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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUTAIN 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** **IDAHO CONSERVATION LEAGUE** **INITIAL COMMENT ON STUDY DESIGN**

Pursuant to Order No. 34661 The Idaho Conservation League provides the following comments on the study design of the costs and benefits of customer-owned distributed energy systems in Rocky Mountain Power's Idaho service territory. As the Commission explained in this Order, conducting a fair, credible, and comprehensive study is the foundation "to support a well-informed decision regarding Rocky Mountain Power's net metering service offering." *Order 34661 at 2.* The Commission established a procedure and timeline to address the first step in this process – the study design phase– with final comments due July 16, 2020. Once the Commission has reviewed the party and public comments it will issue an order outlining the scope and procedure for the second phase of this process – conducting the actual study and subsequent party and public comment opportunities. The Commission will then issue another order approving or rejecting the study upon which changes to the net metering service could be assessed. This procedural schedule was discussed by the parties and Commission Staff, and ICL supports this methodical, careful evaluation of the costs and benefits of customer-owned distributed energy systems.

ICL's comments address the following issues:

- Study the appropriate structure of net metering service

- Use robust and verifiable data
- Categories of values applied to exports
- Eligibility requirements that impact value
- Legacy rate treatment for existing customers

Study the Appropriate Structure of Net Metering Service

Rocky Mountain Power's Application and Testimony requests changes to the net metering service beginning July 31, 2020. These issues must be studied before the Commission considers adopting them. RMP proposes to end participation in the current net metering service, schedule 135, on July 31, 2020 and adopt a new net metering service in Schedule 136, beginning September 1, 2020. This proposal would change the net metering service by moving from the current net monthly billing arraignment to a net hourly billing arraignment, adopt four time periods to value exports, adopt annual changes to the export values, and impose an application fee. This proposal is premature and does not comply with the procedural order in this docket.[1]

ICL recommends the study design phase assess the costs and benefits of these proposals. In particular, ICL recommends considering whether the administrative costs, as well as the costs to providers and customers on the net metering sector, to implement these changes are justified by any meaningful benefit. Current net metering service, according to RMP's revised Application, involves about 1.5% of the 83,000 Idahoans the Company serves. On an exported energy basis, which is the focus on this docket, RMP's assumed total net metering exports of 1191 Mwh is approximately 0.034% of the metered sales in Idaho.[2] In terms of revenues, net metering

[1] Similarly, ICL does not address RMP's cost of service testimony, since this docket is about the costs and benefits of exports and not about the cost to serve customer consumption. Cost of Service issues are addressed in general rate cases.

[2] Comparing Direct Testimony of Meredith PAC-E-19-08, Page 11, Table 2, "Energy Exported" sum of class totals to Direct Testimony of Webb, PAC-E-20-02, Exhibit 1, line 5, "Actual Idaho Load @ meter" sum of monthly totals.

accounts for 0.18% of Idaho revenues.[3] The study design phase should include an assessment of whether the administrative burden to the PUC Staff, parties, and the Company - a cost ultimately born by ratepayers - is reasonable in light of the minimal overall impact of net metering service to RMP's activities in the state. Further, the study should determine benchmarks for meaningful impacts in terms of revenues and system loads to inform the Commission of when it is appropriate to expend public resources to address changes to the net metering service.

ICL recommends this portion of the study address the following issues:

- Whether the cost of implementing and administering the change to net hourly billing and frequent changes to the export credits provides a meaningful benefit to customers.
- The ability of net metering service providers to implement net hourly billing, and the frequent of potential changes to export values, in a manner that complies with the Residential Solar Energy System Disclosure Act, Idaho Code § 48-1805.
- The impact of the proposed changes to the net metering market in Idaho and the resulting impacts on local employment, tax revenues, and ability of customers to patriciate in the program to offset their personal energy consumption. ICL acknowledges these are not costs include in electric service rates, but these are measurable and meaningful impacts to RMP customers that result from these proposed changes and must be assessed to determine if the proposals are fair, just, and reasonable.
- The methodologies to develop appropriate benchmarks to assess when NEM participation is of sufficient penetration that program design changes can deliver meaningful impacts to non-participants. For example, annual changes to power costs due to variation between forecasts and actuals can drive multiple percentage

[3] Direct Testimony of Meredith, page 8, Table 1; comparing sum of class NEM annual revenue to Idaho total revenue.

point changes to rates, thus justifying the costs and burdens of administering the Energy Cost Adjustment Mechanism.

- The methodologies to facilitate customer understanding of the proposed program changes to address issued raised in public comments thus far, and anecdotal evidence, that RMP customers perceived these proposals as unwarranted and unfair.

Use Robust and Verifiable Data

Rocky Mountain Power's proposals include a forecast of customer-owned generation production, rather than the use of actual data.[4] Any forecast is highly dependent on the model used and the assumptions made. To ensure a fair, credible, and comprehensive study, the study design should consider a range of modeling options and assumptions to determine the most accurate fit. To achieve this goal ICL recommends the following:

Because current net metering penetration is exceedingly small compared to RMP's activities in the state, while the benefit of actual data to inform decisions is essential to building customer confidence, ICL recommends using actual data from the expected deployment of advanced metering infrastructure in Idaho as a core requirement for a fair and credible study.

