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March 28, 2024

Monica Barrios-Sanchez, Commission Secretary  
Idaho Public Utilities Commission  
11331 W. Chinden Boulevard  
Building 8, Suite 201-A  
Boise, Idaho 83714

Re: Compliance Filing - Costs of Ongoing O&M Related to Upgraded Facilities  
**Case No. IPC-E-23-14** – (Authority to Implement Changes to the  
Compensation Structure Applicable to On-Site Generation)

Dear Ms. Barrios-Sanchez:

Idaho Power Company (“Idaho Power” or “Company”) hereby submits this Compliance Filing pursuant to Idaho Public Utilities Commission (“Commission”) Order No. 36048 (IPC-E-23-14), which directed the Company to analyze the feasibility of implementing a surcharge to recover ongoing costs of system upgrades for on-site generation systems incorporating energy storage. While the Company is not proposing to implement a surcharge at this time, a thorough review of the evaluation is detailed below in which the Company proposes to expand its reporting requirements to inform whether and when seeking to recover ongoing O&M caused by system upgrades may be warranted.

### Background

As part of the Company’s request to modify the structure and design of its on-site generation offering in Case No. IPC-E-23-14, the Company proposed a modification to the administration of how energy storage devices are applied to the project eligibility cap. As noted in the Direct Testimony of Grant Anderson in that case, the Company sought changes to clarify that, for on-site generation systems incorporating energy storage devices, only the amount of generation nameplate capacity is used to determine whether the cap is exceeded for Schedules 6, 8, and 84, though the sum of both generation capacity and storage capacity continues to be considered in the feasibility review process.<sup>1</sup> In the event the Company’s review of the combined system indicates a system

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<sup>1</sup> *In the Matter of Idaho Power Company’s Application for Authority to Implement Changes to the Compensation Structure Applicable to Customer On-Site Generation Under Schedules 6,8, and 84 and to Establish an Export Credit Rate*, Case No. IPC-E-23-14, Direct Testimony of Grant T. Anderson (“Anderson Testimony”) at 12-13 (May 1, 2023).

upgrade is necessary, the customer would be required to pay the upfront costs, though the Company's proposal did not require incremental on-going operations and maintenance ("O&M") costs be paid by the customers.

While Commission Staff ultimately recommended that the Commission approve the Company's request to exclude the capacity of energy storage for purposes of determining whether the nameplate capacity exceeds the project eligibility cap but consider the capacity of energy storage in the feasibility review process, it did so contingent upon an additional recommendation related to cost recovery.<sup>2</sup> More specifically, Staff raised concerns in comments that the incremental "ongoing" costs of system upgrades beyond the upfront costs would shift to other customers. In evaluating the reasonableness of the Company's proposal, Staff indicated that it considered the magnitude of the ongoing costs and noted that if these costs are minimal, accepting the Company's proposal of allowing ongoing costs associated with system upgrades to be spread to all customers may be reasonable. Conversely, if the costs are not minimal, Staff could still accept the Company's proposal if the Company applied a surcharge for ongoing O&M costs to customers who require system upgrades.

In its Final Comments, the Company indicated that while it was not opposed to Staff's recommendation for customers to fund ongoing operations and maintenance costs associated with required system upgrades, the administration of such a charge could be complex and burdensome.<sup>3</sup> As a result, the Company asked the Commission to direct it to meet with Staff to discuss the feasibility of implementing and administering a potential surcharge for the ongoing O&M expenses associated with system upgrades.

In Order No. 36048, the Commission approved the Company's request to determine project eligibility caps based solely on generation nameplate capacity and to only consider the capacity of energy storage for purposes of the Feasibility Review to continue to ensure the interconnection does not impact safety or reliability of Idaho Power's system. The Commission also agreed that the potential additional costs associated with ongoing O&M should be considered more fully and ordered the Company to meet with Staff and interested parties on the feasibility of implementing a surcharge to recover ongoing costs of system upgrades and to submit its findings to the Commission within ninety (90) days of the Order. Pursuant to the Commission's directive, the Company respectfully submits its findings below to the Commission.

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<sup>2</sup> *Id.*, Comments of the Commission Staff ("Staff Comments") at 35-38 (Oct. 12, 2023).

<sup>3</sup> *Id.*, Idaho Power Company's Final Comments ("Final Comments") at 66 (Nov. 16, 2023).

## **Customer Generation Driven Upgrades**

Schedule 68, Interconnections to Customer Distributed Energy Resources (“Schedule 68”) governs the interconnection requirements for customer generation. In accordance with Schedule 68, when a prospective on-site generation customer applies for interconnection, the Company has seven business days to complete a Feasibility Review, which evaluates whether the specified system components of the Customer Generator System align with the connected Idaho Power equipment. This review mainly examines whether the equipment, such as transformers and feeders, is adequately sized for the customer’s proposed generation system.

In most cases, the Feasibility Review “passes,” which means there are no modifications or upgrades needed prior to interconnecting the Customer Generator System. If the Feasibility Review “fails”, it generally means that either the transformer or the feeder may not be adequately sized. While it is possible for the feeder sizing to “fail” an initial screen, in the Company’s experience these are far less common. More commonly, if a Feasibility Review “fails” it is because the existing transformer cannot accommodate the size of the On-Site Generation System. In such cases, the customer is notified of the results of the Feasibility Review and can make a choice to either upgrade the transformer or reduce the size of their system. If the customer requests the Company proceed with an upgrade, the associated costs are managed in accordance with Rule H – New Service Attachments and Distribution Line Installations or Alterations (“Rule H”), as provided for in Schedule 68.<sup>4</sup> Rule H sets forth charges and allowances associated with a customer’s service request for upgrades; it does not contemplate ongoing costs for operations and maintenance that may be associated with the upgrade(s).

