

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR) **CASE NO. IPC-E-12-27**
AUTHORITY TO MODIFY ITS NET)
METERING SERVICE AND TO INCREASE)
THE GENERATION CAPACITY LIMIT) **ORDER NO. 32846**
)

On November 30, 2012, Idaho Power Company applied to the Commission for authority to modify its net metering service. The Company initially said its proposal would impact 350 net metering customers to varying degrees, depending on how they use and generate energy. During this proceeding, the number of net metering customers was updated to 386. Tr. at 18. The Company asked the Commission to issue a final Order by July 1, 2013. *See* Application.

On January 15, 2013, the Commission issued a Notice of Application and Notice of Intervention. *See* Order No. 32715. The Idaho Conservation League; PowerWorks, LLC; Pioneer Power, LLC; City of Boise; Snake River Alliance; and Idaho Clean Energy Association, Inc. intervened in the case, and a prehearing conference was held on March 21, 2013. The Commission then issued an Order setting a case schedule, including public workshops. *See* Order No. 32767. On April 23, 2013, the Commission scheduled technical and public hearings for June 11, 2013. *See* Order No. 32794. The workshops and hearings occurred as scheduled.

Having carefully reviewed the record, including the Application, testimony, and comments, the Commission enters this Order: (1) declining to cap net metering capacity and instead directing the Company to periodically report on its net metering service; (2) declining to modify the net metering pricing structure or move residential and small general service net metering customers into new classes; (3) requiring the Company to issue a per kWh credit for excess generation, with the credits to expire only when the customer ends service; and (4) approving Exhibit 8, that resolves parties' concerns about interconnection language proposed in proposed Schedule 72. The Commission's Order is more thoroughly explained below.

THE APPLICATION

Idaho Power's Application asks the Commission to approve four changes to the net metering service: (1) increasing the net metering cap; (2) changing the net metering pricing structure;

(3) changing how excess net energy is billed; and (4) changing tariff provisions regarding interconnection with net metering customers. The proposed changes are summarized below.

A. Net Metering Cap

The Company seeks to increase the net metering service capacity cap from 2.9 megawatts (“MW”) to 5.8 MW. Application at 4. The Company says if the cap is not increased, the Company will reach that limit within six months and will have to refuse new net metering applications. *Id.*¹

B. Net Metering Pricing Structure

The Company proposes to change the net metering service pricing structure for residential service and small general service customers. Presently, all net metering customers take service under Schedule 84, “Customer Energy Production Net Metering.” *Id.* at 9. Under the current pricing structure, the Company pays net metering customers a full retail energy rate for the power they generate. However, the full retail energy rate is higher than the generation-related revenue requirement embedded in rates. It includes cost recovery for all components of the Company’s electrical system, including transmission, distribution, and customer-related costs. The Company says that paying the full retail energy rate to net metering customers enables net metering customers to unduly reduce what they pay the Company for its costs associated with the non-generation-related components of revenue requirement. The Company says this is unfair to standard service customers, who must then compensate the Company for any revenue shortfall. *Id.* at 5; Tr. at 38.

The Company proposes to reduce the potential inequity by removing recovery of all distribution-related fixed costs from the energy charge and changing the pricing structure by removing residential and small general service customers from Schedule 84 and renaming it “Large Customer Net Metering.” *Id.* at 9. The Company would then implement two new tariffs for residential and small general service net metering customers: Schedule 6 for “Residential Net Metering Service,” and Schedule 8 for “Small General Net Metering Service” customers. The proposed changes would (1) increase the monthly customer/service charge from \$5.00 to \$20.92 for residential service and from \$5.00 to \$22.49 for small general service; (2) set up a basic load capacity charge (“BLC”) of \$1.48 per kilowatt (“kW”) for residential and \$1.37 per

¹ In its Application, the Company asked the Commission to waive the existing cap during this proceeding. The Commission granted the Company’s waiver request in Order No. 32715.

kW for small general service to reflect the full cost-of-service associated with their use of the distribution system; and (3) uniformly reduce the energy charges for residential and small general service to target the same level of total revenue recovery that would exist under the standard service rate design. *Id.* at 6. The Company says the proposed rate design addresses many of the same fixed-cost recovery concerns as the Fixed Cost Adjustment (“FCA”); thus, Schedule 6 and Schedule 8 customers would not be subject to the FCA rates contained in Schedule 54. *Id.* at 7.

The Company asks that modified Schedule 84 and new Schedules 6 and 8 take effect on October 1, 2013. *Id.* at 11.

