ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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Salt Lake City, Utah 84116

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IDAHO PUBLIC
UTILITIES COMMISSION

June 14, 2019

VIA OVERNIGHT DELIVERY

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: CASE NO. PAC-E-19-08
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER TO CLOSE THE NET METERING PROGRAM TO NEW SERVICE & IMPLEMENT A NET BILLING PROGRAM TO COMPENSATE CUSTOMER GENERATORS FOR EXPORTED GENERATION

Dear Ms. Hanian:

Please find enclosed an original and nine (9) copies of Rocky Mountain Power's application in the above referenced matter, along with direct testimony and exhibits. Enclosed is a CD containing the application, direct testimony, exhibits, and associated work papers.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Joelle Steward

Joelle Steward
Vice President, Regulation

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Attorneys for Rocky Mountain Power

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER TO CLOSE THE NET METERING PROGRAM TO NEW SERVICE & IMPLEMENT A NET BILLING PROGRAM TO COMPENSATE CUSTOMER GENERATORS FOR EXPORTED GENERATION	)	**CASE NO. PAC-E-19-08** **APPLICATION OF ROCKY MOUNTAIN POWER**

Rocky Mountain Power, a division of PacifiCorp ("Company" or "Rocky Mountain Power"), in accordance with Idaho Code §61-502, §61-503, and RP 052, respectfully submits this application ("Application") to the Idaho Public Utilities Commission ("Commission") for authority to (i) close Electric Service Schedule 135 – Net Metering Service, ("Net Metering program"), to new customer participation and cap it at the levels in place, effective at midnight local time, December 31, 2019, (ii) require projects that apply for interconnection before January 1, 2020 to complete interconnection within a one year period of application to be eligible to stay in the NEM program; (iii) allow existing net metering customers and those that apply for or complete interconnection before midnight local time, on December 31, 2019, to continue to stay in the program at the site until June 1, 2029; (iv) offer a new Electric Service Schedule 136 – Net Billing Service, ("Net Billing program" or "Schedule 136") for customers who apply to install customer generation after January 31, 2020; (v) implement an $85 application fee for customers that apply to interconnect a customer generation system under the Net Billing program; and

(vi) recover the exported energy credits from the Net Billing program through the Company's annual Energy Cost Adjustment Mechanism ("ECAM").

In support of its Application, the Company states as follows.

I. Background

Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation, which provides electric service to retail customers in the states of Idaho, Wyoming, and Utah. Rocky Mountain Power is a public utility in the state of Idaho and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Idaho pursuant to Idaho Code §61-129. Rocky Mountain Power provides retail electric service to approximately 80,000 customers in the state.

A. History of Net Metering

1. Pursuant to the Commission's Order[1] on June 20, 2003, the Net Metering program was made available to the Company's Idaho customers through Schedule 135 with participation capped at 714 kilowatts, or one-tenth of one percent of the Company's 2002 retail peak demand.

2. Net metering customers use the Company grid virtually all the time while offsetting part or all of their energy requirement and are provided a credit at the retail rate for the energy they produce and export to the grid. During periods when the customer's generating facility is not operating or not producing sufficient energy to meet the customer's usage, energy is delivered to the customer from Company facilities.

3. During each billing period, a customer's generation exported to the grid is netted against the kilowatt-hour usage taken from the Company. If the energy generated by the customer and delivered to the Company exceeds the energy supplied by the Company to the customer during

[1] *In the Matter of the Petition of NW Energy Coalition and Renewable Northwest Project to Establish Net Metering Schedules for PacifiCorp*, Case No. PAC-E-03-4, Order No. 29260 (June 20, 2003).

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the billing period, the customer is billed for the appropriate power and other non-energy charges and compensated for any net exported energy through a financial credit, based on the applicable standard service tariff.

4. In February 2016, the Company applied to the Commission for authority to modify Schedule 135 by raising the net metering cap from 714 kW to 2,000 kW. The Company indicated that this would serve as a checkpoint to report back to the Commission on the Net Metering program and the extent to which the Company and non-participants may be subsidizing net metering customers.

