Office of the Secretary

Service Date

May 9, 2018

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO ESTABLISH NEW SCHEDULES FOR RESIDENTIAL AND SMALL GENERAL SERVICE CUSTOMERS WITH ON-SITE GENERATION	))))))	**CASE NO. IPC-E-17-13** **ORDER NO. 34046**

On July 27, 2017, Idaho Power Company ("Idaho Power" of the "Company") applied for authority to establish new schedules for residential and small general service customers ("R&SGS") with on-site generation ("Application"). Idaho Power contends that its existing retail pricing structure does not accurately reflect the cost to serve its customers with on-site generation who require services from Idaho Power, but who also meet some of their own energy needs with on-site, customer-owned systems, such as rooftop solar.

On August 17, 2017, the Commission issued a Notice of Application and Notice of Intervention Deadline. *See* Order No. 33843. The following parties intervened in the case: Auric Solar ("Auric"); City of Boise ("Boise"); Idaho Conservation League ("ICL"); Idaho Clean Energy Association ("ICEA"); Idahydro; Intermountain Wind and Solar ("Intermountain"); Idaho Irrigation Pumpers Association (the "Irrigators"); Sierra Club ("Sierra"); Snake River Alliance ("SRA"); NW Energy Coalition ("NWEC"); and Vote Solar. The Commission then set a schedule, including a technical hearing that occurred on March 8-9, 2018. *See* Order No. 33901. Public hearings for customers were held on March 1 and 5. *See* Notice of Public Hearings.

Having carefully reviewed the record, including the Application, testimony, and comments, the Commission now enters this Order which, in summary: (1) allows for the creation of the Company's proposed Schedule(s) 6 and 8; (2) acknowledges the benefits of smart inverter technology; (3) allows the proposed revisions of Schedule 72; (4) orders the opening of an Idaho Power specific docket to comprehensively study on-site generation, in terms of rates, rate design, and compensation, prior to any future rate or compensation proposals or revisions to the Company's on-site generation program; and (5) orders Idaho Power to file a study with the Commission exploring fixed-cost recovery in basic charges and other rate design options prior to its next general rate case. The Commission's Order is more thoroughly explained below.

THE APPLICATION

Idaho Power's Application stated that "[n]et metering service is offered by the Company . . . to provide for the transfer of electricity to the Company from customer-owned generation facilities with the intent of offsetting all or a portion of a customer's energy usage." Application at 3. The Company stated that in recent years the number of its customers choosing on-site generation and, therefore, taking bi-directional electricity services, has outpaced the Company's extant net metering rates, leading to unfair cost shifting between certain customer classes. The Company further maintains that due to this value imbalance and related pricing inaccuracies, it is time, in line with the electric utility industry nationwide, to reassess the appropriateness of net metering policies established decades ago, when nearly all Idaho Power customers received one-way power service. *Id.* at 1-2.

The Company further stated that its existing net metering rate structure creates inequity between standard service customers and net metering customers because net metering customers decrease some or all of their net usage while still heavily relying on the Company's grid to purchase and transfer electricity. *Id.* at 5. This, according to the Company, reduces the ability to collect class revenue requirement, leaving other residential customers to pay the fixed costs that transfer to them through the claimed net-metering revenue shortfall. *Id.* The Company also believes that the current net metering rate design subsidizes, by wealth transfer, those with the financial ability to install solar by those without the ability to do so. *Id.* at 5-6.

The Company proposes to correct this alleged subsidization by amending its net metering rate design to remove rate design based incentives for net metering and help expand scalable and sustainable on-site generation. *Id.* at 15. The Company argued that its proposed amendments will also more correctly signal to customers that changes in rate design or compensation for excess net energy could negatively impact the economics of their investment in on-site generation. *Id.* at 6.

Specifically, the Company asks the Commission to:

1. Close Schedule 84 to new service for R&SGS customers with on-site generation after December 31, 2017;

2. Establish two new classes and implement two new tariff schedules, for R&SGS customers with on-site generation that ask to connect to Idaho Power's system on or after January 1, 2018, with no pricing changes at this time;

3. Amend all applicable Company tariff schedules to require the installation and operation of smart inverters for all new customer-owned generator interconnection within 60 days following the Institute of Electrical and Electronic Engineers ("IEEE") adopting of an industry standard definition of smart inverters; and

4. Open a generic case to establish a compensation structure for customer-owned distributed energy resources when this case ends.