C. Excess Net Energy

The Company proposes to change how it bills excess net energy under Schedule 84. The Company presently pays customers who generate more energy than they use (“Excess Net Energy”). The Company proposes to stop paying the customers for Excess Net Energy and instead provide them with a kWh credit for the excess energy they generate in each billing period. This credit can be carried forward and applied against use in future billing periods, but any kWh credits remaining after the December billing period will expire. *Id.* at 7-8. The Company says that customers who want to continue selling generation for payment can do so as a qualifying facility by procuring a sales agreement through Schedule 86. *Id.* at 8. The Company wants the excess net energy billing changes to take effect at the start of each customer’s January 2014 billing period. *Id.* at 11.

D. Interconnection Requirements

The Company proposes re-organizing Schedule 72, “Interconnections to Non-Utility Generation,” to define the net metering application process and add an unauthorized installation section. The Company proposes that modified Schedule 72 take effect on October 1, 2013. *Id.* at 11.

PUBLIC TESTIMONY AND COMMENTS

The Commission received hundreds of written comments in this proceeding. In addition, 26 customers testified at the public hearing. The public participants included private citizens and businesses, civic groups, and municipalities. Much of the public input reinforced the parties’ testimony on the issues in this case. For example, private resident Sienna White, whose family installed solar panels on their home, testified that with the Company’s proposed

changes, “this previously logical and good investment doesn’t make financial sense. These proposed changes destroy many of the original incentives to install solar.” Tr. at 570-571. Greg Olson, who installs small and large solar net metering projects, testified that the Company’s proposal would shut down his net metering business and constrain him to installing solar panels for persons who are not connected to the grid. Tr. at 561-563. Kelley Dagley, who owns a private residential net metering system, explained that if he had not previously installed his net zero system, as a large consumer of electricity he would have been able to manipulate the Company’s proposed rules: “[I]f I hadn’t put the system in, it would be very advantageous to me because I could just go out and buy one panel, throw it on, and save a lot of money on my rates without actually doing anything good for the environment or being net zero or helping out Idaho Power or helping out my neighbors by sending electricity over to them.” Tr. at 551. Mary McGown, who testified for The League of Women Voters of Idaho, stated:

The proposed changes . . . would negatively affect the opportunities to generate renewable energy from residential and small businesses’ rooftops, farmsteads, and other decentralized facilities. Like investing in better windows or more insulation to conserve energy and lower electric bills, net metering is a way that customers can exercise some control over their energy bills. In doing so, they are generating electricity that has value to the Utility and other customers.

The electric utility industry has been and is undergoing radical changes in how electricity is generated, how it is conserved, how rates are structured, even what services a utility provides. Idaho Power Company’s net metering proposal is backward-looking when a forward-looking approach would benefit customers.

About 20 years ago, Idaho Power Company had a program to help customers design and install off-the-grid solar systems if a distribution line extension beyond a certain length would be required to provide electricity to those residences. Maybe the Company should consider reviving and updating a rooftop solar program. What would be the energy outcome of investing even half the amount of money in distributed generation as it proposes to spend updating a coal-fired plant?

Tr. at 536-538.

Apart from public testimony on the merits of the Company’s proposal and the impact it will have on customers and others, the Company was criticized for not clearly advising the public that it would propose these changes. For instance, John Ryan testified: “I regret very

much how Idaho Power's proposal was launched in late 2012 without any prior input from stakeholders. Instead of seeking mutual solutions, Idaho Power chose to take an aggressive adversarial stance against its ratepayers." Tr. at 566.

Many other comments were received along these lines. We will not repeat them here, but will discuss many of the points made by the public when we discuss the parties' testimony below.

Commission Decision: The Commission greatly appreciates the extent of public participation in this case. The public input was especially thoughtful and thorough and, based on the record before us, we find that the public overwhelmingly opposes the Company's Application. Moreover, we are concerned that the Company did not seek out or consider customer input before proposing such dramatic changes to the net metering provisions. We applaud the Company for bringing this case and these issues to our attention. However, we advise the Company that it would enhance consideration of future major program-specific changes if it informed and obtained feedback from its customers and other stakeholders before proposing them.

TESTIMONY OF PARTIES

The Company supported its Application through direct testimony discussing the above information. *See* Tr. at 21-54. The Commission Staff, ICL, ICEA, Pioneer Power, and the City of Boise responded with their own testimony, and the Company then filed rebuttal testimony. In this section, we address the parties' positions on the four main issues in this case: i.e., the Company's proposed changes to the net metering capacity cap, rate structure, excess net energy compensation, and interconnection rules.

A. Net Metering Cap

The Company proposes doubling the net metering service capacity limit from 2.9 MW to 5.8 MW. Staff concurred with the Company's proposal. Other parties and members of the public generally opposed it. The arguments for and against the proposed cap are discussed below.

1. Commission Staff. Staff supports the Company's proposal to double the cap. Tr. at 333. In Staff's view, the cap establishes a check point for the Company and Commission to re-evaluate the net metering program's impact on the Company's system and customer rates and ensure the program is not harming standard service customers. Staff believes the interest in

having a check point outweighs the uncertainty that a cap might cause potential net metering customers and solar installers. *Id.* at 351-355.

