

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-22-22
COMPANY’S APPLICATION TO)
COMPLETE THE STUDY REVIEW PHASE)
OF THE COMPREHENSIVE STUDY OF) ORDER NO. 35631
COSTS AND BENEFITS OF ON-SITE)
CUSTOMER GENERATION & FOR)
AUTHORITY TO IMPLEMENT CHANGES)
TO SCHEDULES 6, 8, AND 84)
)

On June 30, 2022, Idaho Power Company (“Company” or “Idaho Power”) applied to the Commission requesting the Commission complete the study review phase of the comprehensive study of the costs, and benefits, of on-site customer generation and for authority to implement changes to Schedules 6, 8, and 84 (“Application”). In conjunction with its Application, the Company also filed the Value of Distributed Energy Resources study (“VODER Study or “Study”) along with 31 appendices, a customer notice and bill insert, and the Direct Testimony of Grant T. Anderson, regulatory consultant.

On July 14, 2022, the Commission issued a Notice of Application and Notice of a 21-day Intervention Deadline. Order No. 35464.

The Commission granted intervention to Clean Energy Opportunities for Idaho (“CEO”), Idaho Hydroelectric Power Producers Trust, an Idaho Trust, d/b/a IdaHydro, Idaho Irrigation Pumpers Association, Inc. (“IIPA”), Idaho Conservation League (“ICL”), Industrial Customers of Idaho Power, the city of Boise City (“Boise City”), Richard E. Kluckhohn, and Wesley A. Kluckhohn *pro se*, Micron Technology Inc., ABC Power Company LLC, and Idaho Solar Owners Network, (“Intervenors” and collectively, with Commission Staff (“Staff”) and the Company, the “Parties”). Order Nos. 35472, 35493, 35499, and 35505.

On August 24, 2022, the Commission issued a Notice of Schedule, Notice of Workshops, and set deadlines for the Parties to file initial written comments and reply comments, and for the Company to file final response comments. Order No. 35512. The Commission also set a deadline for persons to file written comments on the Study and to further reply to all party comments. *Id.* The Commission ordered Staff and the Parties to work together to develop potential customer hearing times and dates. *Id.*

On October 7, 2022, the Commission issued a Notice of Public Hearings. Order No. 35558. The Commission also extended the non-party written comment deadline to November 4, 2022.

Staff, the Company, CEO, IIPA, ICL, and Boise City filed initial and reply comments. On October 26, 2022, the Company filed final response comments, an updated VODER Study (“October VODER Study” or “October Study”) in both a clean and redlined format, and 35 supporting appendices.

On October 27, 2022, the Commission held an in-person customer hearing in Pocatello where 27 people provided testimony on the record. On November 2, 2022, the Commission held an in-person customer hearing in Twin Falls where 12 people provided testimony on the record. On November 3, 2022, the Commission held an in-person customer hearing at its office in Boise where 46 people testified on the record. In addition, over 950 public comments were received. With this Order, as set forth below, we acknowledge the Study and direct the Company to make implementation recommendations to its on-site generation program offerings in a future case.

BACKGROUND

An “On-Site Customer-Generator” or “Customer-Generator” is defined as a “customer applying to operate or operating a DER [Distributed Energy Resource] in parallel with the electric utility system.” VODER Study at xvii. Rooftop solar is an example of a DER as it is a “source of electric power that is not directly connected to the BPS [Bulk Power System].” *Id.* at xiii. The Company’s “Net-Metering” or “Net-Energy Metering” (“NEM”) program allows customers to generate electricity, most commonly using photovoltaic technologies, i.e., solar panels, and export any energy they produce in excess of what they consume back to the utility grid in exchange for a kilowatt-hour (“kWh”) energy credit on their bill that can be used to offset their energy consumption within the current or future billing cycles. VODER Study at xvi. NEM merely requires a “single bi-directional meter read for the billing period.” *Id.*

An alternative to NEM is a “Net Billing” compensation structure. Unlike NEM, Net Billing requires advanced metering technology with one channel that separately measures energy exported to the grid and another channel that measures energy consumed by the customer. *Id.* at 16. Under Net Billing, a customer does not receive a kWh credit that can offset future energy consumption. Rather, under Net Billing, the amount paid to a customer generator for exported energy is referred to as the “Export Credit Rate” (“ECR”) which is assigned a monetary value (ECR value). *Id.* at xvi, 17.

On-site generating customers who export to the Company's system are currently billed under the following rate schedules: Schedule 6, Residential service On-Site Generation, (Schedule 6"), Schedule 8 Small General Service On-Site Generation ("Schedule 8"), and Schedule 84 Customer Energy Production/Net Metering Service ("Schedule 84") (collectively, "NEM Schedules"). *Id.* at 4.

A. Case No. IPC-E-17-13

In 2017, the Company applied to the Commission to, among other things, close its residential and small general service ("R&SGS") net-metering service schedule to new customers, establish a new customer classification for R&SGS customers with on-site generation, and commence a generic docket "to establish a compensation structure for customer-owned . . . DER . . . that reflects both the benefits and costs that DER interconnection brings to the electric system."¹

In that case, the Commission approved the creation of Schedule 6 for residential, on-site generating customers, and Schedule 8 for small general service customer generators. Order No. 34046 at 15, 30, 31. The Commission also ordered Idaho Power "to initiate a docket to comprehensively study the costs and benefits of on-site generation on Idaho Power's system, as well as proper rates and rate design, transitional rates, and related issues of compensation for net excess energy provided as a resource to the Company." *Id.* at 31.

B. Case No. IPC-E-18-15

In Case No. IPC-E-18-15, the Company petitioned the Commission to "initiate a docket to 'comprehensively study the costs and benefits of on-site generation on Idaho Power's system, as well as proper rates and rate design, transitional rates, and related issues of compensation for net excess energy provided as a resource to the Company' as envisioned by Order No. 34046."²

The parties in Case No. IPC-E-18-15 agreed to a proposed settlement that, if approved, "would have changed a number of fundamental aspects to the Company's net-metering program." Order No. 34509 at 2. However, the Commission rejected the proposed settlement agreement because it found the record was inadequate to determine whether the settlement agreement was fair, just, reasonable, and in the public interest. *Id.* at 6. The Commission specifically found that the public was not "adequately notified" that significant changes to the net-metering program

¹ *In the Matter of Idaho Power Company's Application for Authority to Establish New Schedules for Residential and Small General Service Customers with On-Site Generation*, Case No. IPC-E-17-13, Application at 2 (July 27, 2018).

² *In the Matter of the Application of Idaho Power Company to Study the Costs, Benefits, and Compensation of Net Excess Energy Supplied by Customer On-Site Generation*, Case No. IPC-E-18-15, Petition at 1 (October 19, 2018).

would occur in Case No. IPC-E-18-15. *Id.* The Commission found that filing the settlement agreement “in the absence of a comprehensive study does not comply with our directive to parties in Order No. 34046.” *Id.*

As such, the Commission determined the Company must “prepare and file a credible and fair study on the costs and benefits of distributed on-site generation to the Company’s system.” *Id.* at 9 (capitalization omitted). In delineating the scope and nature of the study, the Commission determined that the study should use the “most current data possible that is readily available to the public”; that the Company design the study “in coordination with the parties and the public,” with “the final scope of the study . . . [to be] . . . determined by the Commission,” and that the study be “written so it is understandable to an average customer, but its analysis must be able to withstand expert scrutiny.” *Id.* The Commission clarified that before “the Company files a case to change its net-metering program structure, the Commission must approve the study as credible and fair.” *Id.* The Commission contemplated that, in the “‘study design’ phase, the public will be able to comment on what questions they would like the study to address.” *Id.* at 9-10. The Commission also envisioned there being a “‘study review’” phase where the public could “comment on whether the study sufficiently addressed their concerns, and their opinions on what the study shows.” *Id.* at 10.

