CHRIS BURDIN
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
IDAHO BAR NO. 9810

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

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## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| **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**<br><br>**REPLY COMMENTS OF THE COMMISSION STAFF** |

**COMMISSION STAFF ("STAFF") OF** the Idaho Public Utilities Commission, by and through its Attorney of record, Chris Burdin, Deputy Attorney General, submits the following comments.

### BACKGROUND

On May 1, 2023, the Company filed an application ("Application") with the Commission proposing changes to the Company's on-site and self-generation tariffs pursuant to Commission direction in Order No. 35631.

On October 12, 2023, Commission Staff ("Staff"), and five of the seven Intervenors submitted comments ("Initial Comments") regarding the Export Credit Rate ("ECR") filing. These Reply Comments respond to some items in the Initial Comments.

As of October 27, 2023, 393 public comments have been filed in this case, a 60% increase from the 237 public comments noted in previously filed comments, but not recorded until after Staff comments had been filed. Of the 393 customers who offered comments, 135 customers (34%[1]) identified as non-legacy customers, while only 18 (5%) clearly identified themselves as legacy customers. There were another 114 customers (29%) who have a net-generation system but did not identify their status, whether legacy or non-legacy or interested in self-generation.

Order No. 35955 established two Customer Hearing's and set the Customer Comment deadline. Customers must submit public written comments by November 8, 2023. The first Public Customer Hearing was held on Tuesday October 24, 2023, in Boise, Idaho and the second is scheduled for Wednesday November 8, 2023, in Twin Falls, Idaho. On October 24, 157 people attended the Customer Hearing, in-person and virtually. 37 people testified at the Boise hearing, including 8 students.

## STAFF REVIEW

Staff's Initial Comments, filed October 12, 2023, addressed the Company's proposals, provided recommendations for an alternative ECR, and addressed the feedback received from the public at the public workshops and from the comments filed with the Commission. With these Reply Comments, Staff addresses portions of the Parties' Initial Comments and provides one additional recommendation. The absence of a comment on any topic does not imply agreement or disagreement and that Staff's Initial Comments should be viewed in their entirety.

### General Rate Case Crossover

In its Initial Comments, Vote Solar, ICL, and Boise City note various concerns and recommendations related to the Company's General Rate Case ("GRC"), Case No. IPC-E-23-11. ICL raises a concern that the concurrent filings have confused customers, complicated analysis, and notes that the details of a settlement in principle reached in the GRC have not been drafted or approved and remain confidential. However, ICL also notes that the proposals of the ECR filing considered matters of on-site generation exports and are distinct from those in the GRC. ICL Initial Comments at 2. Boise City asks that the Commission recognize the interrelated nature of

[1] Percentages are in reference to the total number of customers from the most recent comment count.

the Company's filings, believing the GRC will inform the decision of this filing. Boise City Initial Comments at 2. Finally, Vote Solar recommends that the Commission delay the final order of this filing until the GRC has concluded. Vote Solar Initial Comments at 3.

Staff disagrees with the concerns and recommendations above and believes that the filings should be considered independently and recommends that the Commission not delay its decision on this filing. The intent of this filing is to determine a fair compensation rate for *certain* customers' exports while the intent of the GRC is to determine fair rates for providing electric service to *all* customer classes. While volumetric rates, demand rates, and customer service charges may change because of the GRC, the outcome of the GRC will not change the rate ultimately determined for the ECR. The structure of the ECR, how it is updated, and the value of the ECR are separate and have a different basis from the rates established in a GRC and would not change with the GRC's final order. Therefore, Staff believes it is appropriate to evaluate these two cases independently but concurrently.

**Multiple ECRs Based on Export Shape**

In its Initial Comments, IIPA states that irrigators and non-irrigators have substantially different annual export shapes and recommends a separately calculated ECR for irrigators. IIPA then provides analysis suggesting that irrigators should receive an on-peak rate of 9.847 cents/kW and an off-peak rate of 5.449 cents/kW while other classes should receive an on-peak rate of 8.051 cents/kW and an off-peak rate of 4.654 cents/kW. Staff disagrees with the IIPA's proposal.

First, Staff believes that the logic of a separate ECR for each unique export shape will lead to multiple ECRs for each rate class and for each exporting technology type. Multiple ECR's would reduce transparency, increase confusion, and could lead to dissatisfaction among customers. Finally, the intent of Schedules 6, 8, and 84 is to provide customers the opportunity to offset their energy usage. If irrigation customers want to receive compensation based on their export shape, they can apply as a Qualifying Facility[2] ("QF") to use Integrated Resource Plan

[2] In order to use their individual generation shapes, facility size must be greater than 100 kw. Customers connected under the existing project eligibility cap of 100 kW would need to expand their system by investing in additional generation. Customers connected under the proposed cap may be able to exceed 100 kw by building to 100% of demand.

