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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION TO COMPLETE THE STUDY REVIEW PHASE OF THE COSTS AND BENEFITS OF ON-SITE CUSTOMER GENERATION	)	**CASE NO. PAC-E-23-17**
	)	**COMMENTS OF THE COMMISSION STAFF**

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

BACKGROUND

On June 29, 2023, Rocky Mountain Power, a division of PacifiCorp, ("Company") requested that Idaho Public Utilities Commission ("Commission") approve the study review phase of the costs and benefits for on-site customer generation.[1] The Company attached its on-site generation study ("Study") and requested a timeline for processing the case and a finding that the Study's scope satisfies Order No. 34753.

[1] Order No. 34753 defined the scope of the Company's study.

On July 31, 2023, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 35870. The Idaho Irrigation Pumpers Association, Inc. intervened. Order No. 35884.

After lengthy discussions with Staff, the Company submitted supplemental filings on February 8, 2024. These filings revised the Company's Study and appendices to make them more accessible to the public. These filings also amended the appendices to separate the results from the underlying confidential data, thereby allowing unredacted versions of the appendices.

STAFF ANALYSIS

Staff reviewed the supplemental version of the Company's Study and believes that it satisfies the Commission's requirements as defined in Order No. 34753. Therefore, Staff recommends that the Commission acknowledge that the Study complies with its Order. Additionally, Staff recommends that the Commission order the Company to file a proposal to establish an export credit rate ("ECR") for on-site generators within 6 months of the final order in this case.

Compliance with Order No. 34753

The Commission's stated purpose for the Study was to "ensure a reasonably comprehensive study of the issues is conducted in a fair and credible manner." Order No. 34753 at 9. The Commission also directed that the Company "use Attachment A to Staff's revised comments as the basis of the ordered scope of study." *Id.* Staff believes the Company's supplemental Study complies with Order No. 34753.

Staff compared the originally submitted Study to these requirements and determined that some elements were missing and/or inadequate. The Company and Staff discussed the shortcomings in October 2023, and the Company agreed to rework its Study.

In February 2024, the Company submitted a supplemental Study addressing the missing and inadequate items Staff identified. Staff reviewed the supplemental Study and believes that it satisfies the requirements of the Order.

In addition, the Commission stated that "the study will be one critical component of Commission review…when it is time to address proposals for new program implementation." *Id.* This reflects the Commission's intent that after the Company establishes its Study, the

Company should prepare and submit a new ECR proposal. Staff therefore recommends that the Commission order the Company to submit a new ECR proposal within six months of the final order in this case with appropriate data, analysis, and explanation of each program element.

Components Included in the Study

Staff assessed the methods and results of the various components using accuracy, stability, and transparency as criterion in its evaluation, which is important not only to on-site generation customers, but also to all other customers who would pay the cost of the exported power through net power cost recovered through base rates and the Company's Energy Cost Adjustment Mechanism. Staff believes consideration of these criteria in the Company's ECR proposal will contribute to striking the most reasonable balance for ratepayers. Staff's review of the different components of the study include: (1) the netting interval used to determine the export quantity; (2) the avoided costs and rate design of an ECR; and (3) the size of the Project Eligibility Cap ("PEC") limiting the amount of capacity on-site generation customers can install.

Netting Interval

The Study examined (1) monthly, (2) hourly, and (3) instantaneous netting periods as directed. The Company clearly differentiates the netting periods from each other and explores their impacts in terms of revenue requirement, export payments, bill impacts, and administration costs.

Staff believes that the Study showed that instantaneous netting provides a more accurate and transparent structure. Staff also agrees with the Study's observation that the increased accuracy of instantaneous netting may encourage participating customers to align their consumption with their system's generation, which would benefit all ratepayers.

ECR Avoided Costs and Rate Design

Staff believes the value of an ECR should utilize principles of avoided cost to ensure that exported energy from on-site generating customers "sold" to the Company will hold all the

Company's customers harmless.[2] Staff believes the costs included for consideration in the study align with the principles of avoided cost and with the Commission's Order—including the cost of energy, capacity, risk, transmission and distribution, line losses, and environment. The Company also included information regarding the cost of integrating variable resources as a discount to the ECR. Staff recommends that when the Company files its proposed ECR, it should balance: (1) the accuracy of the costs avoided in the Company's system; (2) transparency of the rate design and included avoided costs; and (3) maintaining rate stability. Staff's review for each of the potential avoided costs follows below.

Avoided Energy Value

Avoided Energy Value is the most significant component in an ECR—often contributing 70 percent or more of an overall ECR value, based on the Study.

First, Staff believes an export-weighted average of the Energy Imbalance Market ("EIM") hourly prices is the most accurate method for valuing energy since the EIM is a real-time market price for non-firm energy. Also, because the pricing information is publicly available, it maximizes transparency. Because the EIM is a backward-looking measure, Staff also believes the Company should consider how often to update the energy value to maintain accuracy.

