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Lead Counsel
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April 28, 2017

Ms. Diane Hanian
Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

RE: Compliance Filing in Case No. IPC-E-12-27
Annual 2017 Net Metering Status Report

Dear Ms. Hanian:

Pursuant to Order Nos. 32846 and 32925 in the above-mentioned case, Idaho Power Company hereby submits its Annual Net Metering Status Report for 2017.

If you have any questions regarding this filing, please contact Kristy Patteson at (208) 388-2982 or kpatteson@idahopower.com.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt
Enclosures
cc: Karl Klein, IPUC

**Idaho Power Company
Annual Net Metering Status Report
April 28, 2017**

Idaho Power Company (“Idaho Power” or “Company”) presents its Annual Net Metering Status Report to the Idaho Public Utilities Commission (“Commission”) as required by Order Nos. 32846 and 32925 in Case No. IPC-E-12-27.¹ The report begins with a status update as to current participation levels and growth rates and provides an overview of the customer and stakeholder workshop held in July 2016. The Company also updates its quantification of current cost shift, its growth forecast for its net metering customer count, and discusses how residential net metering customers’ use of the system and load profile suggest that it is appropriate to segment these customers into a class of their own. The report discusses system reliability and modern technological considerations, and concludes with an update on accumulated net excess energy credits and 2016 meter aggregation activity.

I. EXISTING NET METERING SERVICE

Current Participation and Growth Rates

As of December 31, 2016, Idaho Power’s net metering service consisted of 1,067 active systems with a cumulative nameplate capacity of 8.23 megawatts (“MW”). During calendar year 2016, participation in net metering service increased by 336 active systems (a 46 percent increase from the end of 2015) with incremental nameplate capacity totaling 2.92 MW. The additional systems were entirely comprised of new solar photovoltaic (“PV”) installations.

During the first quarter of 2017, growth continued with the Company adding 86 new active systems with aggregate nameplate capacity of 0.65 MW and 158 pending applications for a combined total of an additional 1.66 MW of nameplate capacity.² At the end of the first quarter of

¹ On page 19 of Order No. 32846, the Commission directed Idaho Power to “file an annual status report with the Commission discussing the net metering service. The report shall discuss, without limitation, the net metering service provisions and pricing and how distributed generation may be impacting system reliability.”

² At the end of the first quarter of 2016, the Company had 77 pending applications. Idaho Power’s experience has been that once an application for a net metering system is submitted, that system will come online within the next year.

2017, Idaho Power had 1,311 active and pending systems, which represents a 51 percent growth rate since the same time last year.

Tables 1 and 2 provide the total number of active and pending net metering systems and nameplate capacity by resource type, jurisdiction, and customer class.

Table 1: Number of Net Metering Systems³ - Pending and Active as of March 31, 2017

Idaho	Solar PV	Wind	Hydro/Other	Total
Residential	1,074	56	7	1,137
Commercial & Industrial	125	6	4	135
Irrigation	4	1	-	5
Total Idaho	1,203	63	11	1,277
Oregon				
Residential	16	1	-	17
Commercial & Industrial	8	-	-	8
Irrigation	9	-	-	9
Total Oregon	33	1	-	34
Total Company				
Residential	1090	57	7	1,154
Commercial & Industrial	133	6	4	143
Irrigation	13	1	-	14
Total Company	1,236	64	11	1,311

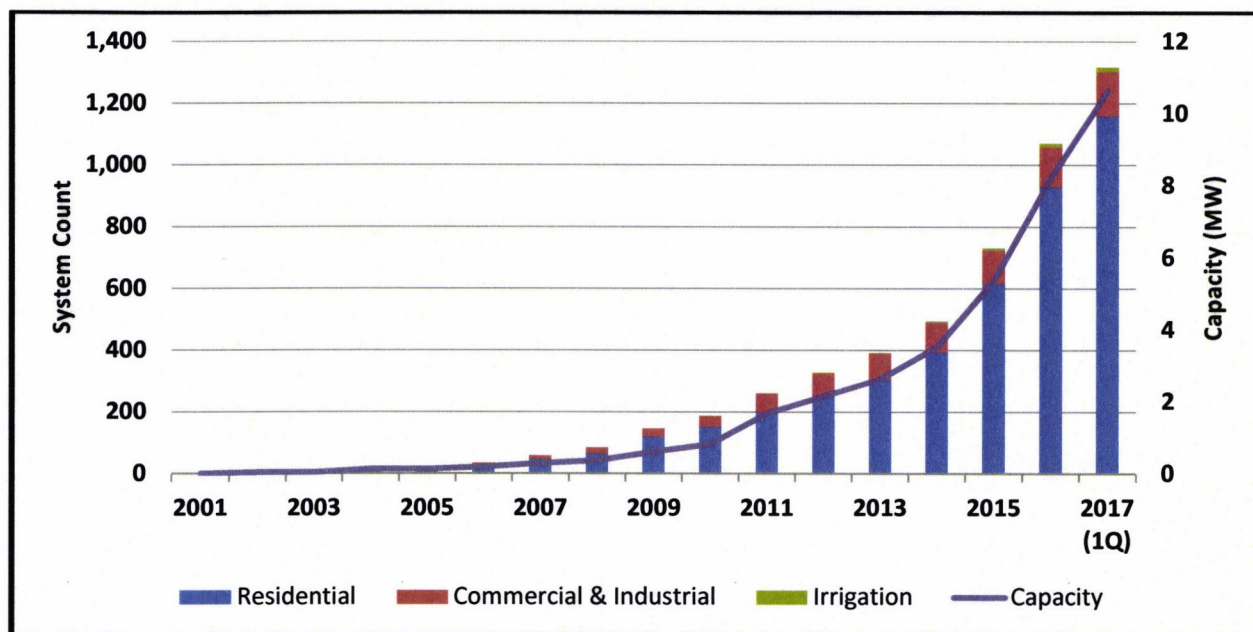
Table 2: Nameplate Capacity (MW) - Pending and Active as of March 31, 2017