("IRP")-based avoided cost rates. Staff recommends that the Commission not adopt the IIPA's request to establish a separate ECR for irrigators.

**Avoided Cost Valuation**

Remove Capacity Value from the Energy Imbalance Market ("EIM") Energy Pricing

IIPA recommends removing capacity value from the energy credit because IIPA believes that market prices used to value the avoided cost of energy have both a capacity and energy component when capacity is constrained and to avoid double counting capacity value, they recommend re-pricing the on-peak energy credit to equal the off-peak credit. IIPA Initial Comments at 7 and 8.

CEO states that, "Even during high-load hours, short-term market prices (like those in the EIM) are not reflective of a 'capacity' value." CEO Initial Comments at 4.

Staff agrees with CEO that the EIM accurately reflects the value of energy each hour and disagrees with IIPA's assertion that EIM pricing contains a component of capacity-related value. The EIM is a sub-hourly market designed to allow market participants to balance supply and demand fluctuations using resources across a broader regional footprint to optimize energy cost. The EIM is designed to optimize participants' energy cost and is not designed to provide capacity because participants are required to enter each hour with enough capacity to meet their own load and should not rely on the imbalance market for capacity shortfalls.

Remove Distribution-Related Capacity Value from the ECR

IIPA recommends that the "transmission and distribution credit should only apply to schedules with no transmission or distribution revenue requirement included in the energy charge." IIPA Initial Comments at 11. IIPA bases its recommendation in part because "[t]he calculation of this [T&D] credit assumes that 100 percent of solar generation is exported." *Id.* Staff believes this assertion is contrary to the Company's stated calculation method where it states that it uses the hourly profile of customer *exports*—which is the generation of customer's Distributed Energy Resources net of any consumption. VODER Study at 69. Staff does not agree the Company's method assumes that 100 percent of the customer's generation is exported as stated by IIPA.

IIPA also stated, "...the customer will receive double compensation for reduced distribution costs, once directly through the capacity component of the export credit, and again by avoiding these costs through avoiding energy charges with self-consumed energy." *Id.* This assertion mistakenly equates the sources of value for self-consumed energy and for exports. Each kWh that a customer *self-consumes* rightfully avoids all the costs imbedded in a retail kWh. Each kWh that a customer *exports* may help to avoid T&D investment and is therefore eligible for a portion of that avoided cost. Staff does not believe this is double counting.

Generation Capacity

ICL recommends that the Company, "Adjust the Company's Export Credit Rate ("ECR") methodology to include marginal line loss calculations and avoided cost figures based on battery storage as the alternative dispatchable resource." ICL Initial Comments at 2. Staff believes there are two factors to consider when choosing a surrogate dispatchable resource to establish a purely avoided cost of capacity. The resource should: (1) have the lowest levelized fixed cost including capital cost and fixed operation and maintenance cost; and (2) be reliably dispatchable regardless of the time or duration needed. ICL's recommendation to use battery storage as a proxy for avoided cost of capacity does not fit either of these two criteria. First, battery storage has a levelized cost of $204/kilowatt/year while a simple cycle combustion turbine has a levelized cost of $144/kilowatt/year. 2023 IRP at 114. If the Company needed to install a resource to add capacity outside of any other needs, the Company would choose a dispatchable resource with the lowest levelized fixed cost. Second, a proxy avoided cost of capacity should be based on a resource that can reliably provide capacity when it is needed. Since battery storage has limited duration dispatch, using it as a surrogate capacity resource does not provide an ideal fit.

Transmission and Distribution ("T&D")

In its Initial Comments, Boise City recommends that, if the Commission determines that an ECR is necessary, that it should include a higher T&D deferral value. Specifically, Boise City believes that the energy efficiency ("EE") T&D deferral value will yield a higher on-peak T&D avoided cost value in the ECR. Staff believes that it is inappropriate to use EE T&D deferral values for the ECR. The Company describes that the calculation of the T&D capacity value relies on the same 20 years of project data that are used to determine IRP EE values. Anderson Direct at 32. While the input data is the same, the 2023 IRP describes that the EE avoided T&D costs are calculated using EE specific assumptions and reduction amounts. 2023 IRP at 72. Meanwhile, the proposed ECR calculation in Exhibit 3 uses analogous export data and assumptions specific to on-site generation customers to calculate the T&D deferral value. Staff recommends that on-site generation export specific data and assumptions are used to value the ECR T&D deferral and believes it will result in a more accurate T&D value specific to customer generators.