In the meantime, ICL recommends that RMP work with PUC Staff and stakeholders to implement a Load Research Study process akin to that used to address this exact issue in RMP's Utah service territory. In Utah Public Service Commission Docket 17-035-61 both RMP and Vote Solar conducted Load Research Studies which provided stakeholders and the Utah PSC a robust basis upon which to determine appropriate export values.

Where actual data is unavailable, or input assumptions are otherwise required, ICL recommends the study use a range of inputs to ensure a robust and comprehensive assessment. For example, one assumption could be the orientation of solar panels. Here ICL recommends

[4] Di Meredith at 4, 3 - 3

studying at least three options – East, South, and West facing orientations. Another assumption is the solar system size compared to the hosting customer's energy consumptions. Here, ICL recommends working with stakeholders to develop a range of reasonable assumptions rather than utilize a single sized system and customer load.

Categories of Values Applied to Exports

Rocky Mountain Power's proposed export value excludes categories of potential value that could be attributed to exports and includes a cost that does not seem reasonably likely to actually be incurred. A fair, credible, and comprehensive study of the issue requires actually assessing the potential of customer-owned systems to deliver or commonly acknowledged categories of avoided costs attributable to demand-side resources.

The testimony of Mr. MacNeil only addresses the values of avoided energy costs and avoided line losses.[5] Arguing that exports from customer-owned systems are "non-firm," RMP assumes no values for avoid capacity costs, avoided transmission and distribution costs, and no value of environmental benefits, such as reduced costs to RMP for complying with pollution controls at Company-owned generation sources. Essentially, RMP argues that exports are "non-firm" because of the lack of contractual arraignments to ensure performance, or in other words, the ability for RMP to know when exports will occur with some level of confidence. Instead of just asserting that export timing is unknown, the study should assess the performance of existing systems to determine whether a pattern of exports is in fact predictable and reliable. Then the study should compare this data with the actual performance of resources RMP deems "firm". It is the performance of generators that matters for reliability and cost-causation, not contractual arraignments that merely provide compensation for under performance.

Regarding the individual categories of potential value, ICL proposes the study address the following:

[5] Di MacNeil at pages 2 – 3.

Avoided Energy Costs: RMP proposes using data for a single node in the Energy Imbalance Market to determine avoided energy costs. Because utilities must enter each transaction period in the EIM in a "balanced" position, meaning the utility could meet all service obligations on its own without relying on the market, ICL proposes the study assess RMP actual hourly costs and compare this to the EIM data. ICL also proposes the study assess whether relying on EIM market data is feasible for distributed energy systems sellers and customers in terms of assessing the value proposition to purchasing a system to offset customer's own needs.

Avoided Capacity Costs: Rather than assuming this value is zero, ICL proposes the study assess options currently utilize in other contexts, such as demand-side resources and assessing utility scale generation, to determine avoided capacity costs.

Avoided Transmission and Distribution Costs: Like other demand-side measures, customer-owned distributed energy systems have the potential to avoid the utility need to expand the transmission and distribution system. Recognizing the category spans a wide range of avoidable resources, ICL recommends the study design assess avoided transmission and distribution capacity using distinct methods. For transmission, FERC tariffs can inform the potential value. For distribution costs, RMP should provide forecasts of expected distribution system needs at sufficient granularity to allow for determination of location specific avoided costs potentials. Only by looking location specific can the study assess the full value of the unique nature of distributed energy systems.

Avoided Environmental Benefits: To the extent customer-owned distributed energy systems displace generation from fossil fuels, environmental benefits accrue to all RMP customers. One category of benefits is reduced compliance costs for company-owned fossil resources. Another benefit is reduced public health spending in Idaho due to improved air quality. The U.S. Environmental Protection Agency published a new method to quantify these

benefits in a per-kilowatt hour basis broken-out by resource type and region.[6] ICL recommends the study design incorporate these peer-reviewed methodologies.

Other Benefits That Arise with Scale: Recognizing that today distributed energy systems are a small component of RMP's service in Idaho, as the penetration increases additional value categories could arise. One area is in the benefit of customer-owned clean energy systems to impact costs the Company incurs to generate from fuel-based resources or serve load through market purchases. The study design should include an assessment of the penetration levels at which customer-owned systems can influence wholesale market prices and fuel hedging practices.

Local Economic Benefits: While not directly an issue reflected in customer utility rates, investments customers make in distributed energy systems can have local economic benefits such as job creation and tax revenues. Undervaluing these benefits could suppress local investments, a particular concern as Idaho faces one of the worst economic climates in history. To ensure a comprehensive assessment, the study design should include consideration of these values. For example, to assess job creation, the study could calculate the number or hours and number of employees in the local communities based on various levels of market growth. For tax revenues, the study could assess the sales taxes and other fees that flow to local communities at various levels of market growth. This information will inform whether the net metering service offering has the potential to provide additional benefits to communities in Idaho beyond the narrow focus on utility rates and rules.