Second, the Company only presented a flat energy rate for the avoided energy value in its Study. The Company discussed the pros and cons of time differentiated rates; however, the Company did not provide any supporting data that one could use to inform a potential proposal.

Staff believes that the ECR should be time and/or seasonally differentiated with respect to the value of energy if it differs significantly depending on the time of day or season—thus ensuring a more accurate price signal. However, Staff also believes the Company should consider the amount of complication and understandability of how it develops the rate design to maintain transparency.

[2] *Indep. Energy Producers Ass'n, Inc. v. Cal. Pub. Utils. Comm'n,* 36 F.3d 848, 858 (9th Cir. 1994) ("If purchase rates are set at the utility's avoided cost, consumers are not forced to subsidize QFs because they are paying the same amount they would have paid if the utility had generated energy itself or purchased energy elsewhere.")

Avoided Capacity Value

Based on the Study, avoided capacity value is the second most consequential component in an ECR. Staff believes the Company should consider: (1) using the capacity factor ("CF") method over the top 100 peaking event method due to its added accuracy without sacrificing transparency and rate stability; (2) designing the rate such that avoided capacity value is compensated during those times of the day when the Company avoids the cost of capacity; (3) include an adjustment for the Company's deficit date but only if it can be calculated for the class; and (4) updating the ECR after each IRP.

Of the two capacity value determination methods explored by the Company in its Study, Staff believes the CF method is the most accurate. However, Staff believes the accuracy of the CF method depends on which year the Company uses to calculate the Loss of Load Probability ("LOLP") values. In the Study, the Company used LOLP values calculated for its hypothetical system in 2030. Staff believes it would be more accurate to use LOLP values calculated for the Company's system closer to the present year.

Second, Staff believes the Company should consider a rate design such that avoided capacity value is compensated during those times of the day when the Company avoids the cost of capacity. The true value of avoided capacity occurs during the Company's on-peak periods; therefore, it is more accurate to allocate the avoided capacity value during times of the day that drive the need for future capacity. Because customers have varying consumption patterns and can shift their consumption patterns to export more energy during these peak periods, a time-based rate would incentivize these customers to help the Company to avoid future capacity investments—which is a benefit to all customers.

Third, Staff believes that avoided capacity value should be determined and paid uniformly to all on-site generators without taking into consideration when individual customers began avoiding capacity cost in the system based on the deficit date of the system and the customer's on-line date. This is because the roster of on-site generation customers will continuously change—as will the overall system capacity deficit. Staff believes it would be administratively complicated and burdensome to track which customer systems contributed to alleviating the capacity deficit and which customer systems did not. Furthermore, the additional complication would detract from the transparency of the rate design and could raise questions of rate discrimination. A more practical approach could consider adjusting the value of capacity

avoidance for the deficit date based on an average for the class with regular updates as the deficit date changes.

Finally, Staff believes the avoided capacity value should be redetermined after the Company files its Integrated Resource Plan ("IRP"). Staff believes the Company should update these values and the ECR after each new IRP is filed. However, this should be done in a separate filing seeking Commission authorization as the Commission only provides acknowledgment of the Company's IRPs.

Avoided Risk Value

The Study explained how the Company performs statistical analysis of variations in load, hydro generation, market prices, and gas prices to determine an avoided risk value in its IRP. Based on the 2021 IRP, this value was about 3.9 percent of the energy value, and the Company incorporated this avoided risk value into its Study.

However, Staff believes that avoided risk value only exists if the energy value is based on *predicted* prices. If the Company decides to use *recent actual* EIM prices, the value of avoided risk would not be applicable—which would improve the accuracy and transparency of an ECR. Staff believes that this is another reason for the Company to use EIM pricing for determining the value of energy.

Avoided Transmission and Distribution Value

The Study shows that avoided transmission and distribution ("T&D") value is a relatively minor component of an ECR, typically contributing ten percent or less to the overall value.

The Company utilized the avoided transmission value and an avoided distribution value from the Company's most recent IRP. Staff believes that the IRP is the Company's best and most accurate source to determine these values for the Company's system. However, because these values will change with each iteration of the IRP, Staff believes these values and the ECR should be updated after each new IRP is filed, but these should be filed in a separate filing seeking Commission authorization—since the Commission only provides acknowledgment of the Company's IRPs.

Avoided Line Loss Value

According to the Study, avoided line loss value is a minor component of the ECR—typically contributing less than ten percent of the overall value.

The Company determines system-wide line loss percentages via a specialized study. The line losses are separately determined for the transmission system, the primary distribution system, and the secondary distribution system. Staff believes that it is reasonably accurate to assume that most energy exporters avoid transmission and primary distribution losses—but not secondary distribution losses. Therefore, it would be both accurate and transparent for the Company to calculate avoided line losses using only transmission and primary distribution losses.

Because line loss percentages are relatively stable, the Company infrequently conducts a line loss study. Therefore, Staff believes it is reasonable for the Company to update this component of the ECR only after it performs a new line loss study; this should also be done in conjunction with a routine filing that updates the ECR after it is implemented.