The Commission ordered the Company to “submit a comprehensive study of the costs and benefits of net metering to the Commission before any further proposals to change the Company’s net-metering program.” *Id.* at 17. The Commission ordered “[t]his study . . . [to] . . . incorporate public feedback and concerns in the design and review of the study, including public workshops and public comments on the record.” *Id.*

In addition to outlining the scope and process for the Company’s study in Case No. IPC-E-18-15, the Commission delineated the parameters of “grandfathering” or “legacy” status. Specifically, in Order No. No. 34509, the Commission defined a “legacy” (or grandfathered system) as a “person or business who either has an on-site generation system interconnected with Idaho Power’s system as of” December 20, 2019, “or who has made binding financial commitments to install an on-site generation system as of” December 20, 2019 “and who proceeds to interconnect their system” by December 20, 2020. Order No. 34509 at 14. In sum, the Commission grandfathered existing customers into Schedule 6 or Schedule 8 as those Schedules existed on December 20, 2019. *Id.* The Commission noted that, while legacy systems would

continue to receive a 1:1 monthly kWh offset, the monthly service and energy charges under the existing Schedules 6 and 8 on December 20, 2019, were subject to change. *Id.*³

The Commission also reiterated its previous warnings to potential customers that the Company's electric tariffs are subject to fundamental changes "which can substantially affect the repayment period for a customer's investment." *Id.* at 13. The Commission further advised "all stakeholders in the on-site generation industry to be completely transparent with potential investors that a utility's rate schedule, including program fundamentals, is subject to change and there is no guaranteed return on investment." *Id.*

C. Case Nos. IPC-E-19-15 and IPC-E-20-26

While Case No. IPC-E-18-15 was still under review, the Company filed case No. IPC-E-19-15 requesting the Commission consider the net-metering rules governing commercial, industrial, and irrigation ("CI&I") customers under Schedule 84.⁴ The Application was subsequently withdrawn after the Commission rejected the settlement agreement in Case No. IPC-E-18-15.

The Company then initiated Case No. IPC-E-20-26 for authorization to modify Schedule 84's two-meter requirement and to "grandfather existing customers and applicants with two-meter systems under the current one-for-one [1:1] net metering billing construct provided for in Schedule 84, for a period of no more than 10 years."⁵

The Commission ultimately approved the Company's request to move to a single-meter requirement for new onsite generation systems under Schedule 84 and also established criteria similar to Case No. IPC-E-18-15, for defining legacy treatment for existing Schedule 84 systems. Order No. 34854 at 11-12. In its order denying reconsideration in that case, the Commission reiterated that Schedule 84 is a tariff and that "tariffs are not contracts and are subject to change." Order No. 34892 at 8. The Commission cautioned that, "[n]o person, entity, business or organization should be representing that investment in and installation of solar panels under a

³ In reconsideration Order No. 34546, the Commission clarified that it is the "system" rather than the "customer" that retains grandfather status. Order No. 34546 at 9. The Commission further clarified: (1) that a grandfathered system can maintain its grandfathered status until December 20, 2045; (2) that grandfather status for a system terminates if the system is off-line for more than six months; and (3) that a grandfathered system can increase its capacity by the greater of 10% of its original capacity or 1 kilowatts to replace degraded or broken panels without losing its status. *Id.*

⁴ *In the Matter of Idaho Power Company's Application for Authority to Study the Measurement Interval, Compensation Structure, and Value of Net Excess Energy for On-Site Generation Under Schedule 84 and to Temporarily Suspend Schedule 84 Net Metering Service to New Idaho Applicants*, Case No. IPC-E-19-15, Application at 1 (April 5, 2019).

⁵ *In the Matter of Idaho Power Company's Application for Authority to Modify Schedule 84's Metering Requirement and to Grandfather Existing Customers with Two Meters*, Case No. IPC-E-20-26, Application at 1-2 (June 19, 2020).

particular tariff will result in payback within a time certain because the rates under the then current tariff do not become fixed at the time such an investment is made.” *Id.* The Commission noted that a “reputable seller of onsite generation systems would not and will not represent that the program will never change.” *Id.*

D. Case No. IPC-E-21-21

In Case No. IPC-E-21-21, the Company requested the Commission “initiate the multi-phase process for a comprehensive study of the costs and benefits of on-site generation.”⁶ The Company ultimately requested that the Commission “approve a final scoping document, which will conclude the ‘study design’ phase.”⁷ The Company contemplated that if an order in Case No. IPC-E-21-21 came out by the end of 2021, it would use 2021 data to complete the study then initiate a “‘study review’” phase by June 2022.⁸ The Company anticipated waiting to make any request to implement any changes to its “net metering rate design, compensation structure, or ECR after the Commission acknowledges a study.”⁹

The Commission found that the “Study Framework” provided by the Company, as further discussed by the Commission, met its directive to the Company to file a “credible and fair study.” Order No. 35284 at 9.¹⁰ The Commission outlined a Study Framework for the Company. *Id.* at 12-32. Under the Study Framework, the Commission directed what topics the Company was and was not to evaluate in its study and the extent to which the Company was to evaluate each topic. The Commission reiterated that the study “must use the most current data possible, and the data must be readily available to the public and in the Commission’s decision-making record.” *Id.*

In response to the suggestion that the Commission have a third party conduct the study, the Commission stated that the Company “is best positioned to access and study the extensive data and issues specific to the Idaho Power system at a reasonable cost.” *Id.* at 10. The Commission also directed the Company “to provide sufficient data along with the study conclusions so that others have insight as to how the results were derived.” *Id.* at 11.

⁶ *In the Matter of Idaho Power Company’s Application to Initiate a Multi-Phase Collaborative Process for the Study of Costs, Benefits, and Compensation of Net Excess Energy Associated with Customer On-Site Generation*, Case No. IPC-E-21-21, Application at 1 (June 28, 2021).

⁷ *Id.*

⁸ *Id.* at 8.

⁹ *Id.*

¹⁰ The draft Study Framework was provided as an attachment to Idaho Power’s Application in Case No. IPC-E-21-21.

Ultimately, the Commission ordered the Company to “complete the study design for its Comprehensive study on the costs and benefits of on-site generation based on the Commission’s Study Framework findings and conclusions as more specifically defined and explained . . . [in Order No. 35284].” *Id.* at 32.

COMPANY’S APPLICATION

The Company specifically requested the Commission:

(1) establish a formal process and timeline for . . . Staff . . . intervenors, and the public to review and comment on the Study; and (2) issue an order acknowledging that the Study satisfies the Commission directives outlined in Order Nos. 34046^[11], 34509^[12], and 35284^[13] and directing modifications to the Company’s on-site generation service offerings be implemented with the ultimate goal of establishing more sustainable offerings by implementing a more equitable pricing and compensation structure.

Application at 2. The Company also proposed a “procedural schedule that would position the Commission to issue an order directing changes to the on-site customer generation service offering by December 30, 2022.” *Id.* at 16-17.

The Company provided an overview of the structure of the current customer generation program and the relevant regulatory history and explained the parameters of the VODER Study and its compliance with Order No. 34509’s requirements. The Company highlighted the collaborative process it facilitated in pursuing the Study, clarified important “key findings” of the Study, and outlined areas in which it believes its recommendations would focus. Finally, the Company proposed a procedural and implementation schedule and explained its notification process.

A. Customer On-Site Generation Program

The Company stated that it first offered a net metering option in 1983 when it had a single customer with on-site generation who wished to interconnect to the Company’s system. *Id.* at 2. The Company claimed that over the intervening decades, as more and more customers availed and continue to avail themselves of the NEM program and receive “bi-directional service from Idaho Power,” it had become apparent that the “existing retail rate net metering compensation structure” did not “accurately reflect the costs to serve customers” *Id.* at 3. As a result, the Company

¹¹ Case No. IPC-E-17-13, Order No. 34046 at 31.