Integration Costs: Rocky Mountain Power proposes to impose an integration costs on customer-owned generation exports on the theory the Company must hold reserves to address this issue. As described above, current customer-owned generation exports account for 0.034% of

[6] U.S. EPA, *Estimating the Health Benefits per-Kilowatt Hour of Energy Efficiency and Renewable Energy*, published March, 2020. Available at: https://www.epa.gov/statelocalenergy/estimating-health-benefits-kilowatt-hour-energy-efficiency-and-renewable-energy

the metered sales in Idaho.[7] And, as RMP explains, this resource only uses the secondary transmission system and does not avoid even losses at higher levels of the system. Instead of using an integration cost developed for utility-scale solar systems, ICL recommends the study should assess the level of penetration at which customer-owned distributed energy in Idaho is large enough to impact system operations at a level equivalent to other operational concerns like normal variations in customers loads and generation assets.

Eligibility Requirements That Impact Value

One area of net metering service program design that is not premature to consider is the eligibility requirements that could impact the costs and benefits to the system. Currently, Schedule 135 allows for residential systems up to 25 kilowatts and commercial systems up to 100 kilowatts without regard to the customer's needs for self-service. ICL recommends the study design consider whether adjusting the eligibility caps based on a percentage of customer energy usage can address the allegations of cost-causation and the need to expend public resources to value a small amount of exports. ICL recommends the study assess whether placing eligibility caps set at 100% and 125% of customer loads is a more cost-effective way to address this entire issue. We recommend 100% to comply with the Commission prior orders defining net metering service as a program to enable customers to meet their own needs. We recommend 125% to account for potential increases in customer needs due to a trend towards electrification of heating and transportation.

A second area that can impact the value customer-owned generation brings to the system is the requirements for smart inverters and settings that help improve power quality and visibility of systems to the utility. ICL recommends the study assess the benefits of requiring smart inverters and the appropriate settings that maximize benefits to the utility and customer-owner.

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[7] Comparing Direct Testimony of Meredith, Table 2, Page 11, "Energy Exported" sum of class totals to Direct Testimony of Webb, PAC-E-20-02, Exhibit 1, line 5, "Actual Idaho Load @ meter", sum of monthly totals.

Legacy Rate Treatment for Existing Customers

The Commission in Order 34661 requested comment on RMP proposal to allow existing customer to remain on the current net metering tariff for ten years, with an eligibility cutoff of July 31, 2020. *Order No. 34661 at 5.* ICL recommends the Commission apply the legacy rate policy developed in Orders Nos. 34509 and 34546, with one important change. The key elements of this policy are: (1) eligibility for legacy treatment is applied to the system location rather than a specific customer; (2) system owners may maintain system components in a manner that may increase capacity by up to 10% and maintain legacy treatment; (3) legacy treatment lasts for 25 years from the date of Commission order. Regarding the eligibility date, ICL recommends the Commission reject RMP arbitrary July 31, 2020 date. As Order No. 34661 makes clear, this phase of the proceeding is about the design of a study of the costs and benefits of distributed energy systems. The second phase of this process is a review of the study output "to support a well-informed decision regarding Rocky Mountain Power's net metering service offering." *Order 34661 at 2.* Determining eligibility date now prejudges the outcome of that study, which could find the current net metering program remains fair, just and reasonable compared to alternative proposals. Further, the impact of determining eligibility without a successor program in place is now evident – it has a strong market chilling impact, which results in real economic consequence for distributed energy system providers and vast uncertainty for Idahoans seeking to invest their own dollars in a program to offset their own energy usage. Because net metering service in RMP's territory is exceedingly small today, ICL recommends the Commission defer a decision on legacy rate eligibility until a successor program is designed.

Conclusion

ICL supports the Commission's methodical, fact-based approach to addressing net metering service in RMP's Idaho service territory. We recommend the Commission:

- Deem premature RMP's proposals to change the net metering schedules on July 31, 2020,
- Design the study to assess the relative benefits of administering a complex net hourly billing system with annual updates for an exceedingly small part of RMP's activities in Idaho,
- Require this use of actual verifiable data through the development of a Load Research Study,
- Require the use of a range of assumptions when necessary to ensure comprehensive assessment
- Study all potential categories of value using industry best practices,
- Include the impacts to the net metering market and local economies that result from the size of customer-owned generation market sector,
- Consider eligibility requirements that impact value, such as system size criteria and the use of smart inverter technology, and
- Apply legacy rate treatment akin to the policy in Order 34546 and defer a determination of eligibility until a successor net metering program is developed.

As contemplated in the procedural schedule in this docket, ICL's initial comments may be revised and expanded based on the upcoming public workshop and comment opportunities. For now, we respectfully submit these Initial Comments for your consideration.

DATED this 26th day of May 2020.

Respectfully submitted,

/s/Benjamin J. Otto
Idaho Conservation League

CERTIFICATE OF SERVICE

I certify that on the 26th day of May 2020, I delivered true and correct copies of the foregoing INITIAL COMMENTS to the following via the service method noted:

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