In support of its Application the Company attached its clean and proposed Tariff 101, Schedules 6, 8, Rule H-1, 54, 55, 63, 66, 72, 81, 84, 91, 98, and Direct Testimonies of David M. Angell, Connie G. Aschenbrenner, and Timothy E. Tatum.

THE MOTIONS TO DISMISS

On October 27, 2017, ICEA moved to dismiss the Company's Application. *See* Motion to Dismiss. Auric, Boise, SRA, NWEC, ICL, Sierra, and Intermountain either fully or partially joined in ICEA's Motion. Commission Staff, Idahydro, Irrigators, and Vote Solar took no position on the motion. Idaho Power subsequently filed an Answer to ICEA's Motion to Dismiss and to the other intervenors' corresponding joinders. Intervenor Auric then moved for leave to file a reply to Idaho Power's Answer. Its reply was attached to the motion. *See* Auric's Motion to File Reply to Idaho Power Company's Answer to ICEA's Motion to Dismiss ("Auric's Motion"). No one responded to Auric's Motion. The Commission considered all of the parties' various motions at its December 4, 2017, open meeting. Following the discussion, the Commission voted to deny the motions and the case proceeded to hearing.

DISCUSSION

I. LEGAL STANDARDS

The Commission has the authority to supervise and regulate Idaho utilities to prevent them from imposing unreasonable, discriminatory rates or classifications that are not in the public interest.[1] Part of this authority involves the Commission regulating whether a utility maintains "unreasonable differences" among various classes of service.[2] To make reasonable factual determinations related to the separation of utility customer classes, the Commission analyzes

[1] *See Idaho Code* §§ 61-315 and 501. Specifically *Idaho Code* § 61-315 states: "No public utility shall, as to [classifications] make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference . . . as between localities or as between classes of service. The commission shall have the power to determine any question of fact arising under this section."

[2] *Grindstone Butte Mutual Canal Company v. Idaho Power Company*, 98 Idaho 860, 867, 574 P.2d 902, 909 (1978).

whether the evidence "supports the differentiation, substantially, competently and with a just and reasonable result."[3]

To do so, in this case, the Commission must analyze and reasonably explain its decision utilizing, among others[4], the following factors: (1) cost-of-service (though not essential); (2) quantity of utility services used; (3) differences in conditions of service; (4) reasonable efficiency and economy of operation; (5) actual differences in the situation of the consumers for the furnishing of the service; (6) contribution to peak load; (7) costs of storage; (8) economic incentives; and (9) all other relevant criteria (including, for example, energy conservation, optimum use, and resource allocation).[5] One element is no more essential than another.[6]

II. NEW SCHEDULES FOR ON-SITE GENERATORS

A. *Close Schedule 84 and Establish Schedules 6 and 8*

Idaho Power

The Company proposed closing its current Schedule 84 to new service for residential and small general service customers ("R&SGS") customers with on-site generation and establish two new customer classes, Schedule 6 (residential on-site generators) and Schedule 8 (small general service on-site generators).

The Company argued that the separation of classes is a "long-standing" first step in the ratemaking process, that it will improve certainty and transparency for customer investors and remove the issue from having to be dealt with in a future general rate case. Tr. at 198-199. Idaho Power stated that the price of on-site generation is dropping rapidly and, therefore, it should stay ahead of the process as prices decrease and technology improves. Tr. at 209. Further, the Company stated that the contentiousness of the issues surrounding on-site generation warrants certain price signaling (including that net metering may not be sustainable into the future), and customer education. Tr. at 209-212.