Idaho	Solar PV	Wind	Hydro/Other	Total
Residential	6.49	0.29	0.07	6.85
Commercial & Industrial	2.34	0.04	0.09	2.47
Irrigation	0.22	0.04	-	0.26
Total Idaho	9.05	0.37	0.16	9.58
Oregon				
Residential	0.11	-	-	0.11
Commercial & Industrial	0.15	-	-	0.15
Irrigation	0.68	-	-	0.68
Total Oregon	0.94	0	0	0.94
Total Company				
Residential	6.60	0.29	0.07	6.96
Commercial & Industrial	2.49	0.04	0.09	2.63
Irrigation	0.90	0.04	-	0.94
Total Company	9.99	0.37	0.16	10.53

³ The Company's net metering database reports a new application as a "system." Some customers have increased capacity of an existing system or have installed a second system that is a different resource type; an expansion or additional system would be counted in Tables 1 and 2 as a separate system. This allows the Company to report capacity in the year in which it came online. Because an expansion of an existing system requires the filing of a new application, it is treated separately for tracking purposes.

Chart 1 details the increasing cumulative net metering system counts by customer class and net metering nameplate capacity growth from 2001 through the first quarter of 2017 (including pending applications).

Chart 1: Cumulative Net Metering System Counts and Capacity (by Customer Type)



Residential PV systems continue to make up the majority of growth in the Company's net metering service. Since the beginning of 2013, a total of 827 new active residential systems have been installed and only two of those were generation types other than PV. The continued expansion of the Company's net metering service demonstrates how the Company's grid continues to evolve, and underscores the need to evaluate the associated service provisions and pricing to ensure that Idaho Power can continue to offer safe, reliable, fair-priced electrical service now and in the future.

II. UPDATE ON 2016 CUSTOMER AND STAKEHOLDER WORKSHOP

In the 2016 annual net metering status report ("2016 Report") filed with the Commission on April 29, 2016, the Company indicated that it would be holding a customer and stakeholder workshop in the summer of 2016 to discuss a potential filing the Company was considering. After filing the 2016 Report, the Company notified existing net metering customers and those customers who had applied for net metering service that the 2016 Report was available and that

the Company would be holding a workshop to discuss the 2016 Report and a potential filing the Company was considering. In addition to reaching out to customers, Idaho Power also invited intervenors from Case No. IPC-E-12-27, as well as solar PV installers known to the Company.

The workshop was held at Idaho Power's corporate headquarters building in Boise, Idaho on July 27, 2016, and was attended by more than 140 current and potential net metering customers and stakeholders.⁴ The objectives of the workshop were to: (1) share the results of the cost shifting analysis presented to the Commission in the 2016 Report, (2) raise awareness amongst the Company's residential and small general service net metering customers about the issue of cost shifting and that the Company was considering making a filing that may seek to modify rate design, and most importantly (3) solicit input, feedback, and concerns from customers and stakeholders.

At the workshop, the Company presented participants with an overview of how Idaho Power quantifies the costs associated with providing service (revenue requirement), a brief explanation of how Idaho Power then assigns those costs to the various customer classes (class cost-of-service study process), as well as an explanation of how existing residential rates are established to collect those costs (rate design). The Company also presented the cost shift findings published in the 2016 Report.

A Company representative then discussed a potential "straw-man" for net metering residential rate design and the Company's evaluation of a filing that would include: (1) recognizing how net metering customers use the system differently by segmenting residential and small general service net metering customers into their own respective classes, and (2) addressing the cost shift caused by the existing residential rate design by establishing a rate that would collect more fixed costs through a higher fixed service charge from those classes. The Company also explained to participants that it was considering different options that could be proposed to mitigate the impact of the potential filing to existing net metering customers.

⁴ 124 participants attended in person and 18 attended the workshop remotely via WebEx.

At that point in the workshop, the Company asked participants for feedback regarding: (1) how Idaho Power should most fairly collect grid-related (fixed) costs from net metering customers, and (2) if Idaho Power were to suggest pricing changes, what options should be proposed to best mitigate the impact to existing customers. The Company received feedback from approximately 30 participants at the workshop and received six comments via an online comment submission form created exclusively for workshop participants to provide feedback to the Company. Generally, customers indicated that they were concerned with potential changes to rate design for net metering customers and emphasized that there are other factors the Company should consider, such as the benefits of solar to the grid, before making changes to pricing for net metering customers.

The feedback the Company received at the workshop and in the weeks following the workshop has been beneficial in evaluating what changes the Company might propose with regards to the net metering service. The Company continues to believe modifying the net metering service provisions and pricing is essential to ensure that Idaho Power can continue to offer reliable and fair-priced electric service now and in the future for *all* of its customers – including those who wish to install on-site generation.