Boise City also recommends that the T&D deferral value be sourced from the most recently acknowledged IRP. Staff is indifferent on this matter; however, Boise City's recommendation does not include other components that the Company has proposed to update based on the most recently filed IRP. Staff recommends that the Company maintain a consistent practice for basing ECR component updates out of its IRPs (i.e., as filed or acknowledged IRPs) and should not favor individual analysis because it has a higher value in a different IRP cycle.

Integration Costs

CEO proposes that the ECR incorporate the integration cost from case scenario ("Case") 9 of the 2020 Variable Energy Resources Study instead of from Case 1. CEO Initial Comments at 7. Staff believes that this proposal has merit. Two characteristics distinguish Case 9 from Case 1. Case 9 assumes an additional 794 megawatts ("MW") of solar generation, and 200 MW of battery storage.

As expected, cases with higher solar penetration and no battery storage have higher integration costs, such as Cases 4 and 8. 2020 Integration Study at 5. However, Case 9, which has the same level of solar penetration as Case 4 and 8, has 200 MW of 4-hour battery storage and an integration cost that is 22 percent of Case 1. Based on this information, Staff believes that the presence of battery storage in the Company's system can influence integration costs.

Since the Company will have installed approximately 120 MW of battery storage by the end of the year, Staff recommends the Company conduct a new integration study as soon as possible, and not wait until after the 2025 IRP, as proposed by Mr. Ellsworth. Ellsworth Direct at 27. Staff also recommends that the Company file the study for Commission approval[3] and incorporate the results of this new integration study into the next possible ECR adjustment filing.

[3] *See* Staff Initial Comments at 25.

Grandfathering

In Vote Solar's Initial Comments, it recommends that "the Commission should determine that customers who have applied to interconnect a solar installation on or before the date of the Commission's final order in this proceeding may remain on the rate current at the time of their application for a period of 20 years." Vote Solar Initial Comments at 4. Staff interprets this recommendation as an expansion of grandfathering. The Commission has been clear through Order Nos. 34509, 34546, and 34854, that established legacy status for Schedule 6, 8, and 84 customers will not be expanded. Per Commission Order, grandfathered legacy status terminates either December 20, 2045, or whenever a legacy customer violates the grandfathering criteria, or when a self-generator self-forfeits their legacy status. Order No. 34546 at 9. Staff does not recommend expanding grandfathering, or legacy status. Staff believes that Commission orders regarding grandfathering are clear on this matter and that tariff rates for customer generators who do not qualify for grandfathering are subject to change.

**PUBLIC INPUT**

As of October 27, 2023, 393 public comments have been filed in this case, a 60% increase from the 237 public comments noted in previously filed comments, but not recorded until after Staff comments had been filed. Of the 393 customers who offered comments, 135 customers (34%[4]) identified as non-legacy customers, while only 18 (5%) clearly identified themselves as legacy customers. There were another 114 customers (29%) who have a net-generation system but did not identify their status, whether legacy or non-legacy or interested in self-generation.

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*Previous Orders*

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[4] Percentages are in reference to the total number of customers from the most recent comment count.

Customers continued to express concerns regarding grandfathering with 160 customers (41%) stating that all current net generation customers should be granted legacy status. 58 customers (15%) claimed they were not aware of possible changes to the program at the time their systems were installed. These customers stated they would not have gone forward had they known the rates would change.

There were 65 customers (17%) who disagreed with the outcome of Case No. IPC-E-22-22, including 42 customers (11%) who challenged the objectivity of the VODER study, and 29 customers (7%) who suggested that the Commission failed to consider third-party studies and the concerns of interested parties. There were 119 customers (30%) who urged further consideration of environmental benefits.

*Structure and Compensation*

Regarding any change to compensation, 238 customers (61%) wanted no change to the structure of the program, and 216 customers (55%) wanted to keep monthly net metering versus real-time metering.

Regarding the accrued kwh credits accumulated by both legacy and non-legacy customers, 41 customers (10%) expressed concern about the future value and traceability of accumulated credits as well as advocated for customer options for the applicability of those credits.

Regarding financial credits under the proposed changes, 33 customers (8%) worried about the accountability of those financial credits and the value of those credits.