5. The Commission declined to increase the overall cap on the Net Metering program indicating that, when it approved the 714 kW cap in 2003, it found the cap should be reviewed after it was reached and that the review should include a report regarding the required level of subsidization by non-participants.[2] The Commission also stated that the Company had not expressed any immediate reliability concerns and that subsidization level at the time was small albeit still growing. Based, in part, on this reasoning, the Commission found it was unnecessary to cap overall participation "at this time"[3] and removed the overall and individual participation caps effective May 1, 2016. The Company was ordered to file annual status reports with specific information about the Company's Net Metering program and to file earlier reports "if the Company at any time expects its net metering service will materially and negatively impact its system and/or its customers."[4]

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[2] *In the Matter of PacifiCorp d/b/a Rocky Mountain Power's Application to Modify Electric Service Schedule 135 – Net Metering Service*, Case No. PAC-E-16-07, Order No. 33511 at 7 (April 29, 2016).

[3] *Id.*

[4] *Id.*, at 8.

6. The Net Metering program and customer participation have grown significantly since 2016. Approximately 820 customers currently participate under Schedule 135, with installed capacity of 5.8 megawatts of electricity.

7. Since the Commission issued Order No. 33511, the Company has continued to monitor and file annual reports on the Net Metering program summarizing the growth in both participation and cost shifting to non-participating customers indicating the need to modify Schedule 135. The Company believes that the subsidies embedded within the current compensation structure in Schedule 135, and the decreasing prices of customer generation facilities, particularly rooftop solar, will continue to encourage participation in the Net Metering program to unsustainable levels. Based on the foregoing, the Company seeks to cap the Net Metering program at its level at midnight local time, December 31, 2019, and establish rates and policies for new customer generators that will provide fair market value for any exported generation that is supplied to the Company's grid.

II. GOOD POLICY SUPPORTS ALLOWING NET METERING CUSTOMERS TO REMAIN ON SCHEDULE 135 FOR A REASONABLE PERIOD

8. In Order No. 34046 in Case No. IPC-E-17-13, the Commission, stated:

> [W]e are not opposed to considering the parties' legal analysis and interpretation of Idaho Code § 61-315 and related Idaho Supreme Court case law, which prohibits rate discrimination among similarly situated ratepayers. We find it reasonable to consider arguments related to protecting investments already made, or other transitional periods, and other pertinent and legally sufficient distinctions, by customers with on-site generation systems.[5]

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[5] *Id.*, at 23-24.

The Company believes that the Commission can consider policy concerns in its ratemaking capacity,[6] and did so when it authorized the Net Metering program with a cap in 2003.[7] At the time, the Commission acknowledged that the program's design could potentially cause net metering customers to shift an unacceptable level of costs to non-participants with the growth of the program, and directed the Company to monitor the program and return to the Commission with status reports.[8] Thus, pursuant to the same authority, the Company believes the Commission may close the Net Metering program and cap it at the levels in effect at midnight local time, December 31, 2019,[9] and in particular, allow current Net Metering program participants to remain in the Net Metering program for a reasonable period, as explained below and in the direct testimony of Company witness Ms. Joelle R. Steward.

9. First, the combination of decreasing prices in customer generator facilities and the compensation structure of Schedule 135, which encourages customer participation, will inevitably result in growing, unsustainable subsidies. The Company believes this reason justifies ending the Net Metering program. For the same reason, the Company submits that its proposed new alternative Net Billing program and service under proposed Schedule 136 must be different from

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[6] *See e.g.*, *In the Matter of the Application of Idaho Power for Authority to Increase its Rates and Charges*, Case No. U-1006-159, Order No. 16688 (August 11, 1981), Errata Notice, 43 P.U.R. 4th 609, 623, quoting *Grindstone Butte v. Idaho Public Utilities Commission* (slip opinion filed April 29, 1981) in which the Idaho supreme court found that ""it is within the commission's jurisdictional province to consider in its rate-making capacity all relevant criteria including energy conservation and concomitant concepts of optimum use and resource allocation." According to the court, such factors are to be considered in developing 'new rate designs which would be responsive to current economic realities. It is in the public interest to make such considerations in decisions which impact upon the consumption of energy, especially in light of the advancing 'political, economic, and environmental costs imposed on society."' *See also* Idaho Code §61-503 (which provides broad authority for the Commission to establish rates, classifications, rules, or practices); Idaho Code §61-315 (which provides the Commission with specific authority to determine any question of fact regarding rates established by the utilities).

[7] *See* Order No. 29260 at 7.

[8] Order No. 33511 at 7.