¹² Case No. IPC-E-18-15, Order No. 34509 at 17.

¹³ Case No. IPC-E-21-21, Order No. 35284 at 32-33.

claimed that the rates “net metering customers are being charged . . . do not appropriately reflect the benefits and costs of interconnecting customer-owned on-site generation to Idaho Power’s system” *Id.* According to the Company, “this has resulted in a situation susceptible to inequitable cost shifts between customers who choose to install on-site generation and those who do not.” *Id.*

B. Regulatory History

The Company cited the history of customer on-site generation cases, beginning in 2017 with Case No. IPC-E-17-13 through Case No. IPC-E-22-12.¹⁴ In sum, those cases, as the Company highlighted, illustrate the Commission’s prior decisions relating to: (1) the necessity of the Company filing a comprehensive study prior to the Company proposing any changes to its on-site generation program; (2) legacy status for systems under the Company’s NEM Schedules; and (3) the proper scope and framework of the comprehensive study the Company was directed to file. *Id.* at 5-9.

C. The VODER Study

The Company stated that the Study, as outlined by the Commission in Order No. 34509, must:

(1) use the most current data possible, and the data must be readily available to the public, and in the Commission's decision-making record'; (2) be designed 'in coordination with the parties and the public, and the final scope of the study will be determined by the Commission' and (3) 'be written so it is understandable to an average customer, but its analysis must be able to withstand expert scrutiny.

Application at 9 (quoting Order No. 34509 at 9). The Company explained that the VODER Study integrated the Commission’s directives as evidenced by the Company’s solicitation of public input and focus on making the Study understandable, its inclusion of supporting data and appendices, and an analysis supporting the Study that “relies on a robust technical assessment of the costs and benefits of customer generation on Idaho Power’s system.” *Id.* at 10. The Company further explained that, as directed by the Commission, the Study did not include, “a full cost-of-service evaluation, in-depth study of rate design options, and implementation of transitional rates” but did, however, address the nine topics envisioned by the “Commission-approved Study

¹⁴ *In the Matter of Clean Energy Opportunities [“CEO”] 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.* On September 30, 2022, the Commission issued a final order in this case dismissing CEO’s Petition. Order No. 35547 at 11.

Framework” in Case No. IPC-E-21-21. *Id.* at 10. Specifically, the Company explained that the Study discussed: “(1) measurement interval; (2) export credit rate; (3) frequency of export credit rate updates; (4) compensation structure; (5) class cost-of-service; (6) recovering export credit rate expenditures; (7) project eligibility cap; (8) other areas of study; and (9) implementation considerations including transitional rates and administrative and communication materials.” *Id.* at 10-11. The Company pointed out that the Study “itself does not advocate for a single position regarding potential modifications to the current net metering service, but rather examines several methods of valuing customer-owned generation energy exports and explores other important considerations.” *Id.* at 11.

E. Collaboration and Public Input

The Company highlighted its efforts to involve the public in completing the Study. The Company facilitated a public workshop on May 2, 2022, advertising the workshop as focusing “on the export credit rate—the amount customers with on-site generation systems, such as rooftop solar panels, are credited for the excess energy they send back to Idaho Power’s grid.” *Id.* at 11. The Company stated that it notified the public of the workshop as well as all the intervenors in Case No. IPC-E-21-21. *Id.* at 11-12.

The Company noted that 40 members of the public as well as several intervenors from previous cases attended the Company’s workshop. *Id.* at 12. The Company stated it received five comments from the public and four recommendations from CEO after the workshop which it considered in its Application. *Id.*

F. Study Review and Recommendations, Study Review and Implementation Schedule, and Customer and Stakeholder Notification

The Company noted the following “key findings” supported by the Study: (1) “the Company has the technical capability to reduce the measurement interval for on-site generation exports and that such a modification would improve the accuracy of cost assignment and compensation for on-site generation customers”[;] (2) the “Study presents multiple valid methods of valuing excess energy from on-site generators, each of which differ materially from current retail energy rates, suggesting consideration of modifications is warranted”[;] and (3) “the Study presents several implementation considerations that can adequately inform the appropriate timing of transitioning to a successor service offering.” *Id.* at 14. The Company anticipated the Parties and the public would make recommendations in the following areas of the Study: (1) compensation

structure; (2) frequency of updates; (3) recovery of export credit expenditures; (4) project eligibility cap; and (5) transitional rates. *Id.* at 15. The Company clarified that the Commission “can assess if a transition period is fair, just, and reasonable for on-site customer-generators with non-legacy systems once changes to the compensation structure are known” based on feedback in receives from the Parties and the public. *Id.*

The Company’s proposed schedule allowed for vetting of the Study “before stakeholders, including the Company, take positions on recommended methods for implementing a successor service offering for non-legacy on-site customer-generator systems.” *Id.* at 16. The Company requested that any changes to its “on-site generation service offering . . . not occur before June 1, 2023.” *Id.* at 17.

The Company represented that it issued a news release of its Application and would directly notify all its existing customers that it had filed the Study. The Company stated that it would also send different letters to pending and existing on-site generation customers notifying them of this case and that the outcome of the case could have an impact on the compensation amount to customers with non-legacy systems. *Id.* at 17-18.

VODER Study

The VODER Study is organized by 11 main headings—(1) Executive Summary; (2) Introduction; (3) Measurement Interval; (4) ECR; (5) Frequency of ECR Updates; (6) Compensation Structure; (7) Class Cost-of-Service (“CCOS”); (8) Recovering ECR Expenditures; (9) Project Eligibility Cap; (10) Other Areas of Study; and (11) Implementation Considerations. Study at i-iv. Each of these main topics are further broken down into sub-topics or components which, in some cases, are themselves further broken down. For example, section (4.) “ECR”, is further divided into (4.1) “Avoided Energy Costs” which is further divided into (4.1.1) “Energy Price: Inputs and Assumptions” which is further divided into (4.1.1.1) “Integrated Resource Plan” (4.1.1.2) “ICE Mid-C Index Price” and (4.1.1.3) “Energy Imbalance Market Load Aggregation Point (ELAP) Price.” Study at i-ii, 35-37.

The Parties’ comments, for the most part, focused on the topics and the components within each main topic. The predominant focus of all the Parties’ comments was, however, on the various components within the ECR value.

THE COMMENTS

A. Initial Party Comments

Staff

Staff reviewed the Study for its compliance with the approved Study Scope in Order No. 35284 and in consideration of the Commission's previous directives that the Study be transparent, developed with public participation, and technically robust but comprehensible to the average customer. Staff Comments at 2, 3. Overall, Staff believed the Study complied with the Commission's directives in Order Nos. 34046, 34509, and 35284. Staff believed that the Commission should acknowledge the Study, provided that the Company make certain modifications or amendments. *Id.* at 20.

The following are the topics which Staff initially stated did not need further clarification or discussion in amendments to the VODER Study: the measurement interval; the integration costs, avoided risk components, and avoided transmission and distribution ("T&D") costs within the ECR value topic; frequency of ECR updates; compensation structure; CCOS; recovery of ECR expenditures; and other areas. *Id.* at 3-4.

Staff recommended the Company amend or modify the Study to further address issues related to the project eligibility cap, and the following subtopics within the ECR value topic: avoided energy value, avoided capacity value, avoided line losses, and environmental and other benefits. *Id.* at 3-4, 21. While it did not explicitly recommend the Study be amended in the following areas, Staff discussed that CCOS and rate design must be evaluated and implemented in the Company's next general rate case, and that transition guidelines would be proffered during an implementation process. *Id.* at 21. Staff also addressed the main issues raised in public comments received as of September 21, 2022. *Id.* at 19-20.