2. ICEA. ICEA opposes the proposed cap because the Company has not demonstrated a reliability or economic need for a cap. ICEA notes even without a cap, Idaho has a regulatory process that allows the Company to evaluate its net metering service and apply for changes if needed. Further, the proposed cap is the lowest in the nation, and even without a cap the Company's net metering capacity would lag behind other states' because of Idaho's low electricity rates. The Company will likely reach the proposed cap by 2017, which introduces uncertainty into the system and increases the risk of investing in customer-owned generation. *Id.* at 271-275, 317-318, and 322. The proposed cap unnecessarily disrupts distributed generation businesses, negatively impacts most net metering customers, and is inconsistent with Idaho's policy of encouraging customer-owned generation. *Tr.* at 275-278, 317-319, 322, and 260-262.

3. City of Boise. The City opposes the proposed cap. It notes that the proposed cap represents 1/6th of 1% of the Company's peak load, and 1/20th of 1% of generation, and that even if the cap is reached in three years the impact on the Company's system will be *de minimis*. Further, the FCA shields the Company against fixed-cost-related loss from net metering generation; the Company has no operational concerns related to net metering; and the Company can apply to the Commission at any time to address any perceived impacts that might arise. Thus, there is no need for a cap, the current cap should be lifted, and the proposed cap should be rejected. *Id.* at 207-215, 233

4. Company Rebuttal. The Company disagrees with testimony that the proposed cap has introduced uncertainty and financial risk to the local solar industry and future solar installations. The Company stresses that neither it nor the Commission has ever suggested that net metering rates provide certainty for customers. Rather, consistent with the Commission's view in Order No. 30227, IPC-E-06-07, the Company reminds potential net metering customers that there is no contract associated with the service and that rates are subject to change. The capacity cap does not change this fact; it simply puts in place a known trigger for review. Despite testimony opposing the proposed cap, the Company supports it because it provides an opportunity to review net metering service and how it impacts system reliability. Further, the cap limits the potential cost assignment inequities that result from applying traditional bundled rate design to net metering service. If the Commission rejects the Company's net metering rate

design proposal, there will be an even greater need for a cap to limit the potential cost assignment inequities. Tr. at 405-407.

Commission Decision: We find that a cap may disrupt and have a chilling effect on the investment in and installation of distributed generation. Accordingly, we decline to adopt a cap at this time. That said, we find it reasonable and prudent for the Company to closely monitor the net metering service and to provide an annual appraisal of the service's status and impact on the reliability of the Company's system. Further, we expect the Company to promptly notify us of any changes in the net metering service that materially affect the system.

B. Net Metering Pricing Structure

The Company proposes changing the net metering pricing structure by implementing new Schedules 6 and 8 for net metering customers. The parties oppose changing the net metering pricing structure. Their comments and testimony, along with the Company's rebuttal testimony, are summarized below.

1. Commission Staff. Staff opposes the proposed change to the net metering pricing structure because the proposal: (1) singles out a small group of customers within the residential class when other, similarly situated customers exist in that class (Tr. at 336-345); (2) implements a BLC charge, which has never been previously used in the Residential or Small General Service standard classes (*Id.* at 345-346); (3) incents high usage residential customers to install small generation facilities simply to qualify for the more favorable net usage metering rate (*Id.* at 346-348); (4) uses the results of a cost-of-service study that was never intended to be used for changing the design of base rates for a small group of customers within a class (*Id.* at 348-351); and (5) ignores that the overall dollar impact of net metering on the rest of customers within the class is *de minimis* (less than a rounding error given the \$409 million revenue requirement of the residential class). *Id.* at 337-338, 350-351. Because it opposes a change to base rates, Staff also opposes the Company's proposal to exclude net metering customers from the FCA mechanism. *Id.* at 333, 341.

2. ICL. ICL used a ratepayer impact measure (RIM) test to evaluate net metering costs and benefits. A RIM test is a standard test that utilities use to evaluate the ratepayer impacts of demand-side management (DSM) programs. ICL used the RIM test to evaluate net metering because most of the output of a net metering system serves the customers on-site load without ever touching the grid, and in this respect looks to the utility like an energy efficiency or

DSM source. ICL's analysis compared the retail rate credits paid to solar net-metered customers (the primary costs of net metering) to the cost that the Company avoids by not having to procure and deliver alternative power supplies to net-metered customers (the benefits of net metering). Based on this analysis, which assumes that a solar PV net metering system is a "firm" source of power,² ICL concludes that, for the Company's ratepayers today, the benefits of net metering significantly exceed the costs, by a factor of 1.6 to 1.9. Thus, crediting net metering generation at the retail rate actually undervalues that generation source. Tr. at 163-165, 175.

3. ICEA. ICEA opposes the proposed net metering rate structure as being arbitrary, discriminatory, and punitive. Tr. at 260-262, 271, 317 and 322.