III. COST SHIFTING

As discussed in Case No. IPC-E-12-27 and in annual net metering status reports to the Commission, the current practice of applying standard retail rates to net metering service creates the potential for inappropriate cost shifting between net metering customers and standard service customers. The potential for cost shifting is especially large within the Company's residential and small general service classes because a higher percentage of fixed costs are collected through a volumetric energy rate from these customers as compared to other customer classes. Idaho Power's residential and small general service customers are currently billed through a two-part rate design consisting of a \$5.00 monthly service charge with volumetric energy rates collecting the rest.

In November 2016, the National Association of Regulated Utility Commissioner's ("NARUC") Staff Subcommittee on Rate Design issued the *Distributed Energy Resources Rate Design and Compensation* manual ("NARUC Manual") and acknowledged that "traditional utility and regulatory models built on the assumption of the utility providing enough electricity to meet the entire needs of its service territory are under pressure" by the installation of distributed generation.⁵ The NARUC Manual also acknowledged the presence of cost shifting caused by traditional net metering stating that in the case of distributed energy resources, "often the billing determinants are lowered to mitigate the pressure on revenue collection effected by lower sales. Thus, the decline in usage would effectively be shifted to other customers when the billing determinants are reset to account for the decreased revenue received" from distributed energy resource customers.⁶

Update on Quantification of Current Cost Shift

In the 2016 Report, Idaho Power stated that there was an estimated cost shift of approximately \$55,712 per year from residential net metering to residential standard service customers occurring as of calendar year 2015. This represented 12 percent of the total revenue requirement for the 366 residential net metering customers who had a full 12 months of billing data during 2015. Using that same methodology, the Company updated its analysis to quantify the amount of cost shifting that occurred in 2016 from the 566 residential net metering customers who had a full 12 months of billing data during 2016. The results of the updated quantification of cost shift were that those 566 customers represent a \$116,682 (18 percent of the total \$665,969 revenue requirement) cost shift.

IV. FUTURE POTENTIAL ADOPTION RATES

The residential customer segment continues to see tremendous growth in the adoption of net metering. As described in the 2016 Report, the Company used historical growth trends to inform the estimation of residential net metering customer counts through the scheduled 2021

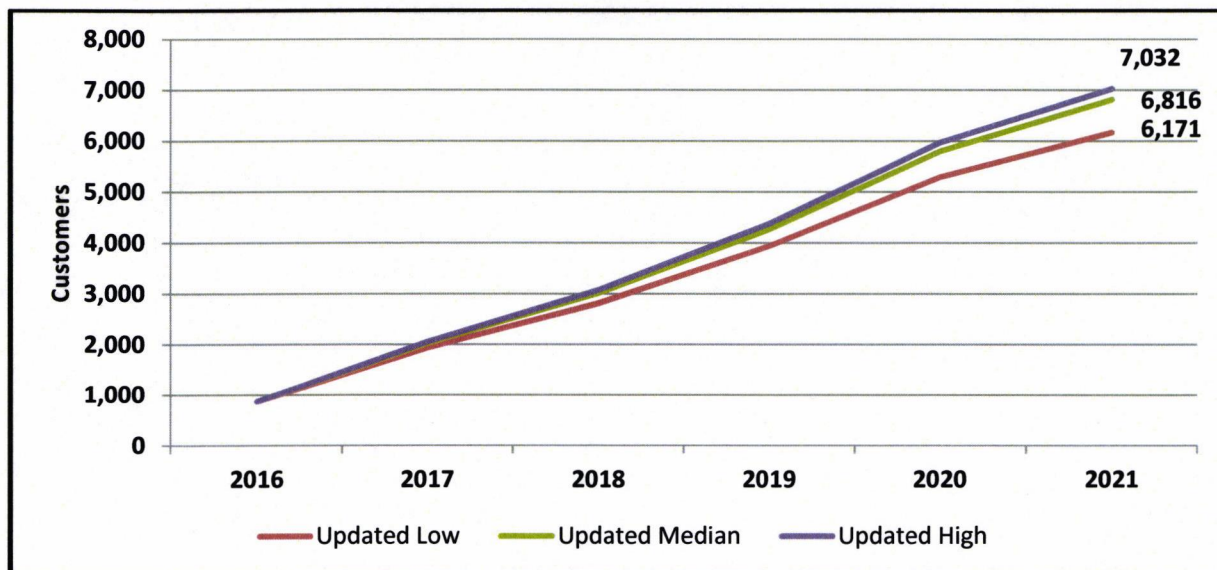
⁵ NARUC Manual, p. 16.

⁶ *Id.* at 67.

expiration of the federal investment tax credit (“ITC”).⁷ Three forecasted growth scenarios were developed based on the distribution of year-over-year growth rates by month as experienced over the past 18 months. The “Median” scenario represented the median of the growth rate distribution, the “Low” growth scenario was based on the 10th percentile of growth rates and the “High” growth scenario was based on the 70th percentile of growth rate.