Overall, Staff believed that the Study complied with Order No. 35284 in its exposition of the value of avoided energy costs. That said, Staff recommended the Company amend the Study to provide further discussion and data supporting "(1) the firm to non-firm energy adjustment; and (2) the proposed 'On Peak' high-value time window." *Id.* at 7. Staff believed there were two significant considerations in valuing avoided energy costs: "(1) whether to use actual market pricing or a weighted-average of established energy prices; and (2) the source of pricing information." *Id.* Staff believed that using actual market prices would be the most accurate, value-wise, but least stable and predictable whereas using weighted average market prices would be

stable and predictable but, less accurate. *Id.* Staff further believed that all sources of pricing data—Integrated Resource Plan (“IRP”), and the two market indices—would be equally stable and predictable but the IRP would be the least accurate, because it is a forecast of prices over time. *Id.* at 8. Staff suggested that the Study should be amended to better explore these issues.

Staff believed the Study generally complied in its analysis of avoided capacity costs, but that the Company needed to amend its Study to “provide more information and justification as to why On and Off-peak time-differentiation windows used for valuing capacity is appropriate for valuing energy.” *Id.*

Staff thought the Study generally complied with its exposition of avoided line losses, but that the Study should be amended to include discussion of transformer losses, line losses from energy and capacity, and explicitly apply the line loss adjustment factor. *Id.* at 11.

Staff noted the Study identified three potential costs that could be avoided pursuant to the Commission’s directive in Order No. 35284 to evaluate all quantifiable, and measurable environmental costs that affect rates. *Id.* Three potential avoided costs that Staff identified were: Renewable Energy Credit(s) (“REC(s)”), carbon taxes, and fulfillment of Renewable Portfolio Standard (“RPS”). *Id.* Staff recommended the Company amend its Study to further explain its conclusions concerning RECs.

Although Staff noted that the Study complied with previous Commission orders in examining the Project Eligibility Cap, Staff recommended the Company supplement the Study with additional information relating to information Staff received from the Company in the discovery process, and policy factors that must be considered in raising the cap. *Id.* at 14-17.

Staff also recommended that the Company evaluate the potential of customers choosing to construct a Public Utilities Regulatory Policies Act of 1978 (“PURPA”) Qualifying Facility (“QF”) project rather than a customer-generation project under the NEM program or vice-versa to obtain more favorable rates. *Id.* at 16. Additionally, Staff identified considerations relating to implementing a demand-based cap that were considered by the Study which Staff believed were important if a demand-based eligibility cap was implemented. *Id.* at 16-17.

Staff noted that the five most common themes in the public comments concerned public hearings, grandfathering, compensation and structure, considering environmental and social benefits in calculating an ECR value, and rejection of the VODER Study. *Id.* at 19-20.

IIPA

IIPA commented making several recommendations related to the following topics: compensation structure, frequency of ECR updates, recovery of ECR expenditures, the project eligibility cap, and transitional rates. IIPA Comments at 2. IIPA did not specifically assert that the Study was inadequate, or needed to be amended.

In calculating the compensation structure—i.e., the ECR—IIPA recommended the Company: use “sub-hourly measurement and pricing intervals”; measure avoided energy costs based on the Company’s 2021 IRP or other “Idaho specific measure”; calculate avoided capacity costs using a Company-specific Effective Load Carrying Capacity (“ELCC”); apply the method provided in the VODER Study for calculating avoided T&D; consider adding a transmission charge for the cost of moving exported energy to market; and that it treat line loss “consistent with pricing and other cost calculations.” *Id.* at 4-6.

IIPA further recommended that the avoided energy component of the ECR be updated annually because this figure is easily updated and variable year-to-year, while all the other components of the ECR should be updated in conjunction with the Company’s biennial IRP cycle. *Id.* at 7. IIPA also recommended that ECR expenditures be recovered through the power cost adjustment mechanism consistent with the treatment of the Company’s other power cost purchases. *Id.* at 8.

Finally, IIPA recommended the Company consider “softening the project eligibility cap” so long as it designed base rates and the ECR to minimize subsidization to self-generators and the costs incurred to accommodate large projects were directly charged to the participating customer. *Id.*

ICL

ICL explained that it appreciated “the Company’s clarity and detailed explanations in the VODER [S]tudy[,]” but that it was concerned that the Study undervalued “distributed generation to a degree that will inhibit development and contribute to an adverse economic and regulatory environment in future policy decisions.” ICL Initial Comments at 1-2. ICL also identified, via the Crossborder Energy Study (“CBE study”)¹⁵ which it attached to its comments, environmental and external costs that should be considered by the Company in determining an ECR value. *Id.*

¹⁵The Company noted that the “Crossborder Energy Study was paid for by the Idaho Conservation League, the Idaho Chapter of the Sierra Club, EGT Solar, Vote Solar, the Portneuf Resource Council, the Snake River Alliance, CED

Specifically, ICL averred that the VODER Study failed to account for the recent shifts in energy markets and therefore failed to present an accurate or meaningful estimate of avoided energy costs. ICL Initial Comments at 5. ICL’s CBE study recommended the VODER Study use the most recent 12-month Energy Imbalance Market (“EIM”) prices, adjusted for natural gas forward market prices for the next year, as this would better account for market volatility than IRP and average ELAP and ICE Mid-C price estimates. *Id.*

ICL also stated that the VODER Study lacked a substantive discussion of the fuel hedging benefits from DER development. *Id.* at 9. ICL’s CBE study concluded that the Company failed to appropriately account for the how the benefit of renewable generation from DER can decrease if a utility’s ECR is driven by electric market prices that are driven by natural gas prices. CBE study at 10.

Regarding avoided generation capacity costs, ICL contended that the Company’s Study did not consider appropriate alternatives to DER that provide equivalent capacity. ICL Initial comments at 6. ICL’s CBE study disputed the VODER Study’s use of the Company’s ELCC, contending that this was too complex and inaccurate. The CBE study proposed the Study consider the value of self-consumed energy, use a “simpler peak capacity allocation factor (“PCAF”) calculation” to cure the defects with the Company’s ELCC figure, use battery storage as a surrogate rather than a single cycle combustion turbine (“SCCT”) and add an additional 15.5% planning reserve margin (“PRM”). CBE study at 3-4.

ICL contended the Study failed to capture the greatest need for additional T&D resources “by assuming an average distributed generation system across all instances” ICL Initial Comments at 7. ICL noted that the CBE study proposed the Study use a regression model that would better account for marginal T&D costs and infrastructure investments avoided by a reduction in peak load. *Id.*

ICL argued that the VODER Study did not properly analyze avoided line losses from DER development and generally undervalued the value of avoided line losses. The CBE study proposed the Company use marginal line losses rather than average line losses which would result in a higher avoided line loss value and a doubling of the total avoided line losses, from 5.8% to 11.6%. CBE study at 8.

Greentech, Sunnova, Empowered Solar, the Climate Action Coalition of the Wood River Valley and the Idaho Organization of Resource Councils.” Company Reply Comments fn. 2 at pg. 2.

ICL believed that the reduction of carbon emissions, increased human health, economic benefits, reliability and resiliency, and customer choice resulting from DER development are known and measurable, environmental benefits which affect rates, but which were not discussed in the VODER Study. ICL Initial Comments at 11-14. The CBE study claimed that carbon emission costs are quantifiable and measurable and affect the Company's rates. The CBE study noted the Company's 2021 IRP recognized the impact of carbon emissions and made clear climate change would likely impose risks, and associated cost impacts, on the Company and its ratepayers. CBE study at 12. The CBE study proposed a value for the benefit DER(s) have on reducing carbon, air pollution, methane leakage, water use, land destruction, and increasing reliability, resiliency, and customer choice.

Finally, ICL and the CBE study represented that the VODER Study's estimate of integration costs, which relied on an outdated study, did not properly account for the Company's planned resource mix or battery storage as identified in the Company's 2021 IRP. ICL Initial Comments at 8.