[9] For example, the Commission closed Schedules 7 (Security Area Lighting) and 7a (Security Area Lighting (Residential and Farm) to new service but the Company still serves customers under those schedules.

its current Net Metering Service under Schedule 135. As proposed and if approved, Schedule 136 is a different program structure from existing Schedule 135.

10. Second, participation in the Net Metering program required substantial investments or commitments by customers in their customer generation facilities. Many existing Net Metering program participants likely purchased their customer generation facilities at a much higher cost than a new prospective buyer could purchase today. Providing current Net Metering program customers a period of time to transition to a new program would be reasonable and does not disadvantage new customer generators because the Company is providing sufficient notice for the closure of the program. In addition, the new program participants would not be harmed by the unavailability of the existing compensation structure within Schedule 135 because these customers would make their decision to invest in customer generation facilities based on an entirely different compensation structure under proposed Schedule 136 that better recognizes uncertainty in the value and compensation levels than in the current Net Metering program.

11. In contrast, current Net Metering program participants would be harmed if they immediately transitioned to the new program. Current net metering customers are not in the same position as new customer generators. Therefore, requiring new customer generators to participate in a different program from net metering customers, does not violate Idaho Code § 61-315 and is consistent with the Idaho Supreme Court's interpretation thereof.

12. The Idaho Supreme Court explained in *Idaho State Homebuilders v. Washington Water Power*, that "[n]ot all differences in a utility's rates and charges as between different classes of customers constitute unlawful discrimination or preference" under that statute.[10] Rather, a "reasonable classification of utility customers may justify the setting of different rates and charges

[10] 690 P.2d 350, 355 (Idaho 1984).

for the different classes of customers."[11] Such classifications must be "based upon factors such as cost of service, quantity of electricity used, differences in conditions of service, or the time, nature and pattern of the use."[12] Here, good public policy exists for keeping net metering customers on Schedule 135 for a reasonable period, while offering a new program and service under a new schedule to new customer generators, as set forth above. This notwithstanding, the Company is not proposing modifications to retail rates in this Application but will address those issues in its next general rate case. The Company only proposes to implement a new export credit rate at the conclusion of this case, as more specifically set forth in Company witness Mr. Daniel J. MacNeil's direct testimony.

13. While the Company believes that allowing net metering customers to remain on the Net Metering program would be in the public interest, if the Commission disagrees, the Company recommends that all residential and Schedule 23 customer generators be subject to a Net Billing program whose export credit price transitions over a three-year period from average retail energy charges to the cost-based level that Company witness Mr. MacNeil supports in his direct testimony ("Alternative Transition Plan"). This Alternative Transition Plan is described in detail in the direct testimony of Company witness Mr. Robert M. Meredith.

III. Net Billing Program

The proposed Net Billing program will provide for the sustainable growth of renewable customer generation in the Company's service territory by appropriately compensating customers for exported generation that is supplied to the Company's system. At the same time, the Net Billing program is structured to ensure that other customers not participating in the Net Billing program are not harmed. To appropriately compensate customers for exported generation that is supplied

[11] *Id.*
[12] *Id.*

to the Company's system, while ensuring that the Net Billing program costs approximate the program benefits and therefore do not prejudice other customers, the Company designed the Net Billing program to provide compensation based on costs that the Company would otherwise expend to obtain electricity, as more fully described below.

A. Eligible Customers

The Net Billing program is available to Rocky Mountain Power customers that own and operate an on-site renewable generation facility. Customers wishing to participate in the Net Billing program must complete the Company's application for interconnection and execute an interconnection agreement. Additionally, the customer's generation facility must satisfy the following eligibility requirements:

- Be owned and operated by the customer;
- Utilize renewable energy technology (*e.g.*, solar, wind, etc.);
- Not exceed 25 kW in size for customers taking service on Schedules 1, 35, 23, and 23A or 100 kW for other service schedules;
- Be located on and connected to the customer's meter;
- Be interconnected to and operate in parallel with the Company's transmission and distribution facilities;
- Be sized to primarily offset part or all of the customer's own electrical requirements; and
- Use the metering equipment required by the Company for administering this program.

If the customers satisfy the requirements outlined in the proposed tariff attached to the Direct Testimony of Mr. Meredith, customers may install and interconnect their generation facility and participate in the Net Billing program.