In the 2016 Report, the Company reported forecasted 2016 year-end residential net metering counts of the low, median, and high scenarios to range from 746 to 873 customers. At the end of 2016, Idaho Power had 869 active customer agreements for residential net metering, demonstrating that the Company’s Median forecasted customer counts in the 2016 Report understated the potential growth in the residential net metering service. Given the rapid increase in the number of residential net metering installations, Idaho Power recalibrated its residential net metering customer forecast model since filing the 2016 Report. The Company updated the historical collection period through a more recent term ending January 2017, where the previous forecast model was constructed using customer growth data ending March 2016.

Chart 2: Updated Forecast Growth in Residential Net Metering Customers



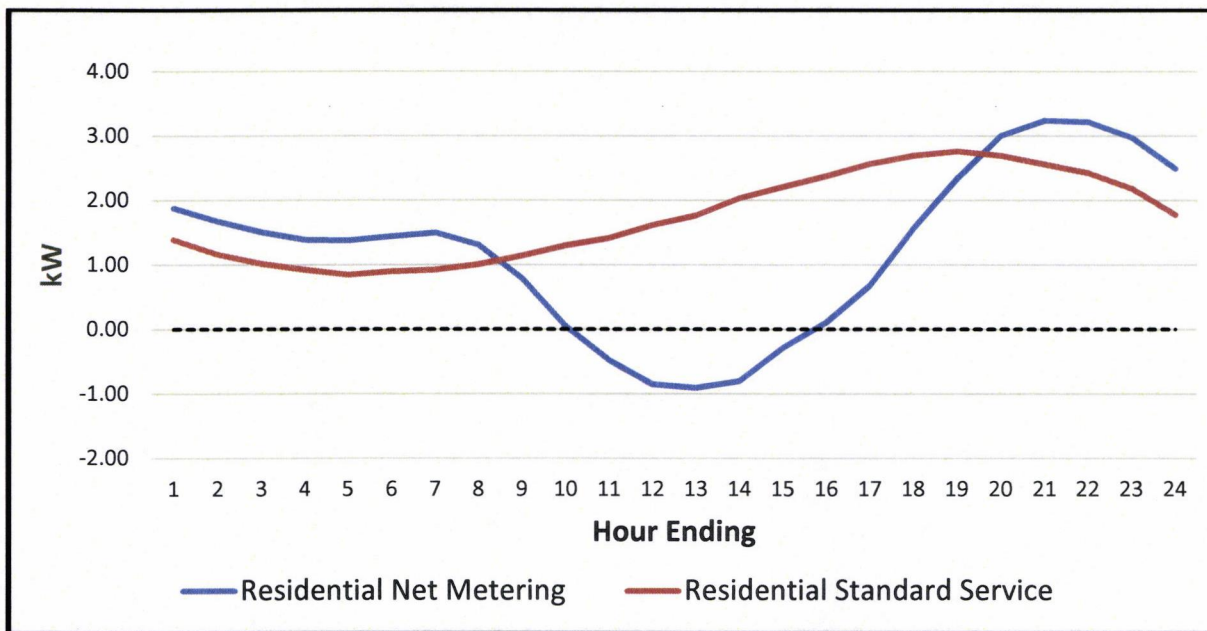
⁷ A taxpayer may claim a credit of 30 percent of qualified expenditures for a system that serves a dwelling unit located in the United States that is owned and used as a residence by the taxpayer. The Consolidated Appropriations Act, signed in December 2015, extended the expiration date for PV and solar thermal technologies, and introduced a gradual step down in the credit value for these technologies. The 30 percent ITC was extended through 2019 and is scheduled to reduce to 26 and 22 percent in 2020 and 2021, respectively. After 2021, the residential credit will drop to zero while the commercial and utility credit will drop to a permanent 10 percent.

Using these historical growth trends, the Company projects residential net metering customer counts to be as high as 7,032 customers or as low as 6,171 customers, with the median growth rate resulting in 6,816 net metering customers in 2021.

V. CHARACTERISTICS OF THE AVERAGE RESIDENTIAL NET METERING CUSTOMER

Chart 3 compares the average load profile calculated from the Company’s residential standard service customer class to the average load profile calculated from the Company’s residential net metering customer segment on the day of the 2016 adjusted peak.⁸ The chart demonstrates that in addition to peaking two hours later, the Company’s residential net metering customers have a larger demand than the Company’s average residential standard service customers.

Chart 3: 2016 Adjusted System Peak Day (June 29, 2016)



Generally, solar generation peaks in the early afternoon, before the residential customer class peaks and before the residential net metering customer segment peaks; the peak reduction in kilowatts (“kW”) provided by the PV system does not align with peak usage of the residential net metering customers.

⁸ The adjusted system peak day represents the hour at which the system would have peaked had the Company not dispatched its demand response programs. This methodology is consistent with the filed class cost-of-service study from the Company’s last general rate case (IPC-E-11-08).

Because of the current pricing structure, some customers may be incented to orient their systems south-facing, such that they capture the most kilowatt-hours (“kWh”) production over the course of the day; this enables the customer to offset or “net off” the maximum amount of energy over the course of a billing month. If the customer had a pricing signal that incented them to orient their system in a way that might better align with the Company’s system peak hours, when there is a higher demand for electricity, the net metering customer may contribute to a reduction in the system peak. The prevalence of south-facing systems reflects a misalignment between the retail rate net metering compensation method versus the potential value the customer’s generating system could provide to the grid.