Environmental Value

As part of its Order for this Study, the Commission directed that the Study should examine avoided environmental costs and other benefits.

The Study concluded that the value of "global warming harm reduction is difficult to quantify." Study at 32. The Study also asserted that "the administrative costs would exceed any revenues generated from Renewable Energy Credit ("REC") sales." Study at 33.

Because the Commission has also stated in other ECR cases that the only types of costs that a utility should consider are those that are quantifiable and shown to affect rates,[3] Staff believes that the same principle would apply to a future Company ECR filing. If so, Staff believes that REC sales are the only environmental feature that currently has a quantifiable potential. The Company should address this consideration.

[3] Order Nos. 35284, 35631.

Integration Cost

The Company must carry resources in reserve to regulate the non-firm nature of customer-exported energy. This cost of integrating exports into the Company's system results in a minor reduction to an ECR.

In its study, the Company presented two options to quantify the integration costs: (1) the integration costs determined in the most recently published IRP; and (2) the integration costs currently approved by the Commission for use with qualified facility ("QF") pricing. The authorized integration cost for QFs comes from the reserve studies in the IRP and is only updated if there is a meaningful change between IRPs. Staff believes the QF authorized integration rates should be used because it would eliminate duplication of filings. However, the Company should consider the timing of the QF integration cost filing with updates to an ECR.

Project Eligibility Cap

Staff believes that the Study addressed Commission Order No. 34753 by providing an evaluation of existing PECs by considering caps set at 100 percent of demand and 125 percent of demand for each class.

25-kilowatt PEC

For the residential class, the Study compares the generic 25-kilowatt ("kW") PEC to the typical residential maximum peak load of 8.4 kW for Schedule 1 customers and 11.5 kW for Schedule 36 customers. In both cases, the generic 25 kW cap is greater than 125 percent of demand. The Study presents the 25 kW PEC as administratively simple, easy to understand, and discourages gaming. In contrast, the Study presents a demand-based PEC as administratively burdensome and frustrating for customers. Staff agrees that a demand-based cap would be difficult for the Company to implement across the comparatively large residential sector, could delay installations for customers without adequate data, and is not likely to provide a benefit beyond the generic PEC.

100-kilowatt PEC

For the 100 kW PEC for non-residential customers, the Study presents that the pros and cons are consistent with those from the residential sector. However, a 100 kW cap may be too small for a large energy user to completely offset demand. The Study suggests that large users

can apply to become a QF, but Staff believes the QF process is designed for customers whose primary purpose is to generate energy for profit and may not be optimal for on-site generators whose primary purpose is to offset load. The Study did not estimate the typical maximum peak load of its non-residential customers. Staff believes there may be customers limited by the 100 kW cap. Staff notes that the number of non-residential on-site generation customers is much lower than residential on-site generation customers; thus the administrative burden impact on the Company might be less than a residential customer. Staff believes the Company should quantify the impact, and reconsider the 100 kW cap for non-residential customers, if warranted, when the Company files to implement an ECR. Therefore, Staff recommends that the Company present in its ECR filing detailed analysis and justification using Advanced Metering Infrastructure ("AMI") data to support the Company's decision regarding the 100 kW non-residential customer cap.

Other Considerations

Staff evaluated the other considerations in the Study, and believes the information provided complies with Order No. 34753. Sections 10.0 and 11.0 in the Study discussed accounting, credit conversion, and credit expiration considerations. If the Company files to implement an ECR, the Company should define and distinguish between kilowatt-hour credits and net-billing financial credits. Ambiguous references to "credits" may create confusion. Staff also recommends that the Company clearly distinguish which policies will apply to legacy systems and which policies will apply to non-legacy systems.

PUBLIC INPUT

Public Workshop

Staff held a virtual public workshop on April 30, 2024, beginning at 6:00 pm. One customer attended and asked no questions.

Customer Comments

As of June 13, 2024, eight members of the public have submitted comments. All comments were similar in composition—often using the exact same wording. The verbatim

objection in every comment is that the Study underestimates the value of solar by intentionally excluding measurable environmental and related benefits that impact customer rates.

Public Hearing

The Commission has scheduled a customer hearing for Monday, June 17, 2024, from 5:00 pm to 8:00 pm in the South Room at the Idaho Falls Activity Center, 1575 N. Skyline Drive, in Idaho Falls.

STAFF RECOMMENDATION

Staff recommends the Commission:

1. Acknowledge that the Supplemental Study complies with Order No. 34753;
2. Direct the Company to submit a proposed ECR within six months of the final order for this case; and
3. Direct the Company to include in the ECR filing detailed analysis and justification using AMI data to support the Company's decision regarding the 100 kW non-residential customer cap.

Respectfully submitted this 13th day of June 2024.

Michael Duval
Deputy Attorney General

Technical Staff: Matt Suess, Jason Talford, Travis Culbertson

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13th OF JUNE 2024, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-23-17, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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