First, the proposal ignores that net metering provides benefits like peak power, reducing need for new infrastructure, and making the electrical grid more efficient. *Id.* at 260-261. Second, the proposal severely and negatively impacts distributed generation businesses. *Id.*

Third, the proposal focuses on a claimed inequity that is driven by a few customers with excess generation. Notably, the total potential inequity for 2012 was about \$74,000. Of this amount, the 86% of net metering customers who do not generate excess energy but merely offset their bills are responsible for only \$6,000. This small financial impact does not justify moving net metering customers to a new schedule. *Id.* at 271, 278-281.

Fourth, moving net metering customers to a separate schedule is inconsistent with: (1) Idaho's 2012 State Energy Plan, which encourages the Commission and utilities to "ensure non-discriminatory policies for . . . net metering"; and (2) the Interstate Renewable Energy Council's best practices position that "Utilities should not be permitted to force customers to switch to a different tariff." *Id.* at 281-282.

Fifth, the proposed rate structure creates inequity between standard service and net metering customers because: (1) standard customers would be able to lower their bills by lowering consumption in a manner that would be denied to net metering customers due to the proposed, higher monthly fees; (2) the proposal puts a negative value on customer-generated energy, such that more than 20% of net metering customers would be better off financially if they turned off their systems in order to be billed like standard customers; (3) the Company would impose a BLC on net metering customers without showing that it would be unfair to apply

² In contrast, the City indicates that rooftop solar is "firm" generation, because it's "not a form of generation that is sold to the Utility for use to meet the Utility's load. In other words, it's not dispatched by the Utility. As [the Company] said, it's a form of generation that's used by customers to reduce their consumption." Tr. at 241.

a BLC to standard service customers;³ and (4) the proposal enables net metering customers with high kWh usage to pay lower bills than standard customers with the same net usage, but the Company lacks any cost-based justification for treating these similarly-situated residential customers differently. *Id.* at 282-286.

Sixth, the proposed rate structure creates inequity between customers with low energy use and high energy use because low use customers would see a net increase in their power bills while high use customers would enjoy a savings. *Id.* at 286-287; 318-319.

4. City of Boise. The City opposes the Company's proposed rate changes because it does not align with the City sustainability and economic growth goals. Tr. at 247-254. Further, the proposed changes would: (1) create rate shock for existing customers who have invested in net metering; (2) create a rate-gaming opportunity for large residential customers, which would harm non-participating customers; (3) introduce a new rate methodology for recovering fixed costs that applies only to a small group of customers and eliminates the existing rate design that promotes the efficient use of resources and energy conservation; (4) impose inequitable rates for customers with similar consumption patterns; and (5) limit customer choice and restrict economic growth. *Id.* at 250-254. The City notes that the Company has not analyzed the cost basis for such dramatic changes,⁴ and that if such changes are to be made they should first be addressed in a comprehensive rate proceeding where the Commission and stakeholders can scrutinize all elements of the revenue requirement and cost of service. Further, the Commission should increase the individual net-metered system size limit to 120% of consumption (or 2MW), applicable to any customer in any class. *Id.* at 211-219, 233. Lastly, the Commission should issue a policy statement that reassures prospective investors that any future rate redesign will follow the principle of gradualism. *Id.* at 219-226, 233-234, 240.

5. Company Rebuttal. The Company's rebuttal to the testimony of Staff, ICEA, the City of Boise, and ICL is summarized below.

³ In this regard, ICEA believes the Company ultimately wishes to impose a BLC charge on *all* residential customers, and that such a "dramatically different type of tariff . . . should be discussed in the proper venue so that all affected parties can be represented and the full impact of the change in policy can be evaluated." Tr. at 285.

⁴ On cross-examination, the City was asked whether it still believes that the Company had not detailed which costs it is proposing to recover through the new BLC and Service charges. The City acknowledged that when it prefiled its testimony, it had not seen that the Company had provided basic cost data to Staff in a discovery response. However, the City still believes that the Company has failed to provide sufficient information to justify why it is appropriate to apportion recovery of the distribution charge between the Service Charge and the BLC Charge. Tr. at 240.

a. *Rebuttal to Staff.* The Company disagrees that its proposed rate design unfairly singles out a small group of customers within a broad rate class. The Company believes net metering customers should be considered a separate and distinct rate class from standard residential and small general service customers, and thus be subject to different rates. Tr. at 57. Because the Company historically has provided bundled services including generation, transmission, distribution and customer services, rates were designed to recover these costs in a similarly bundled fashion. *Id.* at 395. But residential customers with net metering systems differ from other residential customers in that they produce power, can offset their usage of power, use the transmission and distribution services in a different manner, and require backup services. *Id.* at 395. The unique nature of net metering requires unbundling reliability, standby, and power quality services from traditionally bundled services. In most instances, the Company recovers most of its costs through volumetric (per kWh) charges, including the Company's fixed distribution costs and other fixed administrative costs. *Id.* at 396. But residential and small general service customers with net metering systems can avoid paying for the fixed costs for distribution and administrative services even though they continue to use them. *Id.* Accordingly, changes must occur in the Company's rate structure to ensure that net metering customers pay for all the services they receive. *Id.* at 396. The proposed Schedules 6 and 8 accomplish this by removing the recovery of fixed distribution and administrative costs from the energy charge for net metering customers and instead recovering those costs through the proposed service charge and BLC charge. The proposed change better aligns cost recovery with cost causation for residential and small general service customers with net metering systems. *Id.* at 397.

