

DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSIONER HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: YAO YIN
CHRIS BURDIN, DEPUTY ATTORNEY GENERAL

DATE: APRIL 09, 2024

RE: 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 TO ESTABLISH AN EXPORT CREDIT RATE; CASE NO. IPC-E-23-14.

On December 29, 2023, the Idaho Public Utilities Commission ("Commission") issued Order No. 36048, directing Idaho Power Company ("Company") to "meet with Staff and interested parties on the feasibility of implementing a surcharge to recover ongoing costs of system upgrades" and "submit its findings to the Commission within ninety (90) days of this Order." Order No. 36048 at 7.

On February 29, 2024, the Company met with Staff to discuss the feasibility of implementing a surcharge to recover ongoing costs of system upgrades. No other parties attended the meeting.

On March 28, 2024, the Company submitted a Compliance Filing to share its findings with the Commission.

STAFF ANALYSIS

Staff believes the Company has met the requirement of Order No. 36048 by meeting with Staff and submitting its findings to the Commission within ninety (90) days. Staff agrees with the Company's proposal contained in the Compliance Filing: (1) to not implement a surcharge for ongoing costs of system upgrades at this time; (2) that the Company should collect additional

data and report it to the Commission in the annual Distributed Energy Resources (“DER”) report; and (3) for the Company to work with Staff to further evaluate potential options and to identify the most feasible option(s) in the event disproportionate cost shifting takes place.

Current impact of DER system upgrades

The Company assessed the number of system upgrades that occurred in 2023. There were only 31 systems that required upgrades out of 3,500 systems, only 21 systems that opted to proceed with the upgrades of the 31 systems, and only 2 systems that included energy storage out of the 21 systems. Compliance Filing at 3.

Staff agrees that with the low proportion of DER systems that require upgrades, the impact of shifted operation and maintenance (“O&M”) costs to other customers is minimal. Although the question of paying O&M costs in the Compliance Filing pertains only to DER systems with energy storage, Staff believes that if the impact of shifted O&M costs becomes significant, the O&M costs should be applied to all DER systems that require a system upgrade, which can be evaluated later.

Four Possible Options of Implementation

Staff and the Company identified four possible options of implementing a surcharge and discussed the challenges associated with each of these options. Compliance Filing at 4 and 5. The Company also proposes, and Staff agrees, to further evaluate potential options and work with Staff to identify the most feasible option(s) in the event disproportionate cost shifting takes place. Compliance Filing at 5. The four possible options include:

- Option 1: Utilize a “facilities charge” like approach and apply the O&M 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 operation and maintenance (“O&M”) costs; or
- Option 4: Allocate the ongoing upgrade costs into the class cost of service and spread the cost to all customers within their respective classes.

Future Reporting

Currently, the Company is required to file an annual DER report every April. The Company proposes and Staff agrees to expanding its reporting requirements to include information related to system upgrades caused by on-site generation, such as the quantity, the cost, and the types of system upgrades and their associated ongoing O&M costs. Compliance Filing at 5. Staff believes that including such information in the DER report will help inform decision making on cost-recovery of ongoing O&M costs.

STAFF RECOMMENDATION

Staff recommends the Commission accept the Company's Compliance Filing.

COMMISSION DECISION

Does the Commission wish to accept the Company's Compliance Filing?



Yao Yin
Utilities Analyst II

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