CEO

CEO's initial comments touched on the calculation of the ECR, frequency of ECR updates, CCOS, the project eligibility cap, and implementation considerations. CEO believed that, when measuring the value of avoided energy, the IRP forecasts are inferior to the ICE Mid-C and ELAP.

CEO believed that the ECR value should consider market-based prices rather than the IRP forecast, as these are more accurate measurements of energy values. CEO Initial Comments at 2, 5. CEO thus recommended that the Study examine the two market-based alternatives to the IRP. *Id.* In addition, CEO recommended the Company acknowledge a "firmness" adjustment previously discussed in Case No. IPC-E-18-15 and a fuel price hedge value in an amended Study. *Id.* at 3, 6.

CEO also recommended the VODER Study be amended to consider additional methods of evaluating avoided T&D costs and better explain its analysis of avoided line losses. *Id.* at 3 and 9. CEO believed the VODER Study did not accurately evaluate environmental benefits or consider internal customers' willingness to pay more for renewable energy options. *Id.* at 3-4. CEO also believed that the Company's implied position was that the goal of rate design is to align with the Company's cost structure. *Id.* at 5. CEO further argued that the VODER Study insufficiently analyzed the project eligibility cap. CEO contended that the VODER Study should consider setting the project eligibility cap based on additional considerations other than just a customer's demand.

Id. at 9. Finally, CEO recommended that the VODER Study discuss an implementation option that included a transitional rate and consider the impact of delaying any implementation to the project eligibility cap for Schedule 84 customers.

Boise City

Boise City’s initial comments focused on whether the VODER Study met “the Commission’s direction in the Study Framework and is a ‘credible and fair study.’” Boise City Initial Comments at 2. Boise City clarified that it would not focus on any proposed implementation to the NEM Schedules until these were proposed by the Company or other parties. *Id.* Boise City initially recommended that the VODER Study consider the value of avoided fuel price risks and avoided T&D capacity costs which, as Boise City believed, could be “reasonably quantified and applied to an ECR.” *Id.* Boise City also commented that the Commission needed to “ensure all reasonable efforts to encourage public participation are pursued and that the public is properly noticed.” *Id.* at 4-5.

The Company

The Company stated that it had received numerous public comments, and other valuable input from the workshops and meetings that had occurred in this case. The Company explained that it believed “Staff’s schedule” which the Commission adopted, would allow the Commission adequate time to consider all comments on the Study before establishing “a process and schedule for considering implementation recommendations on the Study.” Company’s Initial Comments at 3. The Company clarified that the “intent of the filed Study . . . was to provide illustrative, or indicative, pricing based on various *potential methods* for evaluation during the present study review phase[,]” and not to propose any specific method be implemented. *Id.* at 4-5. The Company explained that it anticipated extensive feedback and input from the Parties and the public which it could use to identify areas of the Study that could “benefit from refinement” and be incorporated in an updated study filed on October 26, 2022. *Id.* at 6.

B. All Party Reply Comments

Staff

In its all-Party reply comments, Staff recommended the Company address how the ECR section of the Study considers avoided energy value, avoided capacity value, avoided T&D capacity costs, and avoided line losses. Staff also commented that it may be necessary for the Company to meet with interested parties “to discuss how current and future customer-generators

may be notified of future program changes.” Staff Final Comments at 8. Staff noted that the five most popular topics in the public comments received by the Commission were: requests for public hearing(s); the compensation and structure of the NEM program; environmental and societal costs and benefits; requests to reject the Study or have a third party conduct it; and requests to expand grandfathering beyond December 20, 2020. *Id.* at 9.

Staff recommended the Company amend the VODER Study “with an analysis of the cost to move exports to the market during the timeframe that customer-generators export onto the Company’s system” and consider the fuel-cost hedge benefit and the disadvantages of the Maine method. *Id.* at 10. Although it did not entirely agree with some of the other Intervenor’s positions with respect to the correct method of calculating avoided generation capacity, Staff recommended the Company amend the VODER Study with an analysis and discussion of: (1) the strengths and weaknesses for determining capacity contribution using several different methods, including ICL’s CBE study’s PCAF method; (2) the Study’s use of the least-cost capacity resource, currently an SCCT in the 2021 IRP, as a surrogate resource; and (3) how the PRM is irrelevant in valuing capacity contributions. *Id.* Finally, Staff recommended that an updated Study provide additional methods for valuing avoided T&D costs, and clarify concepts of marginal line losses, average line losses, and energy line losses within the avoided line losses topic. *Id.*

IIPA

IIPA’s reply comments expressed concern that “ICL’s comments would not lead to fair and equitable rates.” IIPA Reply Comments at 2. IIPA recommended the Commission disregard all aspects of the CBE Study and focus on accurate ECR pricing that results in fair rates to all customers rather than incentivizing solar generation. *Id.* at 4. IIPA argued that the CBE’s study’s methodology for valuing components of the ECR was, in many respects, inaccurate, based on faulty or overestimated assumptions, and unreasonable. IIPA recommended the Commission not consider non-quantifiable or unreasonable environmental benefits when calculating and ECR. IIPA also modified its previous recommendation regarding the project eligibility cap, explaining that “appropriate safeguards need to be implemented to ensure that, if the project eligibility cap is “wholly divorced from the customer’s load,” PURPA solar developers do not circumvent PURPA requirements by establishing projects using net generation tariffs. *Id.* at 4.

ICL

ICL replied that it looked forward to receiving the Company's revised study which it hoped would address the public and the Parties' critiques. ICL Reply Comments at 2. ICL stated its concern with Staff's comments that customer generators could engage in rate manipulation by applying as QFs under PURPA. *Id.* at 2-3. ICL requested clarity on Staff's assertion and responded that this issue would be more properly addressed in a PURPA specific docket. *Id.* at 3-4.

ICL further requested clarity on the "anticipated proceedings and the scope of the Case No. IPC-E-22-22 docket." *Id.* at 4. ICL requested the Commission clarify the scope of the changes the Company wishes to make to its NEM program. ICL requested an implementation proposal from the Company and for a collaborative review of any such proposal. *Id.* at 6.

CEO

CEO's reply comments focused on components within the ECR, CCOS, the Project Eligibility Cap, and other areas, including the Company's figure 10.3 and clarification for the next phase of this case.

Regarding the energy price inputs used to calculate the avoided energy costs, CEO recommended the Study be amended to provide a comparison of different market prices indices and the tradeoffs between using historical averages and current market prices. CEO Reply Comments at 4. CEO further recommended that the Company amend the Study to discuss the problems "with asymmetrically imposing on-peak/off-peak rates for exports before customers have access to on-peak/off-peak rates for consumption[,]" and to clarify 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." *Id.* at 5. CEO maintained its recommendation that the Company acknowledge a firmness value from the settlement in Case No. IPC-E-18-15, and further recommended the Company consider fuel price hedge value in the ECR.

Regarding the avoided generation capacity component of the ECR, CEO supported Staff's request that the Parties be directed to discuss how seasonal and diurnal time periods affect capacity contribution calculation methods. *Id.* at 7. CEO recommended the VODER Study be updated to "clarify that 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." *Id.* CEO replied that the Company present additional methods, in the amended Study, for valuing T&D capacity contribution values. In addition, CEO supported additional analysis of marginal line

losses in the amended Study and further meetings between the Parties to discuss pertinent issues related to the Company's evaluation of line losses. CEO also supported Staff's recommendation to the Company to amend the VODER Study to analyze RECs under the avoided environmental costs section and ICL's recommendation regarding the impact of battery storage on reducing integration costs.

CEO replied that the CCOS study the Company used in the VODER Study was outdated and inaccurate and that it is necessary to resolve CCOS issues, including a fair compensation rate, in a general rate case. *Id.* at 11. However, CEO stated that "VODER related decisions, such as the project eligibility cap, should not be held hostage by CCOS matters until that rate case occurs." *Id.*

CEO requested the Company not include, in its amended Study, certain responses to Staff's production requests related to the project eligibility cap, and that that the Parties be directed to discuss any remaining technical issues related to modifications of the Schedule 84 eligibility cap and associated revisions to the controlling tariffs. *Id.* at 12. CEO also recommended that the payback analysis of rooftop solar, figure 10.3, page 109, of the VODER Study should be deleted because the Study should be "close to objective as possible." *Id.* at 13.