Of the 21 customers (5%) who offered comments on the ECR, 14 customers (4%) wanted the ECR tied to retail rates, and 9 customers (2%) expressed a desire for an unbiased annual review of ECR rates.

There were 52 customers (13%) who offered comments regarding compensation for peak versus non-peak hours, time-of-day versus peak and non-peak hours, seasonal demand versus customer peak hours and use of a single rate versus peak and non-peak hours.

*Incentives*

There were 92 customers (23%) who said the Company needs to provide more incentives to customers to encourage net generation.

## STAFF RECOMMENDATIONS

In addition to Staff's recommendations provided in its initial comments Staff recommends that the Company conduct a new integration study as soon as possible, file the study for Commission approval, and incorporate the results of this new integration study into the next possible ECR adjustment filing.

Respectfully submitted this 2nd day of November 2023.

For: Chris Burdin
Deputy Attorney General

Technical Staff: Jason Talford
Chris Hecht
Dylan Moriarty
Jolene Bossard
Matt Suess
Travis Culbertson
Yao Yin

i:umisc/comments/ IPC-E-23-14 Reply Comments

# CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 2nd DAY OF NOVEMBER 2023, SERVED THE FOREGOING **REPLY COMMENTS OF THE COMMISSION STAFF TO IDAHO POWER,** IN CASE NO. IPC-E-23-14, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LISA D NORDSTROM
MEGAN GOICOECHEA ALLEN
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: lnordstrom@idahopower.com
mgoicoecheaallen@idahopower.com
dockets@idahopower.com

TIMOTHY TATUM
CONNIE ASCHENBRENNER
GRANT ANDERSON
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070
E-MAIL: ttatum@idahopower.com
caschenbrenner@idahopower.com
ganderson@idahopower.com

ERIC L OLSEN
ECHO HAWK & OLSEN PLLC
PO BOX 6119
POCATELLO ID 83205
E-MAIL: elo@echohawk.com

LANCE KAUFMAN PhD
2623 NW BLUEBELL PLACE
CORVALLIS OR 97330
E-MAIL: lance@aegisinsight.com

MATTHEW NYKIEL
ID CONSERVATION LEAGUE
710 N 6TH ST
BOISE ID 83702
E-MAIL: matthew.nykiel@gmail.com

BRAD HEUSINKVELD
ID CONSERVATION LEAGUE
710 N 6TH ST
BOISE ID 83702
E-MAIL: bheusinkveld@idahoconservation.org

C TOM ARKOOSH
ARKOOSH LAW OFFICES
PO BOX 2900
BOISE ID 83701
E-MAIL: tom.arkoosh@arkoosh.com
erin.cecil@arkoosh.com

MICHAEL HECKLER
COURTNEY WHITE
CLEAN ENERGY OPPORTUNITIES
3778 PLANTATION RIVER DR
STE 102
BOISE ID 83703
E-MAIL: mike@cleanenergyopportunities.com
courtney@cleanenergyopportunities.com

KELSEY JAE
LAW FOR CONSCIOUS LEADERSHIP
920 N CLOVER DR
BOISE ID 83703
E-MAIL: kelsey@kelseyjae.com

AUSTIN RUESCHHOFF
THORVALD A NELSON
AUSTIN W JENSEN
HOLLAND & HART LLP
555 17TH ST STE 3200
DENVER CO 80202
E-MAIL: darueschhoff@hollandhart.com
tnelson@hollandhart.com
awjensen@hollandhart.com
aclee@hollandhart.com
clmoser@hollandhart.com

JIM SWIER
MICRON TECHNOLOGY INC
800 SOUTH FEDERAL WAY
BOISE ID 83707
E-MAIL: jswier@micron.com

DARRELL EARLY
DEPUTY CITY ATTORNEY
BOISE CITY ATTORNEY'S OFFICE
PO BOX 500
BOISE ID 83701-0500
E-MAIL: dearly@cityofboise.org
boisecityattorney@cityofboise.org

WIL GEHL
ENERGY PROGRAM MANAGER
BOISE CITY DEPT OF PUBLIC WORKS
PO BOX 500
BOISE ID 82701-0500
E-MAIL: wgehl@cityofboise.org

ABIGAIL R GERMAINE
ELAM & BURKE PA
PO BOX 1539
BOISE ID 83701
E-MAIL: arg@elamburke.com

KATE BOWMAN REG DIR
VOTE SOLAR
299 S MAIN ST STE 1300
PMB 93601
SALT LAKE CITY UT 84111
E-MAIL: kbowman@votesolar.org

Jan Elgman

SECRETARY