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**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF IDAHO POWER
COMPANY'S APPLICATION TO COMPLETE
THE STUDY REVIEW PHASE OF THE
COMPREHENSIVE STUDY OF COSTS AND
BENEFITS OF ON-SITE CUSTOMER
GENERATION & TO IMPLEMENT CHANGES
TO SCHEDULES 6, 8, AND 84 NON-LEGACY
SYSTEMS

Case No. IPC-E-22-22

**CITY OF BOISE CITY'S
INITIAL COMMENTS**

The city of Boise City ("Boise City") submits these initial formal comments on the application submitted by Idaho Power Company ("Company") to complete the study review phase of the comprehensive study of costs and benefits of on-site customer generation. These formal written comments are submitted pursuant to Rule 203 of the Commission's Rules of Procedure, IDAPA 31.01.01.203, and pursuant to the Notice of Application, Order No. 35464, issued by the Commission on July 14, 2022, and Notice of Schedule, Order No. 35512, issued by the Commission on August 22, 2022. Boise City hereby states as follows:

1. As outlined in the Notice of Scheduling, Order No. 35512, Boise City's comments are focused on the Value of Distributed Energy Resources ("VODER") study itself and

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whether it meets the Commission's direction in the Study Framework and is a "credible and fair study." Boise City will take the opportunity to review and provide comment on any proposed implementation to Schedule 6, 8, and 84 when they are proposed by the Company or other parties.

2. In this phase of the VODER study review, Boise City has identified two components of the "Export Credit Rate" ("ECR") that do not appear to fully value the benefits of customer-generated exported energy delivered to the grid. While the VODER study "does not advocate for a single position regarding potential modifications to Idaho Power's net metering service, but rather explores several methods of valuing customer on-site generation energy exports and explores other important considerations", the costs and benefits of excess energy generation must be assigned as comprehensively as possible within the different methodologies analyzed by the Company. VODER Study at 1. Reviewing the components that the Company was ordered to study; Boise City believes there is additional value from avoided fuel price risks and avoided transmission and distribution capacity costs that can be reasonably quantified and applied to an ECR.
3. In the Study Framework, the Company was ordered to evaluate fuel price risks and the potential increased pricing certainty provided by customer exports. Order No. 35284 at 22. The VODER study incorporates fuel price risks or "price-risk hedge" benefits in 2 of the 3 methodologies for valuing the avoided energy costs. The benefit the Company assigns to price-risk hedge is incorporated only in a potential market-based price. The Company states that using either the ICE Mid-C Index Price or Energy Imbalance Market Load Aggregation Point (ELAP) Price "would capture real changes in market conditions resulting in higher or lower energy prices – customers would be directly compensated for

any potential price-risk hedge benefits. VODER Study at 37-38. The Company states that the VODER study does not evaluate a price-risk hedge in the Integrated Resource Plan (“IRP”) Price because it does not capture actual market volatility, relying on Aurora modeled hourly pricing values.

4. The ECR should incorporate the long-term nature of the price-risk hedge benefit provided by customer-generator export, separate from the energy market variability captured in the VODER study. Customer-generators reduce the Company’s reliance on fossil-fueled resources and their associated cost volatility. This price-hedge has been assigned a range of values in other states, including \$.026 in Utah, \$.02860/kWh in Arkansas, and \$.037/kWh in Maine. Maine’s Distributed Solar Valuation Study (“Maine Study”) provides an instructive approach to valuing the hedge associated with natural gas volatility displaced by solar. MAINE PUBLIC UTILITIES COMMISSION, MAINE DISTRIBUTED SOLAR VALUATION STUDY P.39 - 40, 2014 available at: https://energynews.us/wp-content/uploads/2018/07/26.-C-MPUC_Value_of_Solar_Report_final-11216.pdf. This evaluation of the price risk benefit uses forecasted savings from entering a futures contract for natural gas delivery and investing funds in risk-free treasury bonds to purchase that gas in the future. This captures the value of mitigating future pricing uncertainty and delivering savings to all customers when compared to purchasing gas on the market as needed. Boise City recommends this evaluation of price-risk hedge or a similar methodology be incorporated in any ECR where the avoided cost of energy is not directly tied to real-time hourly market conditions.
5. The avoided transmission and distribution capacity costs from customer-generator export is an area in which increased distributed energy resource (“DER”) deployment can

decrease costs for other customers in a non-linear manner. Different from avoided energy that is tied directly to each additional kWh exported to the grid, a sufficient penetration of DERs is needed to reduce the peak load demand and defer additional transmission or distribution capacity projects.

6. Appendix 4.13 to the VODER study, as presented by the Company, relies on values for current DER penetration, 0.64%, and the 2021 IRP inflation assumption of 2.57%. Relatively small increases to DER penetration can lead to additional project deferrals in Appendix 4.13. For example, the current DER penetration of 0.64% results in 9 deferred projects. Increasing DER penetration to 0.75% or 1%, yields 3 and 8 additional project deferrals, respectively. Increasing DER penetration in the context of rising construction costs due to supply chain constraints and higher than forecasted inflation create a scenario where additional customer generators can deliver increased system savings if their energy exports are compensated appropriately.
7. Boise City recognizes the detailed analysis conducted by the Company to identify the avoided cost of transmission and distribution capacity, reviewing projects from 2007 to 2026 that could have been deferred due to customer exports, and quantify the benefits in a \$/kWh basis for both a flat, annual and time-variant ECR. Boise City does not take a position on the appropriateness of either weighted average calculation of avoided transmission and distribution capacity value in implementing a potential ECR at this time but notes that additional customer-generators will lead to additional transmission and distribution avoid costs.
8. Robust public participation, engagement, and education are critical to ensuring the fairness and reasonableness of a Commission order on the VODER study and any potential changes

to valuing excess energy generation. This need for clear, well-established processes has been consistent across the recent net-metering dockets. The Commission's Study Framework was established as a critical first step to ensuring the resulting Company completed study could be "credible and fair." To continue to assure public confidence in the credibility and fairness of the study review phase, the Commission needs to ensure all reasonable efforts to encourage public participation are pursued and that the public is properly noticed.

9. Boise City notes the considerable public interest in the VODER study review phase, with more than 550 comments submitted as of September 12th and dozens of attendees to Company and Commission staff hosted workshops. A key theme of public comments submitted so far is the need for customer hearings. The Notice of Schedule directed all parties to work with Staff to develop a minimum of two customer hearing times and dates for Commission consideration in August. Order No. 35512 at 5. To Boise City's knowledge, hearing schedule discussions between Staff and parties have not yet occurred. It is critical that customer hearings are scheduled and hosted by the Commission as soon as possible so all possible customer feedback can be considered and incorporated.
10. Boise City appreciates the opportunity to provide initial comments on the VODER study and looks forward to continued review of the study, evaluation of all party initial comments, and offering additional reply comments as needed to support a study review phase that addresses customer concerns and supports a robust, on-site generation program that works to support the Company's, Boise City's community, and individual customer energy requirements.

DATED this 21st day of September 2022.

A handwritten signature in black ink, appearing to read 'Mary Grant', written in a cursive style.

Mary Grant
Deputy City Attorney

CERTIFICATE OF SERVICE

I hereby certify that I have on this 21st day of September 2022, served the foregoing documents on all parties of counsel as follows:

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