The Company also believes it is proper to include a new BLC charge for the residential and small general service customers. The BLC charge is not a new concept. Further, the Company's cost-of-service study that details the fixed costs to be recovered through the BLC charge, and the Company's Advanced Metering Infrastructure make implementation of the BLC charge affordable. *Id.* at 57-58.

The Company acknowledges that a potential for "gaming" and schedule switching exists; i.e., that large energy users potentially could take advantage of the proposed lower energy charges for net metering service by installing minimal generation resources. But the Company can monitor new installations for such activity and can file to adjust the tariff if needed. This

ability and the proposed cap adequately guard against potential gaming. The Company also notes that lowering bills through the installation of distributed generation and shifting to a rate schedule that more accurately reflects the cost-of-service is not necessarily inappropriate. However, given the concerns expressed, the Company is not opposed to add minimum system size eligibility requirements for Schedules 6 and 8. *Id.* at 58-60.

The Company also disagrees that it is improper to develop net metering rates by using the class cost-of-service study from the Company's last general rate case, Case No. IPC-E-11-08. That study was appropriate for setting fixed cost rates in that case for more than 400,000 residential and small general service customers through the FCA, and if it was sufficient for widespread application in a general rate case, then it should be sufficient to set net metering rates in this case. *Id.* at 60-61.

The Company also disputes the parties' argument that pricing changes are unnecessary now, when the potential inequity caused by net metering customers currently is small. The Company believes the current net metering provisions are not scalable or sustainable, and that delaying the changes until the net metering service expands will only increase the inequities at issue. *Id.* at 62. And contrary to what some suggest, the proposed pricing structure would immediately address the potential inequity between net metering and standard service customers. Specifically, it would limit the ability of net metering customers to offset distribution-related and customer-related fixed costs, thus reducing the level of potential cost shifting to standard service customers. *Id.* at 63-65.

The Company maintains that, despite the other parties' arguments to the contrary, the Commission should review the Company's proposed changes to the net metering pricing structure here and should not wait to address them in a general rate case. The class cost-of-service study provides the information needed to address the changes, and a general rate case would not provide any additional cost information that would bear on the proposed rate design. Additionally, this case presents a better forum for the Commission and parties to focus in on net metering issues than would a general rate case addressing many unrelated issues. *Id.* at 62-63.

b. Rebuttal to ICL. The Company criticizes ICL's attempt to value the distributed generation in the form of avoided costs. First, the net metering service is intended to provide customers with an option to offset their energy consumption with on-site generation, not to obtain payment for the generation based on the value of the energy produced. Tr. at 399.

Second, ICL wrongly assumes that net metering systems produce “firm” energy when they actually produce “non-firm power,” i.e., power that is supplied or available under a commitment having limited or no assured availability. *Id.* at 400. Because of these flaws, ICL’s energy-valuation analysis is irrelevant and should be disregarded. *Id.* at 401. Further, regardless of whether one characterizes the energy as “firm” or “non-firm,” the Commission should reject ICL’s proposed energy valuation method as being inconsistent with the Commission-approved methods for valuing firm and non-firm generation. *Id.* at 400-401.

c. Rebuttal to ICEA. The Company disputes ICEA’s argument that the Company should not change the net metering rate structure to address \$74,000 in claimed inequity that is driven by a few customers with annual excess generation. First, the potential inequity is caused by pricing and not excess energy. The \$74,000 figure is, therefore, wrong. Second, even if ICEA correctly quantified the potential inequity, the resulting dollar figure would provide little insight into why the Company filed its proposal. In summary, the Company filed its pricing proposal in an effort to accommodate growth of the net metering service and address the shifting of costs from net metering customers to standard service customers before the service grows to where corrections or rate inequities impact many customers. Tr. at 11-15.

d. Rebuttal to the City. The Company disagrees with the City’s claim that the Company has not identified the costs it proposes to recover from the new charges set forth in Schedule 6 and 8. The Company bases the proposed Schedule 6 and 8 rates on the publicly available cost-of-service study from its last general rate case. Further, in this proceeding the Company provided the full cost-of-service model to all parties in electronic format, detailed how the study was used to calculate the new rates, listed each component of the Company’s revenue requirement by FERC account, and fully described the class allocation and rate design process. Tr. at 15-16.