VI. ESTABLISH SEPARATE CUSTOMER CLASSES FOR NET METERING CUSTOMERS

Idaho Power believes it is appropriate to establish a separate class for a segment of customers who have different costs of service or where the nature or type of load is distinctly different. This practice is generally accepted in the utility industry for the purpose of cost analysis and rate-setting because each class is assumed to have different characteristics than the other class. In Order No. 26780, the Commission described class differentiating characteristics identified in *Idaho State Homebuilders v. Washington Water Power*⁹ – “cost of service, quantity of electricity used, differences in conditions of service, or the time, nature and pattern of use” as “guidelines the Supreme Court has set for the Commission to use to evaluate whether there is a reasonable justification for setting different rates and charges for different classes of customers.”

Residential is distinguished from commercial use by the nature of energy use, not by the amount of energy used. Similarly, the nature and pattern of energy used by residential and small general service net metering customers is different than the standard residential and small general service customers. The standard service residential customer segment only consumes

⁹ The Idaho legislature authorizes the Idaho Public Utilities Commission in *Idaho Code* §§ 61-502 and -503 to determine just and reasonable rates, charges, classifications, rules, regulations, practices, or contracts for utility service in Idaho. This authority is limited by the prohibition against discrimination and preference in *Idaho Code* § 61-315. The Idaho Supreme Court interpreted § 61-315 to identify factors that lawfully differentiate between classes of customers in *Idaho State Homebuilders v. Washington Water Power*, 107 Idaho 415, 420, 690 P.2d 350, 355 (1984).

energy from the grid, while the residential net metering customers consume energy from the grid and deliver excess net energy to the grid when not consuming all generation on-site. That is, the standard service customer has a *one-way* relationship with the grid while the net metering customer has a *two-way* relationship. Further, while the daily demand requirements of the two customers may be similar, net metering customer's net monthly energy as a basis for billing does not reflect their utilization of the grid.

When a net metering customer generates either the same amount or more energy from their system than they utilize over the course of the month, the customer's use will net to zero; this is commonly referred to as a "net zero" customer. However, during certain hours of the month, the net zero customer is a net exporter of energy to the grid, and during other hours of the month, the customer is a net consumer of energy from the grid. The net-zero customer utilizes all aspects of Idaho Power's grid during the hours they are consuming energy (including the generation, transmission, and distribution systems) but then also utilizes the distribution system during the hours they are exporting energy to the grid. To illustrate this, Chart 4 compares the hourly usage of a net zero residential net metering customer on the Company's 2016 adjusted system peak day to the hourly usage of a standard service customer whose home is on the same street as the net zero net metering customer. This chart highlights how the net metering customer uses the grid differently – that is, they use the grid to export excess net energy in those hours when on-site consumption is less than generation, and they use the grid to consume energy in those hours when on-site consumption is more than generation.

Chart 4: Residential Net Metering Customer vs. Standard Service Residential Customer

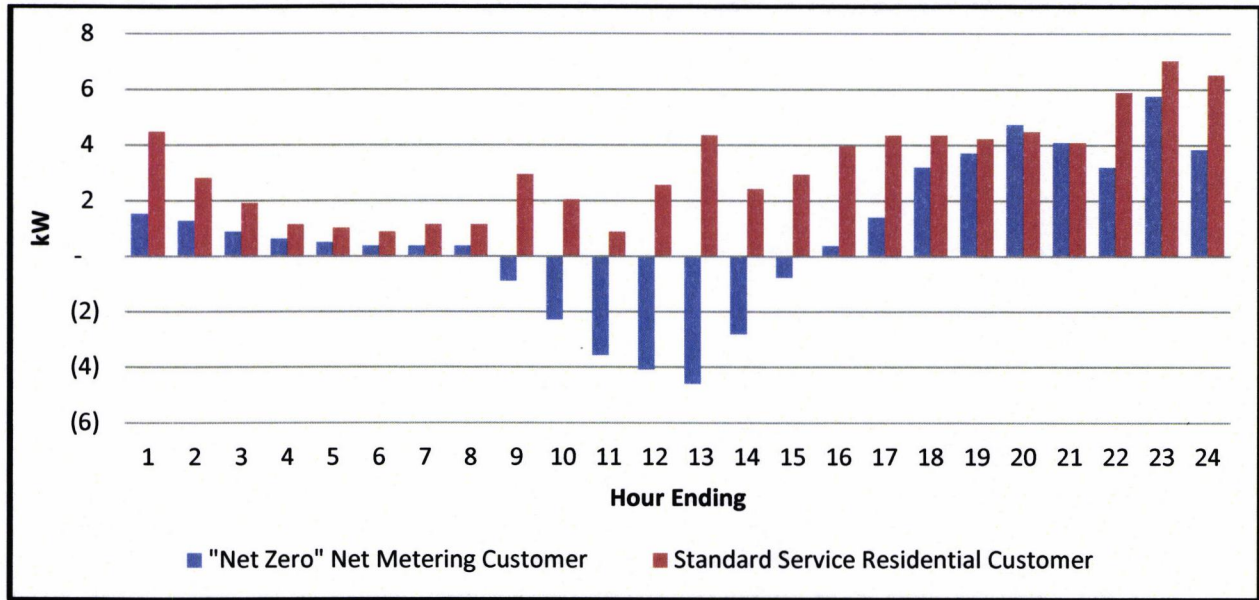
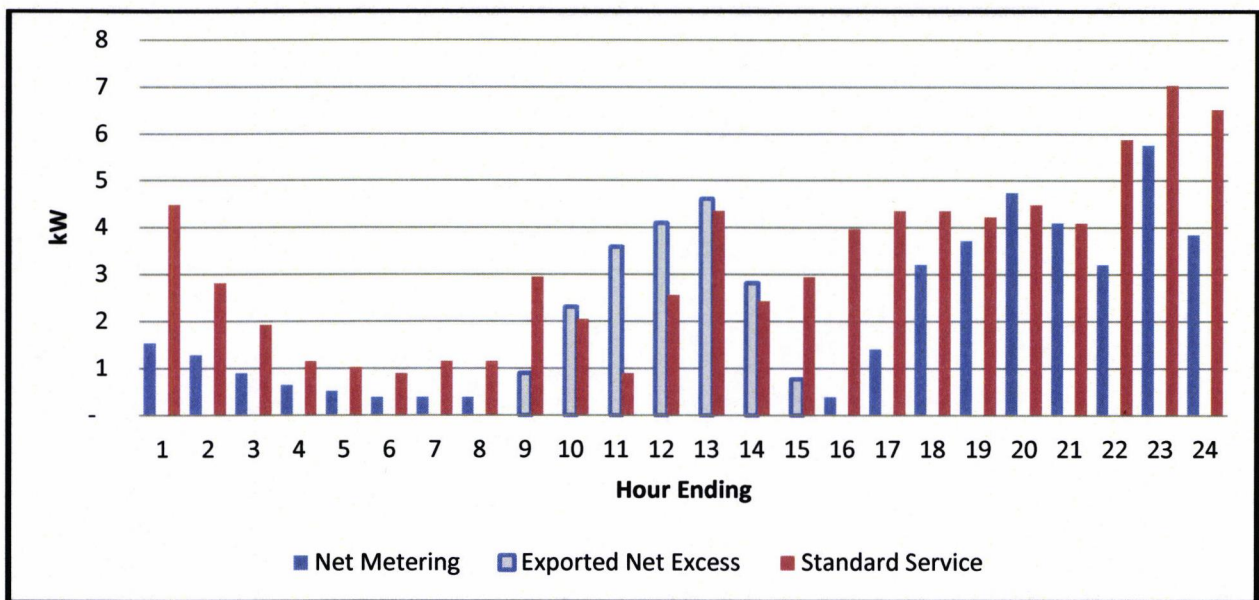