CEO requested the Commission direct the Company to file recommendations to establish "a comprehensive baseline informed by public and party input" which all Parties can then submit initial and reply comments on. *Id.* at 13-14. CEO specifically suggested that all-party technical meetings be scheduled consistent with the Parties' recommendations, that the Commission issue an order acknowledging, modifying, or rejecting the updated VODER Study, and that all Parties meet after that order and prior to the Company's submission of its recommendations. Once the Company filed its recommendations for changes to its NEM program, CEO recommended there be an all-Party reply comment period, one or more customer hearings, final all-party comments, then a Commission order.

Boise City

Boise City believed that the Company should amend the VODER Study to "consider additional approaches to quantifying the avoided . . . [T&D] . . . capacity costs; and 2) clarify how avoided fuel price risks could be incorporated in an" ECR. Boise City Reply Comments at 2.

Boise City also recommended that the issue of "applying seasonal time-variant pricing to exported energy but not allowing customer generators access to time-variant consumption prices[.]" should be evaluated in any implementation proceedings. *Id.* at 4. Boise City reiterated

that the amended VODER Study should evaluate fuel price risk, beyond market energy prices, and consider Maine’s method for valuing fuel price hedges. *Id.* at 3. Although Boise City agreed with Staff’s recommendations regarding amending the Study to explore the interconnection connection requirements and safety and reliability considerations in evaluating projects, independent of the project eligibility cap, Boise City did not believe the Study need be amended to discuss issues related to potential PURPA developers gaming the system to receive more favorable rates under the NEM program. *Id.* at 3-4.

Finally, Boise City suggested that the Commission issue an order on the study review phase that “re-caption(s) the docket to reflect the change in scope to implementation” directs the Company to file implementation proposals and directs Staff to work with Parties to develop comment deadlines. Boise City Reply Comments at 5. Boise City recommended that customers should also be “formally noticed of the Company’s proposed compensation structure or any transition into an implementation phase of this proceeding.” *Id.*

The Company

The Company’s reply comments focused on ICL’s CBE study. Overall, the Company claimed that the CBE study deviated from prior Commission orders, was not transparent, and did not withstand expert scrutiny.

The Company replied that the CBE study incorrectly concluded that the VODER data regarding avoided energy costs was “outdated and inaccurate.” Company Reply Comments at 4. The Company explained that the VODER Study used reasonably current data for illustrative purposes and emphasized the many options ultimately available to the Commission, including real-time market pricing. *Id.* at 7-8.

The Company replied that the CBE study’s analysis of avoided generation capacity directly conflicted with the Commission’s approved framework, was erroneous, did not select the lowest-cost selectable resource, nor rely on “industry best practices or system-specific data.” *Id.* at 4-5.

The Company replied that the CBE study’s estimates of the Company’s avoided T&D investments were “not accurate, were overstated, and are based on inappropriate implementation of marginal costing techniques.” *Id.* at 5.

The Company replied that the CBE study’s “line loss assumptions erroneously and arbitrarily double the line losses from Idaho Power’s most recent line loss study and are not based on Idaho Power’s system data.” *Id.*

The Company replied that the CBE study’s “assumptions are inherently flawed as it relates to the applicability of the cases studied in Idaho Power’s most recent integration study” *Id.*

The Company replied that the analysis and conclusions reached by the CBE study regarding fuel hedging practices demonstrated “a lack of understanding” of the Company’s “hedging practices and conflict with the Commission-approved Study Framework by attributing value to the energy consumed by the customer-generator behind the meter.” *Id.* at 5.

The Company replied that the CBE study included carbon emission costs, which are not factored into rates, and societal benefits, which was not directed to be included in the Study. *Id.* at 5-6.

C. Company Reply Comments and the October VODER Study

I. Measurement Interval

In response to the comments received regarding the Study’s “Net Measurement Interval” discussion, the Company included a discussion under Section 3 of the October Study “about the impact of moving from NEM monthly measurement to a net billing hourly measurement for CI&I customers.” Company Final Comments at 8. The Company “also developed two new appendices which accompanied the October 2022 VODER Study, Appendix 3.5 and 3.6, the 2021 Measurement Interval and Bill Impact for Schedule 84 . . . [CI&I] . . . respectively.” *Id.*

II. ECR Components

The Company noted that much of the feedback it had received regarding the avoided energy component of the ECR value concerned implementation recommendations. The Company stated it updated Sections 3.1 and 5.1 of the Study in the October Study to clarify CEO’s concerns related to different options for implementation and the tradeoffs between accuracy, stability, and predictability for each option. *Id.* at 9. In addition, the Company included additional information and data in the October Study “to support an energy-based differentiated ECR and the non-firm adjustment in Sections 4.1.2.2 and 4.13, respectively” *Id.* at 9. However, the Company did not include a value for the non-firm energy adjustment the parties agreed to in Case No. IPC-E-18-15. *Id.* The Company also provided a discussion in Section 4.1.2.2. of the October Study addressing Staff’s recommendation for “an analysis of the cost to move exports to the market during the timeframe that customer-generators export onto the Company’s system.” *Id.* at 9-10. In response to the Parties’ recommendations to include an analysis of fuel-price risk, the Company put a Section 4.1.5 in the October Study. *Id.* at 10.

In response to recommendations concerning avoided generation capacity component of the ECR value, the Company put Sections 4.2.1.3, 4.2.2.1, and 4.2.3.1 in the October VODER Study which it claimed provided an analysis and discussion of the Parties' recommendations and highlighted "several important considerations to be evaluated by policy makers who may consider implementing a PCAF-type method for avoided capacity costs." *Id.* at 11-12. The Company declined to address CEO's recommendation to amend the VODER Study to "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." *Id.* at 12. The Company stated that although it did not believe CEO's recommendation should be "reasonably considered," it was an issue more properly raised in the "implementation phase" (that will follow the Commission's final order in this case). *Id.* at 13.

In response to the comments and recommendations concerning calculation of avoided T&D capacity costs, the Company put a Section 4.3.3 in the October Study examining alternative methods for evaluating T&D capacity costs. *Id.* at 15.

In response to the comments and recommendations regarding avoided line losses, the Company updated and added additional material in Section 4.4 of the VODER Study, in the October Study, to include "a discussion about transformer line losses and included Figure 4.20 to demonstrate how the line losses applied against the avoided energy and capacity components of the ECR were quantified." *Id.* at 16.

In response to the comments and recommendations concerning avoided environmental costs, the Company revised Section 4.5 of the Study to clarify the use of a carbon adder in its IRP and provided additional "discussion regarding the intricacies and requirements to obtain and track RECs." *Id.* at 17.

The Company expanded Section 4.6.2 of the Study to explain why the integration study it used in the VODER Study best aligns with its current system. *Id.* at 18.

III. Compensation Structure

The Company noted that it completed a bill impact analysis for CI&I customers taking service under Schedule 84 and that the "discussion in Section 6.4 has been expanded to include Schedule 84 customers and Appendix 3.5 and 3.6 have been added" *Id.* at 19.

IV. CCOS

The Company added an additional paragraph in Section 7 of the Study responding to Staff's Comments regarding CCOS. *Id.* at 19. The Company also modified the Study's initial statement that "opportunity exists to better align the pricing structure with the underlying cost structure" to read: ". . . the existing pricing structure does not align with the underlying cost structure[,]" (in response to CEO's comment). October Study at 109.