Commission Decision: Based on our review of the record, we believe that net metering customers have some characteristics that could justify moving them into a separate rate class and onto a different schedule from the general residential and small general service rate classes. However, we are concerned that the Company’s proposal is inconsistent with State policy as expressed in the Idaho Energy Plan, will discourage investment in distributed generation, and encourage rate-gaming. Further, we believe dramatic changes such as those proposed in this case—including increasing the monthly customer charge, imposing a new BLC

charge, and reducing the energy charge for the residential and small general service customers—should not be examined in isolation but should be fully vetted in a general rate proceeding. Accordingly, at this time we decline to make these changes, change the rate design, or separate the net metering customers from the standard residential service and small general service classes. If the Company wishes to raise these issues again, then it should do so in the context of a general rate case. We agree with the Company that net metering customers do escape a portion of the fixed costs and shift the cost burden to other customers in their class. However, we find that more work needs to be done to establish the correct customer charge for those who net meter.

We find it fair, just, and reasonable to require net metering customers to continue paying the customer charge for their class. It is also reasonable to preclude net metering customers from using their excess net energy credits to offset the customer charge on their bills.

C. Excess Net Energy

The Company proposes to calculate Excess Net Energy as a kWh credit that would expire each December. The other parties oppose this proposal. The parties' testimony and the Company's rebuttal are summarized below.

1. Commission Staff. Staff opposes calculating Excess Net Energy as a kWh credit because the proposal would price every kWh the same regardless of the season in which the energy is generated. Instead, Staff proposes that the Company continue crediting customers on a financial basis using the full retail rate. Excess Net Energy credits would carry forward indefinitely and only expire when the customer ends service. Staff says its proposal would encourage customers to right-size their installations, capture the seasonal differences in retail rates, encourage conservation, and incent future net metering customers to choose generation types that match the Company's higher-priced periods for delivering electricity. Tr. at 355-362.

2. ICEA. ICEA does not oppose the Company ending cash payments at retail rate. Tr. at 319. But ICEA opposes treating Excess Net Energy as a kWh credit rather than a financial credit at retail rates. First, a kWh credit is less liquid, and thus less valuable to customers, than a financial credit. *Id.* at 288-289. Second, the Company's kWh proposal ignores that the value of a kWh varies by time of day and season. Crediting Excess Net Energy at retail rates recognizes this variation in kWh costs. *Id.* at 289-290. Third, ICEA notes that the Company proposes to remove distribution costs from the per-kWh energy charge, which prevents the customer from

applying the value of Excess Net Energy to offset the full value of a kWh delivered to the point of consumption. *Id.* at 290-291. Because a net metering customer has chosen to invest in generation near the point of consumption, ICEA believes the customers should be able to offset the Company's charges for delivering electricity to that point. *Id.* ICEA says a financial credit accomplishes this. *Id.* at 291.

ICEA also opposes forfeiting the credits each December. The proposed December forfeiture date is arbitrary. *Id.* at 319-320. Further, solar net metering customers build credits from May through October, begin consuming more energy than they produce in November and December, and then have increased usage in January. Allowing the credits to expire in December would prevent customers from being able to offset all of their annual consumption. *Id.* at 291.

ICEA has its own Excess Net Energy proposal. It suggest that the Company financially value Excess Net Energy based on the customer's highest rate tier for the month in which excess energy is generated, including all rate adjustments applied in that month. Any Excess Net Energy would: (1) preferably carry forward for as long as the customer has its account or, (2) alternatively carry forward for three years. At any time, the customer would be able to transfer any credits to the Company for payment based on avoided cost. And if a three-year period is set, the Company would buy the expiring credits at avoided costs when that period ends. *Id.* at 320-322.

3. Pioneer Power. Pioneer Power opposes credit expiration, and notes that the credits represent energy that the Company will use to serve other customers. Tr. at 189. In other words, the Company would take property (electricity) generated by customers at their expense without paying for it. *Id.* Further, allowing the credits to expire in December is especially harmful to irrigation customers. These customers consume energy in the spring and summer, accumulate credits after September, and then lose those credits in December before they can use them to offset the next irrigation season's generation. *Id.*

As an alternative, Pioneer Power proposes that the irrigation net metering customers' year should start at the end of irrigation season. Any credits would then carryover indefinitely until the customer moves, at which time the customer would sell the excess credits to the Company at the avoided cost rate. *Id.* at 190-191.

4. City of Boise. The City believes the Commission should accept the Company's proposal to carry forward energy credits for net excess generation in lieu of financial payments,

but the Commission should move the annual true-up date to March 31 of each year. The Company would then pay for any net excess generation at an avoided cost rate, or customers could choose continuous roll over for the excess generation credits. Tr. at 230-231, 234.