Chart 5 demonstrates that the net monthly energy consumed by the net metering customer is not representative of their utilization of the grid, which is more accurately reflected by the measured demand (kW). This chart uses the absolute value of the hourly measurements, which reflects the utilization of the distribution system, regardless of which direction the energy is flowing. Chart 5 also illustrates that, just like the standard service residential customer, the residential net zero customer is using the grid during all 24 hours of the day.

Chart 5: Utilization of the Distribution System



While the net zero customer utilizes the grid to a similar degree as the nearby standard service customer, the current rate design of billing residential net metering customers a nominal service charge coupled with the remaining variable and fixed cost recovery through a volumetric rate does not collect the appropriate amount of costs from that customer. Table 3 below shows the 2016 base rate revenue received from both customers described above. While the net zero customer uses the grid every hour of every day of the year, that customer will not be billed for any kWh charges (and will avoid paying for fixed costs in excess of \$5 per month) so long as the sum of the hours with excess generation exported to the grid is greater than the sum of the hours when the customer was consuming from the grid. On the other hand, the neighbor of the net zero customer, who consumed all of their energy needs from the grid, paid base rates of \$1,225.

Table 3: Annual Utility Bill Comparison (net zero customer and nearby residential customer)

	<u>"Net Zero" Residential</u>	<u>Nearby Residential</u>
Service Charge	\$60	\$60
kWh Charges	0	1,165
Total	\$60	\$1,225

While these two customers look similar from a utilization standpoint, the current pricing structure was only intended to appropriately collect costs from the standard service customer who uses the system in one direction, drawing all of their energy needs from Idaho Power's system.

The Company is not the first to look at addressing the potential for cost shift that exists with net metering customers. Utilities across the country are examining how to best address the issues created by existing rate designs and the issues created by the historical practice of a one-for-one kWh credit established at the retail rate. The Company continues to believe that proper rate design is the appropriate means for addressing the existing cost shift that will continue to grow with the further adoption of distributed generation in its service area. Idaho Power has carefully monitored the increasing penetration in its system and believes that establishing new customer classes for the residential and small general service net metering

customers will enable the Company to address what an appropriate pricing and compensation structure is in a future rate case. The NARUC Manual noted that the “important point is that a jurisdiction be situated to analyze, plan, and be prepared for its next steps before the market and customer adoption rates overtake its ability to respond.”¹⁰