In its analysis, the Company identified that in 2023, approximately 31 out of around 3,500 systems were notified that transformer upgrades would be necessary as part of the Feasibility Review. Of those customers who were notified of the need for a transformer upgrade, 21 opted to proceed with a Rule H service request for the upgrades to be completed. Notably, 19 of the systems pursuing upgrades were stand-alone “solar” systems, meaning that only 2 of the systems requesting upgrades included an energy storage component.

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<sup>4</sup> Schedule 68 sheet number 68-11, section b.

## Evaluation of Implementing a Surcharge

On February 29, 2024, the Company met with Staff to discuss the initial analysis it had undergone to date in evaluating the feasibility of implementing a surcharge to recover ongoing costs of system upgrades. Through this collaborative effort four possible options were identified and developed as follows:

- Option 1: Utilize a “facilities charge” like approach<sup>5</sup> and apply the operation and maintenance only component to the actual cost for each individual project.
- Option 2: Apply a “flat” surcharge for Schedule 6 and 8 customers and rely on Option 1 for Schedule 84 customers.
- Option 3: Apply a one-time “upfront” surcharge based on assumed ongoing incremental O&M.
- Option 4: Allocate the ongoing upgrade costs into the class cost of service and spread the cost to all customers within their respective classes.

The Company and Staff also identified and considered the potential challenges associated with these implementation options. One such challenge is determining the amount of the incremental cost, as upgrade costs vary significantly based on the conditions and factors specific to each individual upgrade. This situation may lead to confusion among customers and additional administrative burdens in implementing a surcharge. In many instances, an installer will primarily manage the upgrade process for the customer, which could cause additional confusion considering that, typically, the customer has already entered into a contract with the installer prior to any knowledge of the required upgrades. Customer movement presents another challenge in implementing a surcharge for system upgrades. A new customer purchasing a home subject to an ongoing O&M surcharge may be unaware of the surcharge beforehand as customers rarely initiate contact with the Company prior to acquiring services.

In addition to the administrative challenges, a paramount concern for the Company and Staff is the potential for inconsistencies and inequities between solar-only systems and those incorporating an energy storage device. Customers pursuing upgrades related to generation-only on-site generation systems are responsible for up-front costs, though they do not incur expenses associated with ongoing O&M and so it would be inconsistent and inequitable to assess such a surcharge for systems that incorporate an energy storage device.

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<sup>5</sup> Idaho Power’s Rule M contains its optional Facility Charge Service for customers taking Primary or Transmission Service under Schedules 9, 19 or Special Contract, or Transmission Service under Schedule 24. Eligible Customers may request that the Company design, install, own, and operate transformers and other facilities beyond the Point of Delivery that are solely provided to meet the Customer’s service requirements. This service is provided at the Customer’s request and at the option of the Company in exchange for the Customer paying a monthly facilities charge to the Company. The applicable rates are included in Schedule 66.

In addition to the potential for disparate treatment of similarly situated customers and the complex and burdensome administrative challenges associated with applying a surcharge for ongoing O&M to customers with combined generation and solar systems that require system upgrades, the Company considered the magnitude of the potential ongoing costs. As described above, at present, the vast majority of Customer Generator Systems do not require modifications or upgrades in order to interconnect; the need for upgrades is not typical, and in the limited instances in which a customer with a combined solar plus storage system has needed and pursued upgrades, any associated ongoing costs would be insignificant.

Taking into account both the considerable challenges and the minimal nature of the potential impact of any ongoing costs associated with system upgrades for solar plus storage systems, the Company and Staff concur that it is not, at this time, advisable for the Company to seek to implement a surcharge for ongoing costs of system upgrades that occur as a result of an upgrade caused by an energy storage device. Rather, the Company and Staff agree that for the near term, the Company should collect additional data and report the same to the Commission on an ongoing basis.

### **Future Reporting**

The Company files an annual Distributed Energy Resources (“DER”) report with the Commission where it provides an update on participation levels and growth rates, system reliability considerations and accumulated excess net energy credits and meter aggregation activity. The DER report, filed annually each April in Case No. IPC-E-12-27, is the result of Order Nos. 32846 and 32925 issued in Case No. IPC-E-12-27 and Order No. 34955 in Case No. IPC-E-20-30. While the Company is not proposing to implement a surcharge at this time, it does believe that expanding its reporting requirements to include information related to the number of upgrades that are caused by on-site generation will give the Commission, Staff, and the Company valuable information to assess whether and when seeking to recover ongoing O&M caused by system upgrades may be warranted.

To achieve this, the Company proposes to document and assess the quantity and cost of all upgrades for on-site generation customers, along with an approximation of their associated ongoing O&M costs, in the on-site generation report. Moreover, the reporting will encompass details of all upgrade types, which will enable the Company to assess consistency and fairness across all customer-generators requiring upgrades. As part of its review, in the event the Company believes that disproportionate cost shifting is occurring, it will evaluate potential options for recovering these costs and work with Staff to identify the most feasible option(s) for addressing the identified cost recovery needs.

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The Company is appreciative of Staff's review and collaboration in this matter and believes the discussions and assessment of the feasibility of implementing a surcharge have been thorough and productive. The Company intends to continue these efforts and, to this end, plans to collect additional data to aid in its ongoing evaluation. As the Company determines the best approach for tracking, it will begin reporting for the 2024 program year which will be available via the status report filed in 2025.

Very truly yours,



Connie Aschenbrenner

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