5. Company Rebuttal. The Company disagrees with ICEA and Pioneer Power proposals to have the Company financially compensate excess net generation at avoided cost rates. The Company remains concerned that this practice involves a wholesale transaction that is subject to federal jurisdiction. The Company's proposal to stop the financial payments ensures that net metering can be fully administered at the State level. If a customer wants to continue selling net generation to the Company for financial payment, the customer may do so via a sales agreement under Schedule 86. Tr. at 13-14.

The Company also disagrees with indefinitely carrying over Excess Net Energy credits, and says indefinite carryover does not align with the net metering service's purpose of allowing customers to offset all or part of their usage through self-owned generation. Tr. at 73.

Although the Company still believes that financial payments are improper and that credits should annually expire, the Company is willing to modify its original proposal by accepting an excess net energy credit system that would allow customers to self-select the annual expiration date of unused kWh credits. Tr. at 15.

Commission Decision: Based on our review of the record, we find it fair, just and reasonable for the Company to compensate net metering customers for Excess Net Energy using a kWh credit instead of a financial credit or payment. While we want to encourage net metering, we believe a financial credit or payment may incent potential net metering customers to overbuild their systems. The net metering tariff is for those who wish to offset a portion of their load. Those wishing to be wholesale power providers should look to Schedule 86 as the vehicle for that type of transaction. We believe that removing the cash payment takes away this gaming opportunity and encourages customers to right-size their systems. Further, we 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.

D. Interconnection

1. Idaho Clean Energy Association. ICEA initially expressed concerns with the Company's proposed changes to the Schedule 72 interconnection procedures. ICEA reports that it subsequently met with the Company and Staff and was able to resolve those concerns. Accordingly, ICEA recommended the Commission accept the Company's proposed modified interconnection rules that were negotiated with ICEA's input. Tr. at 321-322.

2. Idaho Conservation League. ICL did not submit testimony on the interconnection issue. However, in its Application for Intervenor Funding (discussed below), ICL urges the Commission to approve the revised Schedule 72 covering interconnection procedures. See ICL's Application for Intervenor Funding at 2.

3. City of Boise. The City initially opposed the Company's proposed changes to Schedule 72. The City also recommended the Commission open a separate docket to look at new, statewide interconnection rules. Tr. at 226-230, 234. However, the Company's rebuttal testimony has since proposed a resolution to the interconnection issues, and the City says it does not take issue with that resolution so long as the local solar developers accept it. The City still recommends the Commission open a separate docket to develop statewide interconnection rules. Tr. at 241-242.

4. Company Rebuttal: As noted above, after parties expressed concerns about the proposed interconnection procedures, the Company, Staff, and ICEA met and resolved those concerns as set forth in Exhibit 8. Although certain details must be finalized, the Company recommends that the Commission approve Exhibit 8. The Company will work with interested parties to finalize the details and file conforming tariff language.

Commission Decision: With regard to the Company's proposal to re-organize the service provisions in Schedule 72, "Interconnections to Non-Utility Generation," we note that initial objections to the changes have since been resolved. We find the proposed resolution, as reflected in Exhibit 8, is fair, just, and reasonable, and we approve it. The Company shall work with Staff, ICEA, and other interested parties to finalize the details of Exhibit 8, and the Company shall file conforming tariff language for our approval before the proposed, October 1, 2013 effective date.

INTERVENOR FUNDING

On June 17, 2013, ICEA petitioned the Commission for \$10,902.13 in intervenor funding to cover expenses that ICEA incurred in this case (i.e., attorney fees—\$10,700 based on a \$200/hour billable rate; costs—\$202.13). *See* ICEA’s Petition for Intervenor Funding and supporting affidavits. On June 18, 2013, ICL also petitioned for intervenor funding to cover its expenses in the amount of \$17,000 (consisting of attorney fees—\$7,247.50 based on a \$130/hour billable rate; expert witness fees/costs—\$9,812.46 based on a \$300/hour rate). *See* ICL’s Application for Intervenor Funding. No one opposed the funding requests.

Intervenor funding is available under *Idaho Code* § 61-617A, which declares it is the “policy of [Idaho] to encourage participation at all stages of all proceedings before this Commission so that all affected customers receive full and fair representation in those proceedings.” The statute empowers the Commission to order any regulated utility with intrastate annual revenues exceeding \$3.5 million to pay all or a portion of the costs of one or more parties for legal fees, witness fees and reproduction costs not to exceed a total for all intervening parties combined of \$40,000. *Id.* The Commission must consider the following factors when deciding whether to award intervenor funding:

- (a) A finding that the participation of the intervenor has materially contributed to the decision rendered by the Commission;
- (b) A finding that the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor;
- (c) The recommendation made by the intervenor differed materially from the testimony and exhibits of the Commission Staff; and
- (d) The testimony and participation of the intervenor addressed issues of concern to the general body of users or consumers.