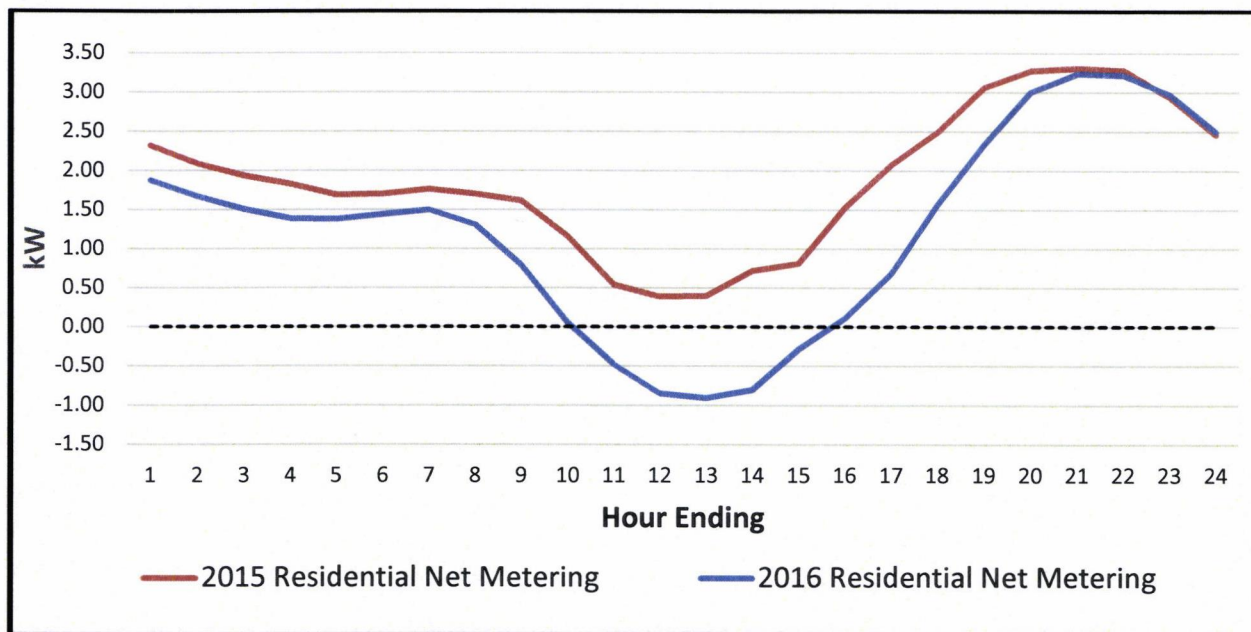
VII. SYSTEM RELIABILITY CONSIDERATIONS

System Operations

While the overall customer-sited generation compared to Idaho Power-controlled generation is relatively small, the Company continues to study the load profile of its residential net metering customer segment to stay cognizant of changing grid conditions with increased participation in net metering. Chart 6 compares the average load profile calculated from the Company’s residential net metering customer segment on the 2015 adjusted system peak day (June 29, 2015) to the average load profile calculated from the Company’s residential net metering customer segment on the 2016 adjusted system peak day (June 29, 2016). The chart demonstrates how the 2016 ramp-up caused by decreasing customer-sited generation starting mid-day combined with increasing loads starting in the early evening, is becoming steeper, which could eventually cause a challenge for Idaho Power’s grid operators. During this period, the Company must quickly ramp-up or ramp-down Idaho Power-controlled generation resources to meet an increasing or decreasing electricity demand – sometimes referred to as load following. Chart 6 also demonstrates that, when the load curve is less than or equal to zero, the net metering customer is generating more energy than they are using.

¹⁰ NARUC Manual, p. 62.

Chart 6: Net Metering Load Profiles for 2015 and 2016



In order to achieve system reliability, Idaho Power must continuously match the demand for electricity with supply on a second-by-second basis. As participation in the Company's net metering service continues to grow, it may become more challenging to achieve this balance.

Distribution System Reliability

The Company's electrical distribution system continues to experience net metering system growth throughout its electrical distribution circuits. Because the current penetration level on most of the distribution circuits is relatively small as compared to distribution circuit loads, distributed generation has not had a significant impact on distribution system reliability.

There are approximately 650 electrical distribution circuits in the Company's service area. As of March 31, 2017, there were 1,153 active net metering systems totaling approximately 8,900 kW on 324 distribution circuits. This compares to 790 active systems across 282 distribution circuits that were reported on March 31, 2016. The circuits that contain the greatest number of net metering systems are largely located in northeast Boise and in the Wood River Valley area, while the circuits that contain the greatest amount of connected net metering capacity tend to be located in mostly agricultural and rural areas. The greatest number of active net metering systems that currently exist on a single distribution circuit is 30

totaling approximately 139 kW. On another distribution circuit, from a capacity perspective, seven generators (all solar) rated at approximately 606 kW are located on that single distribution circuit. That circuit serves mostly rural customers with a calculated summer peak load of approximately 1,900 kW. The net metering penetration on the circuit is approximately 32 percent. The net metered connected kW capacity on the Company's distribution system continues to remain small and the Company has not yet experienced significant operational impacts on these circuits.

Net metering installations are typically unique in both customer-specific system attributes, as well as the Company's facilities at a location. The Company reviews several factors when determining the feasibility of connecting a new net metering system. This review may include determining if there is adequate transformation and conductor capacity, as well as a phasing (single- versus three-phase) match. The Company has not denied any net metering applications due to system limitations, but continues to carefully monitor requests for connection to ensure ongoing safe and reliable service is available to both existing and new customers.

The Company will continue to monitor the effects of net metering service on its system including tracking the locations and connected capacities of net metering customers and comparing connected capacities to minimum circuit loads. As net metering system penetration increases, the Company will keep the Commission apprised of experienced or anticipated system reliability impacts and will propose mitigation as needed. This may include additional inverter requirements such as smart inverter technology, which can mitigate many high penetration issues.