B. Net Billing Program Structure

The program will provide export credits to customer generators for all energy exported to the grid from their generation system. At the same time, all energy usage provided by the Company to the customer would be billed under the standard applicable tariff. Energy generated and consumed on-site will serve to offset kilowatt-hours that would otherwise have been imported from the Company to the customer. On the Company's proposed Net Billing program, customer generators would be paid an export credit rate that is fair, accurate, and updated annually. This ensures that costs are not shifted to other customers and the prices paid for exported energy evolve with their value over time. The concept of being credited at a price for energy sent to the grid and paying the same rates as other customers for energy taken from the grid is also simple and easy for customers to understand. Additional details on the structure of this Net Billing program are provided in the direct testimony of Mr. Meredith.

C. Exported Credit Elements

The Company proposes to provide exported energy credits based on the costs that it would otherwise pay for electricity. This will provide fair compensation to Net Billing program customers for their excess generation that is supplied to the Company's electric grid, while ensuring that the Net Billing program costs approximate program benefits. Namely, Rocky Mountain Power's proposed Net Billing program consists of the following separate elements for which customer-generators will receive compensation: (1) avoided energy costs; (2) avoided line losses; and (3) integration costs. The Company also requests the ability to annually update each compensation element no later than June 1st by submitting an advice letter to the Commission. In addition, the Company proposes that the exported energy credit prices be differentiated by time of export. Differentiating the price of exported energy better reflects the costs and benefits of distributed energy resources and encourages customers to build and operate their systems in ways that are the most beneficial to the power grid. Each of the proposed compensation elements are summarized below and described in greater detail in the direct testimony of Mr. MacNeil:

- **Avoided Energy Cost:** When electricity is exported to the grid, the Company can reduce the output of its generation resources or reduce the volume of its market purchases. The resulting reduction in fuel expense and purchased power cost is the avoided energy cost.

- **Avoided Line Losses:** Line losses are the difference between the total generation injected into the grid, and the total metered volume at customer sites. As a result, a kilowatt-hour produced by a generator is not equivalent to a kilowatt-hour delivered to a customer. The Company's avoided energy costs are typically measured based on generation and market purchases at transmission voltages, while the metered volumes for residential generation exports are measured at the secondary voltage level. It is appropriate to adjust avoided energy costs to account for the resulting avoided line losses.
- **Integration Cost:** The Company uses flexible resources to accommodate fluctuations in the balance of its system attributable to load, wind, solar, and other resources that are not under the Company's control. Integration costs represent the cost of holding reserves with flexible resources to reliably maintain the load and resource balance.

IV. Correspondence or Communications

Correspondence and communications regarding this Application should be addressed to:

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In addition, Rocky Mountain Power requests that all data requests regarding this Application be sent in Microsoft Word to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 Multnomah, Suite 2000
Portland, Oregon 97232

Informal questions may be directed to Ted Weston, Idaho Regulatory Affairs Manager at (801) 220-2963.

REQUEST FOR RELIEF

Electric Service Schedule No. 136 – Net Billing is designed to provide for the growth of renewable distributed generation in the Company's service territory by appropriately compensating customers for exported generation that is supplied to Rocky Mountain Power's system. At the same time ensuring that the Company's other customers who are not participating in the Net Billing program are not harmed. The Net Billing program is designed to provide compensation based on costs that the Company would otherwise expend to obtain electricity.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue an order that authorizes the Company to: (i) close Electric Service Schedule 135 to new customer participation and cap it at the levels in place, effective at midnight local time, December 31, 2019,

(ii) allow existing net metering customers and those that apply for or complete interconnection before January 1, 2020, to continue to stay on the program at the site until June 1, 2029; (iii) offer, as an alternative, its proposed Net Billing program to new customer generators through Schedule 136 for those who apply for interconnection starting February 1, 2020; (iv) implement an $85 application fee for customers that apply to interconnect a customer generation system under the Net Billing program that will reflect the one-time cost to the Company associated with processing and reviewing customer generation interconnection requests; (v) require projects that apply for interconnection before January 1, 2020 to complete interconnection within a one year period of application to be eligible to stay in the Net Metering program and (vi) recover the exported energy credits from the Net Billing program through the Company's annual ECAM.

DATED this 14th day of June, 2019.

Respectfully submitted,

ROCKY MOUNTAIN POWER

Yvonne R. Hogle

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