Idaho Code § 61-617A(2).

To obtain an intervenor funding award, an intervenor must comply with Commission Rules of Procedure 161 through 165. Rule 162 provides the form and content for the petition. IDAPA 31.01.01.162.

The Commission finds that ICEA and ICL Petitions satisfy the form and content requirements of our rules. Further, we find that ICEA and ICL generally meet the intervenor funding requirements. We note that both intervenors participated in the public workshop,

settlement negotiations, prepared and evaluated discovery, and testified and examined witnesses at the technical hearing. We find their participation materially contributed to our decision, and that their recommendations materially differ from those expressed in Staff's testimony and exhibits. For instance, ICEA recommended against a cap, and ICL addressed the valuation of net metering benefits. Further, their participation addressed issues of concern to the general body of customers. However, we are concerned that ICEA seeks recovery of attorney's fees billed at \$200/hour while ICL seeks recovery of expert fees billed at \$300/hour. We do not believe it is reasonable to ask the Company—and ultimately its customers—to pay these relatively high hourly rates. Based on the documentation we have reviewed, and for purposes of this funding award, we approve reasonable rates of \$185/hour for ICEA's attorney and \$125/hour for ICL's expert witness. Factoring in these new rates, we approve a funding award of \$9,799.63 for ICEA (i.e., 73.50 hours x \$185/hour attorney fees + \$202.13 costs - \$4,000 payment) and \$11,634.96 for ICL (i.e., 55.75 hours x \$130/hour attorneys fees + 31 hours x \$125/hour expert fees + \$512.46 costs), and find that each intervenor would suffer financial hardship if it were not granted such an award. These awards shall be chargeable to the residential and small commercial classes. *Idaho Code* § 61-617A(3).

ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW

Idaho Power Company is an electric utility subject to the Commission's regulation under the Public Utilities Law. *Idaho Code* §§ 61-119 and 61-129. The Company's rates, charges and contracts for electric service in the State of Idaho are subject to the Commission's jurisdiction. As more fully described above, we find it fair, just, and reasonable to: (1) discontinue the current net metering capacity cap and require the Company to instead submit periodic status reports; (2) maintain the net metering customers on Schedules 6 and 8, and not alter the rate design and pricing structure at this time; (3) not allow net metering to offset the customer charge; (4) allow the Company to compensate Excess Net Energy using a kWh credit rather than a financial credit or payment, with such credits to carry forward to offset customer consumption unless and/or until the the customer ceases to be a customer at the generation site; and (5) approve the resolution of interconnection issues as specified in Exhibit 8.

ORDER

IT IS HEREBY ORDERED that the Company's request to double the capacity cap is denied. Rather, the Company shall 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. The Company also shall promptly file an earlier report if at any time it expects its net metering service will materially and negatively impact its system. The existing 2.9 MW capacity cap is removed.

IT IS FURTHER ORDERED that the Company's request to change the net metering pricing structure by modifying Schedule 84 to move residential and small general service net metering customers to newly created Schedules 6 and 8 is denied. The Company shall continue using Schedule 84 to offer net metering service to all customers. To the extent the Company wishes to increase the monthly customer charge, or implement a BLC for the residential and small general service customer classes, it shall raise that issue in a general rate case. Net metering shall not offset the customer charge.

IT IS FURTHER ORDERED that the Company's request to change how Net Excess Energy is billed is granted in part, and denied in part. Specifically, the Company's request to compensate net excess generation with a kWh credit instead of a financial credit is granted, but the Company's request to have the kWh credits expire each year is denied. Rather, the Excess Net Energy kWh credits shall carryover to offset the customer's electricity usage and shall not expire until the customer is no longer a customer at the site of the net metering generation system. This change to how excess energy is billed will apply to customers effective October 1, 2013. The Company shall file for our approval a Schedule 84 that conforms to the requirements of this Order.

IT IS FURTHER ORDERED that the parties' resolution to the Schedule 72 interconnection issues, as reflected in Exhibit 8, is approved. The Company shall work with Staff, ICEA, and other interested parties to finalize its details and shall file conforming tariff language for our approval before the proposed, October 1, 2013 effective date.

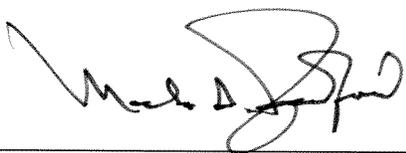
IT IS FURTHER ORDERED, that ICEA's and ICL's requests for intervenor funding are granted in part. The Company shall promptly pay \$9,799.63 to the ICEA and \$11,634.96 to the ICL.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 3rd day of July 2013.



PAUL KJELLANDER, PRESIDENT

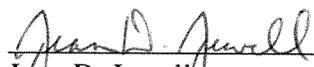


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:IPC-E-12-27_kk5