VIII. 2016 EXCESS NET ENERGY CREDIT TRANSFERS

Accumulated Net Excess Energy Credit Balances

In Order No. 32846, the Commission stated:

[W]e find it fair, just, and reasonable for the kWh credit to indefinitely carry forward to offset future bills for so long as the customer remains on the net metering service at the same generation site. Allowing the credits to carry forward indefinitely ensures that customers will be able to use their

credits when they need them and thus receive the benefits of their systems.

On reconsideration, Idaho Power asked the Commission to clarify that it could implement excess net energy credit methodology effective with each customer's January 2014 bills, which the Commission authorized in Order No. 32872.¹¹ Since the implementation of the kWh crediting for excess net energy in January 2014, the Company has accumulated significant unused kWh credit balances. The Company had accumulated approximately 0.5 million, 1.3 million, and 2.3 million unused excess net energy credits by the end of years 2014, 2015, and 2016, respectively. This growing accumulation of unused excess net energy credits represents a potential liability on the Company's financial statements that is both difficult to assign a value to and has the potential to never be relieved, which may add undue risk to the Company's financial position. Idaho Power will continue to monitor the accumulation of unused excess net energy credits and will notify the Commission if it becomes necessary for the Company to seek a change in how these credits are accounted for.

Manual Meter Aggregation

Schedule 84, Customer Energy Production Net Metering Service ("Schedule 84"), provides for net metering customers to submit requests to transfer excess net energy credits between January 1 and January 31 of each year. The Company applies the following criteria from Schedule 84 to all requests received:

- i. The account subject to offset is held by the customer; and
- ii. The meter is located on, or contiguous to, the property on which the Designated Meter¹² is located. For the purposes of Schedule 84, contiguous property includes property that is separated from the premises of the Designated Meter by public or railroad rights of way; and
- iii. The meter is served by the same primary feeder as the Designated Meter at the time the customer files the application for the Net Metering System;¹³ and

¹¹ Order No. 32872, p. 3.

¹² Schedule 84 states the Designated Meter "is the retail meter physically connected to the Net Metering System."

¹³ Schedule 84 states the Net Metering System "is a Customer-owned Generation Facility interconnected to the Company's system under the applicable terms of Schedule 72 and Schedule 84."

- iv. The electricity recorded by the meter is for the customer's requirements; and
- v. For customers taking service under Schedule 1 or Schedule 7, credits may only be transferred to meters taking service under Schedule 1 or Schedule 7. For customers taking service under Schedule 9, Schedule 19, or Schedule 24, credits may only be transferred to meters taking service under Schedule 9, Schedule 19, or Schedule 24.

On December 6, 2016, net metering service customers were sent a letter outlining the meter aggregation process, the requirements, and the deadlines for customers to submit an application for transfer of eligible excess net energy credits. A copy of the transfer request form and a Frequently Asked Questions document were sent with the letter (both of which are available on the Company's website).¹⁴ Finally, the Company posted a message on all net metering service customers' December bills informing them of the upcoming transfer window.

Given the costs associated with system customization, the Commission directed Idaho Power in Order No. 32925 to keep it apprised of the number of customers choosing to transfer excess net energy credits under the newly-approved meter aggregation rules. As of the January 31, 2017, deadline, the Company received 41 applications for transfer and those applications were reviewed during February against the Schedule 84 criteria.

Based on the criteria, the Company determined that 34 of the requests were eligible for transfer. The total amount transferred was 478,990 kWh generated from net metering systems taking service under Residential (36 percent), Small General (31 percent), and Large General (16 percent) and Irrigation (17 percent) rate schedules. The 478,990 kWh were transferred to customers taking service under Residential (67 percent) and Large General (16 percent) and Irrigation (17 percent) rate schedules.

The Company received seven applications that were ultimately found to be ineligible for transfer based on the following:

- Six applicants did not have excess net energy credits.
- One applicant requested a transfer to a meter on a property that was not on a compatible rate schedule.

¹⁴ <https://www.idahopower.com/AboutUs/BusinessToBusiness/GenerationInterconnect/netMetering.cfm>

The Company contacted by phone all of the customers who had requested a transfer but whose applications were denied to explain the reason the requested transfer could not be completed.

IX. CONCLUSION

Idaho Power continues to believe that in order to facilitate the expansion of distributed generation in a safe, reliable, and fair manner, net metering rate design must be addressed sooner rather than later. Between the first quarters of 2016 and 2017, pending and active net metering systems in Idaho Power's service area have increased 51 percent. This growth brings the potential for significant cost shifting to occur from the Company's net metering customer segment to the standard service customer classes, most prominently within the residential and small general service customer classes. Given the real and discernible differences between residential and small general service net metering customers and standard service residential and small general service customers, Idaho Power believes it is appropriate to establish new customer classes for these segments. Establishing new customer classes for the residential and small general service net metering customer segments will enable Idaho Power to better allocate costs based on how those customers use the Company's grid.

The growth in net metering service since 2001 demonstrates how the Company's grid is evolving and underscores the need to evaluate the associated service provisions and pricing to ensure that Idaho Power can continue to offer safe, reliable, fair-priced electrical service now and in the future. Idaho Power will continue to work with its customers and stakeholders to inform the timing and scope of any filing that will address the Company's net metering service provisions or pricing.