, we believe a more productive process would be an all-party meeting in November in which the Company could share and discuss its tentative recommendations. The Commission has stressed in the past that the parties should collaborate; an all-party meeting creates better opportunity to collaborate, find common ground, and narrow the range of differences.

We request that, in its next order in this docket, the Commission direct only the Company to file recommendations in order to establish a comprehensive baseline informed by public and party



input. All parties should then have opportunity to submit initial comments and all parties should have opportunity to reply. CEO suggests that the timing of all-party meetings could be determined among the parties as soon as feasible in anticipation of a Commission order in November.

CEO suggests the following next steps:

- **Technical meetings:** All-party technical meetings should be scheduled, which may include:
  - Line losses (per request by Staff)
  - Time Variant rate matters (per request by Staff)
  - Methodologies for evaluating avoided T&D costs (per request by CEO and reflective of interests conveyed in both ICL and City of Boise initial comments)
  - Changes to Schedules 68 and 84 reflecting modifications to the project eligibility cap (per previous request by CEO)
- **Commission Order.** The Commission is anticipated to issue an order acknowledging, modifying, or rejecting the updated VODER study.
- **Recommendation Collaboration Meeting:** An all-party meeting should be scheduled to occur after a Commission order and prior to the Company's submission of a recommendation. The Company would review its tentative recommendations for the purpose of gaining input and feedback from the parties.
- **IPC Recommendation Submitted.** IPC only would file a recommendation after issuance of Commission order and after the Recommendation Collaboration Meeting above (the IPC-E-22-22 application proposed all-parties file recommendations 16 days after reply comments).
- **All-party Reply Comments.** (IPC Application proposed due roughly 1 month after the date recommendations were to be filed)
- **Customer Hearings:** One or more customer hearings would be held after all-party reply comments and before all-party final comments.
- **All-party final comments.** (IPC Application proposed 16 days between reply comments and final comments)
- **Commission Order.**

The public is unclear of what and when matters will be decided and when such decisions will be made effective. CEO suggests that clarification by the Commission regarding future process steps would be broadly helpful.





**ATTACHMENT 1**

**Illustrative Calculations of Alternative Evaluations of Avoided T&D Costs**

<b>CrossBorder T&amp;D Analysis</b>		As presented in: <u>ICL Comments w/ Crossborder Study, see p4-5 of study</u>			
<b>Parameter</b>	<b>Transmission</b>	<b>Distribution</b>	<b>Total</b>		<b>Notes</b>
a) Avoided Capacity Cost	107.5	160.3		per kW-yr	NERA regression
b) Solar Capacity Contribution	29%	33%			PCAF analysis
c) Solar Output	1710	1710		kWh/kW	PVWATTS - Boise
Solar Avoided T&D Costs	18.5	31.3	<b>\$ 49.8</b>	per MWh	a x b / c

<b>ALTERNATIVE 1: Instead of PCAF to determine (b) Capacity Contribution, use ELCC contribution to peak, real-time</b>					
	<b>Transmission</b>	<b>Distribution</b>	<b>Total</b>		
d) Capacity Contribution per VODER	7.62%	7.62%			VODER - ELCC
Avoided T&D Costs	\$ 4.79	\$ 7.14	<b>\$ 11.9</b>	per MWh	a x d / c

<b>ALTERNATIVE 2:- Instead of PCAF to determine (b) Capacity Contribution, use NREL contribution to peak, real-time</b>					
	<b>Transmission</b>	<b>Distribution</b>	<b>Total</b>		
e) Capacity Contribution per VODER	10.31%	10.31%			VODER - NREL
Avoided T&D Costs	\$ 6.48	\$ 9.66	<b>\$ 16.1</b>	per MWh	a x e / c

(a) NERA regression based on IPC's FERC Form I data on its historical transmission expenditures as a function of its peak load growth over a 30-year period from 1996 to 2025

(b) The PCAF method calculates the capacity contribution of solar exports across all hours that have loads within 10% of the system peak hour. This method weights the solar output in these high-load hours by how close the system load in that hour is to the annual peak hour load

(d) & (e) Rather than PCAF, this uses the ELCC & NREL contribution to peak from VODER study for real time on-peak exports:

	<b>Net-Hourly</b>	<b>Real Time</b>			
ELCC - On-Peak Exports	3.42%	7.62%			
NREL - On-Peak Exports	6.18%	10.31%			



## CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of October, 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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