V. Project Eligibility Cap

In response to the Parties' comments and recommendations concerning the project eligibility cap, the Company stated that it included information in the October VODER Study that "incorporates the information requested by Staff and CEO in their respective comments." Company Final Comments at 21. Specially, the Company noted that potential PUPRA gaming "considerations should be evaluated as parties advocate for recommended changes to the project eligibility cap." October Study at 129.

In response to CEO's recommendation that the Company forgo including certain information provided through discovery relating to data about the number of service points currently above or below the current cap, the Company included a discussion, in the October VODER Study, of the "existing caps, how they are administered, and how the information should not be interpreted to suggest a 1-1 relationship between service point and customer." Company Final Comments at 21.

VI. Other Areas of Study

The Company stated that it originally added the information contained in figure 10.3 of the Study for transparency but, based on CEO's recommendation, the Company removed figure 10.3 in the October Study. *Id.* at 23.

The Company did not specifically address the Parties' comments regarding the frequency of ECR updates, or recovery of ECR expenditures in the October Study but believed it would be reasonably included in the implementation proposal it put forth. *Id.* at 25.

VII. Next Steps

The Company agreed that a Commission order directing further process following this case would provide clarity to the Parties and public. *Id.* at 24. The Company proposed that the Commission, in its final order acknowledging or rejecting the October VODER Study, direct the Company to "file a proposal recommending modifications to the on-site generation offering by

December 30, 2022, and [d]irect Staff to confer with the [P]arties to align on a procedural schedule recommendation that can be presented to the Commission for . . . [its] . . . consideration as soon as practicable.” *Id.* The Company requested the Commission further clarify the list of issues “reasonabl[y] included in an implementation proposal put forth by the Company.” *Id.* at 25. The Company believed, however, that additional meetings on the topic of the Company’s implementation recommendations subsequent to its filing these recommendations would not be productive. *Id.* at 26. The Company responded that it would provide notice to the public via bill inserts to all customers and issue a press release once it filed its proposed changes “to the on-site customer generation service offering.” *Id.* at 25-26.

In response to the views expressed in the public comments, the Company explained that it extensively engaged and involved the public in designing and pursuing the VODER Study and ensured all relevant information and the Study process was available to its customers clearly and transparently. *Id.* at 28. The Company clarified that its October Study did not incorporate implementation recommendations or considerations suggested by some public comments. The Company explained that the Commission previously determined the framework for the Study in Case No. IPC-E-21-21 and found that a third-party study should not serve as a basis for changes to the Company’s NEM program. *Id.* at 29. The Company reiterated that any of its proposed changes to the net-metering service offering should not be interpreted as discouraging customer self-generation. *Id.* at 31. Ultimately, the Company explained that it supports customer choice in on-site generation, but it wants to ensure “that rates paid for excess generation are fair and equitable to both generating and non-generating customers.” *Id.*

PUBLIC TESTIMONY AND COMMENTS

The Commission received over 950 public comments. Over 400 commenters requested the Commission hold public hearings. More than 80 total people provided live-testimony in the public hearings held in Pocatello, Twin Falls, and Boise. The most common concern expressed in the comments and during the hearings was potential changes to the compensation structure of the Company’s NEM program. Members of the public who had legacy systems worried that lowering the ECR would disincentivize additional customers from investing in solar generation. Others who had invested in on-site solar generation for their homes, but did not qualify for grandfathering, expressed concern that lowering the current ECR would prevent them from recovering their investments in self-generation. A third group of commenters who have not yet invested in or

installed solar expressed that changes to the compensation structure would likely disincentivize them from future investment in solar.

Another common theme expressed by the public was the environmental, societal, and economic benefits of on-site self-generation. In short, many commenters believed that on-site self-generation limited the Company's dependence on electricity generated with carbon-based inputs, reduced carbon emissions, and preserved the environment for future generations. These commenters also believe on-site generation benefits the Company, its system, and its customers by freeing the public to generate its own power outside of the monopoly system, allowing on-site self-generation to offset peak demands during the day and in the summer, and enabling customers to offset their electric needs and choose their energy future. These benefits, commenters argued, should be considered and quantified in an ECR.

A significant number of commenters recommended the Commission consider the Company's Study and the CBE study and/or another study or simply reject the Company's Study. Other commenters requested extension of the grandfathering period. The majority of comments addressing specific topics within the Study focused on the ECR; however, comments and testimony also addressed the measurement interval, on-site generation's impact on reducing peak demand, the billing structure, recovery and frequency of ECR updates, CCOS, the project eligibility gap, and implementation considerations. Customers taking service under Schedule 84 testified and recommended, among other things, that the 100 kw cap under Schedule 84 be lifted and that changes to the NEM program should be implemented by June 2023.

Individuals commented and testified on behalf of the Sierra Club, Idaho Organization of Resource Councils, the Portneuf Resource Council, and other non-profit or environmental advocacy groups. Some individuals testified or commented on behalf of municipalities. These comments generally focused on the benefits of on-site solar generation that were not examined in the Study and contended the VODER Study undervalued customer self-generation. In addition, numerous individuals from the solar industry, commenting or testifying on behalf of themselves, their companies, or the solar industry in Idaho generally, argued that the Company's proposed ECR value would be deleterious to them and their industry in Idaho.

COMMISSION FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502, and -503. *Idaho Code* § 61-501 authorizes the Commission to “supervise and regulate every public

utility in the state and to do all things necessary to carry out the spirit and intent of the [Public Utilities Law].” *Idaho Code* §§ 61-502 and -503 empower the Commission to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. We have reviewed the entire record in this case, including the Parties’ comments and reply comments, the comments and testimony of the public, and the Company’s filings, including the VODER Study and the October VODER Study. Our review of the record focused on the ensuring compliance with our directive in Case No. IPC-E-18-15 to “file a credible and fair study on the costs and benefits of distributed on-site generation to the Company’s system” which we further defined in Case No. IPC-E-21-21. *See* Order No. 34046 at 9 and Order No. 35284. Based on our review, we find the evidence as a whole, supports acknowledgment of the Company’s October VODER Study.

As we have stated numerous times, before the Company implements any changes to its NEM program, it must complete a comprehensive study. In Case No. IPC-E-21-21, we outlined what a comprehensive study should and should not include. In Order No. 35284 we directed the Company to complete “the study design for its Comprehensive study on the costs and benefits of on-site generation based on the Commission’s Study Framework findings and conclusions” as defined and explained in that Order. Order No. 35284 at 32. In addition to following the Commission-approved framework outlined in Order No. 35284, the Company’s study was required to use data that was the most current possible, publicly available, and in the Commission’s decision-making record. *Id.* at 9 (citing Order No. 34509 at 9-10). The Company’s study was also required to be understandable to an average customer but put forth an analysis capable of withstanding expert scrutiny. Order No. 34509 at 9.

Thus, the purpose of our review in this case is to determine: (1) whether the Company sufficiently completed the study design phase for its Study; (2) whether the Study was based on the Commission’s Study Framework findings and conclusions as described in Order No. 35284; (3) whether the Study used data that was the most current possible, publicly available, and contained in the Commission’s decision-making record; and (4) whether the Study was understandable to an average customer but put forth an analysis capable of withstanding expert scrutiny. Order No. 35284 at 9; Order No. 34509 at 9.

We find that the Company sufficiently completed the study design phase for its Study. We note the Company solicited public input and designed its Study in response to the feedback it received from Intervenors, Staff, and members of the public. We further find that the scope and content of the Company’s Study was based on the Commission’s directives set forth in Order No. 35284. The Company sufficiently evaluated all the topics we directed it to in Order No. 35284. We find that the data supporting both iterations of the Company’s VODER Study (including the June and October VODER Studies) was the most current possible, publicly available, and included in the Commission’s decision-making record. We note the 66 appendices filed by the Company provided data supplementing the June VODER and October VODER Studies. This data was made publicly available and filed in the record—a requirement of Order No. 35284. Although it may be true that some of the data was not the most current data as of the timing of Parties’ and publics’ comments on this case, we find that it was the most current data available to the Company when it filed its Study in June 2022 and that the Company provided updated data in conjunction with the filing of its October Study.¹⁶

There are concepts within the Company’s NEM program that are complex; however, we find that the Study’s extensive use of figures, graphs, and charts, among other things, makes the Study understandable to an average customer. We note that many of the Intervenor’s comments concerned the ECR value and other implementation recommendations. A few comments contended that the Study relied on outdated or incomplete data. And ICL and its CBE study argued that the Study failed to consider certain issues including avoided environmental and other costs. However, we find nothing in the record to support the conclusion that the Company’s October VODER Study does not withstand expert scrutiny.

For the forgoing reasons, and based on the record developed in this case, we find that the Company’s October VODER Study and the process undertaken to create it, was completed in accordance with the Commission’s directives outlined in Order Nos. 34046, 34509, and 35284.

We note many of the public comments and testimony expressed concern with potential changes to the Company’s NEM program. Similarly, significant portions of the Intervenors’ comments concerned which approach the Company should choose in valuing an ECR. For

¹⁶ We echo our previous finding that the directive to the Company to use “the most current data possible” in the “Commission’s decision-making record” and “available to the public” did “not specifically dictate use of either the 2019 or the 2021 IRP for the study as, at the time Order No. 35284 was issued, the 2019 IRP may not have contained the most current data while the 2021 IRP had yet to be acknowledged by the Commission.

example, ICL and CEO both averred that the Study should not use IRP prices in determining a value for avoided energy costs and many public commenters expressed concern that they would not recoup their investment at the Company's proposed 2-3 cent per kW value.

We want to make clear that our decision in this case is whether to acknowledge that the Study complied with our previous directives. Our decision is not a determination that a specific method or value within the Study is superior to another. We note the Company's statement that "intent of the filed Study . . . was to provide illustrative, or indicative, pricing based on various potential methods for evaluation during the present study review phase[,]” and not to propose any specific method be implemented. Company Reply Comments at 4-5; *see also* Order No. 35284 at 7 (noting that “the Company anticipated requesting to implement any potential changes to the net metering rate design, compensation structure, or ECR after the Commission acknowledges a study.”). However, we want to reiterate here that the purpose of establishing a NEM rate *is not* to ensure that customers who have installed self-generation facilities are able to recoup their investment or earn a return on investment, it is to ensure that customers are paid fair, just, and reasonable rates for their exports and non-self-generating customers are not subsidizing the rates for self-generating customers.

We appreciate the robust level of public participation in this case. We understand non-legacy NEM customers' desire for stability, predictability, and a resolution of the issues related to the Company's on-site generation tariffs. At the same time, we believe that any changes to Company's NEM program should be well-supported by a comprehensive study using robust, relevant, and publicly available data and methods, which we believe the Company's October VODER Study provides.

We now direct the Company to request any changes to its NEM program in a separate, implementation case by proposing specific methods or systems in support of changes to its on-site, self-generation tariffs. In the implementation case, Intervenor, Staff, and the public will have the opportunity to provide comments and arguments for or against the Company's proposed methods and implementation recommendations

The October VODER Study complies with our previous directives and should serve as a basis for the Company's implementation recommendations in a subsequent case. Although we do not advocate for a specific method in the Company's Study, to provide clarity to the Company and

other parties going forward, we find it would be helpful to explain what should and should not be considered in the implementation case.

We find that the data, methods, and discussion under the Measurement Interval, Frequency of ECR Updates, Compensation Structure, CCOS, and Recovering ECR Expenditures, and Other Areas of Study sections of the October VODER Study fully comply with the Commission's previous directives and provide a basis for the Company to make recommendations in its subsequent implementation case.

We find the general discussion, data, and methods explicated in the ECR section of the October VODER Study comply with our previous directives and provide a basis to support the Company's recommended changes to its on-site generation tariffs. However, we note the importance of an avoided generation capacity value that accurately considers capacity costs actually avoided. We believe that additional discussion between Staff, Intervenors, and the Company on the topic of avoided line losses, during the implementation case, may be fruitful and potentially resolve any remaining issues or confusion surrounding the Company's calculation of avoided line losses.

We reiterate that extraneous issues under the ECR section beyond those approved for the Study Framework detailed in Order No. 35284 should not be considered or provided as a basis for proposed changes to the Company's NEM program. For example, we clarified in Order No. 35284 that the Company, rather than a third-party, was best positioned to understand and study the impacts of NEM on Company's system. Order No. 35284 at 11. Generic conclusions and recommendations from third-party studies that do not fully reflect the environmental conditions and legislative requirements in Idaho or the particulars of the Company's system, should not be considered by the Company in its implementation recommendations. Likewise, environmental benefits or costs that cannot be quantified or shown to affect customers' rates, should not be considered in valuing an ECR.

We find that the general discussion, data, and methods within and associated with the Project Eligibility section of the October VODER Study comply with our previous directives and support relevant changes to the Company's on-site, self-generation offerings. Going forward, we find that any proposed changes to the project eligibility cap need to consider safety and reliability in addition to cost of service principles. We also reiterate that any proposed modifications to the project eligibility cap must be made in the Company's subsequent implementation case.

We find that the general discussion, data, and methods within and associated with the Implementation Considerations section of the October VODER Study comply with our previous directives and provide a basis for the Company to propose changes to its NEM program in the implementation case. We decline to rule, at this juncture, on the appropriateness of a transitional rate—this is a proposal more properly explored during the implementation case. However, we recommend that our previous determinations and reasoning on legacy systems in Order Nos. 34509, 34546, and 34892 inform any implementation proposal brought before this Commission.

We decline to order the Parties to meet prior to the Company’s filing of its implementation case. However, nothing in this Order should be construed to prevent the Parties from meeting together informally if they choose. Once the Company files its implementation case, we anticipate the Parties who intervene working together on a procedural schedule to process that case which must be brought before the Commission for approval. There will be opportunity for additional entities to intervene in the Company’s subsequent implementation case. We encourage the Parties in this case and the implementation case to continue to meet, when feasible, to discuss relevant topics and issues.

We understand customers’ desire to both offset their energy bills through on-site, self-generation and help to reduce demand on the Company’s system. We are very concerned, though, by the number of commenters expressing worry that they will be unable to pay off their solar panel investments if the NEM program changes. As we cautioned many times before, tariffs are not contracts and are subject to change. Order No. 35284 at 10. It should come as no surprise to anyone who invested in an on-site generation solar system after December 20, 2019, that the Company may be authorized by the Commission to change fundamental aspects of its NEM program—including the imposition of an ECR—which can affect the payback period for customers. *Idaho Code* § 48-1805 states that every solar installer must provide notice to a potential customer, in capital letters, “with substantially the following form and content: ‘LEGISLATIVE OR REGULATORY ACTION MAY AFFECT OR ELIMINATE YOUR ABILITY TO SELL OR GET CREDIT FOR ANY EXCESS POWER GENERATED BY THE SYSTEM AND MAY AFFECT THE PRICE OR VALUE OF THAT POWER.’” We reiterate that a “reputable seller of onsite generation systems would not and will not represent that the program will never change.” Order No. 34892.

We believe that a transparent and robust public participation process aids the Commission in its decisions. To that end, we expect the Company to clearly and transparently notify all of its customers— particularly its current non-legacy NEM customers and potential NEM customers— of any proposed changes to its NEM programs.

ORDER

IT IS HEREBY ORDERED that the Company’s October VODER Study is acknowledged.

IT IS FURTHER ORDERED that the Company shall file a new case requesting to implement changes to the structure and design of its NEM program.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th day of December 2022.



ERIC ANDERSON, PRESIDENT

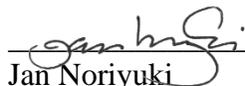


JOHN CHATBURN, COMMISSIONER

//ABSTAINED//

JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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