The Company argued that it should be allowed to separate R&SGS on-site generation customers to allow proper analysis of cost-of-service, allocation of revenue requirement, and to

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[3] *See Grindstone Butte* at 181, *and Building Contractors Association of Southwestern Idaho, Inc. v. Idaho Public Utilities Commission et al.*, 128 Idaho 534, 916 P.2d 1259 (1996).
[4] *See Building Contractors* at 539.
[5] *See Idaho State Homebuilders v. Washington Water Power*, 107 Idaho 415, 690 P.2d 350 (1984), and *Grindstone Butte*.
[6] *See Idaho Code* §§ 61-501, 502, 503, and *Citizens Utilities Company v. Shoshone Natural Gas Company*, 82 Idaho 208, 351 P.2d 487 (1960).

inform future rate design. Tr. at 225. The Company further stated that elements not present in this case—cost-of-service study, rate design, system-impact, and compensation structure analysis—are unnecessary at this time. Tr. 244-247.

Specifically, the Company argued that its proposal to separate on-site generation customers form standard service R&SGS customers is based on two underlying rationales: (1) traditional R&SGS customers are subsidizing on-site generators because they are billed on a net-monthly basis; and (2) their load service requirements and usage characteristics are fundamentally distinct.

The Company argued that its current net-metering regime is non-cost based, outdated, and improperly incentivizes on-site generation because fixed-cost recovery declines with reduction in net-energy usage. Tr. at 179-182 and 189. On-site generation customers—which the Company chose to identify through the use of a hypothetical net metering customer with the ability to net zero usage— can reduce collection of class revenue by reducing a portion or all of their net kWh usage while standard service customers must compensate for the shift. Tr. at 189. The Company also argued that this purported cost shift may represent a "wealth transfer," because those with the financial ability to install expensive on-site generation systems are being subsidized by those who cannot. Application at 5; Tr. at 302.

The Company next argued that on-site generation customers are fundamentally different from standard service R&SGS customers because of their bi-directional (using the grid for both energy import and export) use of the Company's grid. Application at 1; Tr. at 461. The Company also framed these customers as "partial requirements" customers, in that they generate all or some of their own annual energy needs, while still relying on the utility for a variety of services. Tr. at 493.

The Company argued that because of the way on-site generation customers interact with the grid, they also have lower load factors than standard customers (a lower load factor indicates higher volatility in load). Tr. at 601-603. It claimed that on-site generation customers have higher evening and nighttime demand, their rate of change of usage is higher throughout the day, and they cause increased excess energy flows in spring and summer. Tr. at 606. On-site generation customers use significant amounts of electricity when the sun is not shining, which also drives up demand and peak in relation to the Company's infrastructure and reliability. Tr. at 721-723. While the Company acknowledged there is significant load shape diversity within the

spectrum of its non-net metering customers, it argued that the net-metering load shape falls outside this diversity for several hours per day. Tr. at 719.

Next, the Company argued that system coincident peak ("SCD") for on-site generating customers is lower from April through September and higher from October through March, whereas non-coincident peak is higher all 12 months. Tr. at 614. The importance of analyzing this customer's effect on load is related to the Company's ability to forecast, especially in terms of on-site generation's effect on circuits, voltage management, islanding, and load cycle adjustments. Tr. at 581-590.

The Company also argued that the differences it describes, as far as load and usage characteristics, are distinct from energy efficiency ("EE") measures, or low usage customers, because: (1) net metering equates to times where supply is instantly lost (EE does not ramp in and out of production); (2) circuit voltage changes in relation to direction of supply, which can decrease power quality; and (3) to lower bills, EE customers must use no energy. Tr. at 626; 693-695.

Staff

Staff generally rejected the Company's proposal to separate on-site generators from the R&SGS standard service classes. Tr. at 1446-1447. Instead, Staff believes that the underlying issue is related to billing and compensation. Staff proposed that, in the alternative, Schedule 84 be maintained and modified to allow for fair, reasonable, and resource agnostic compensation for the excess energy that on-site generators provide to the Company using demand-side management avoided cost methodology. Tr. at 1444-1445.

Staff found evidence that an intra-class cost shift was occurring, but found the basis for the cost to be caused by, and rectified through, how exported energy is compensated by the Company. Staff presented an illustrative example of how its proposal would correct this cost shift. Tr. at 1444-1445. Staff also proposed that by billing on an hourly basis—instead of allowing on-site generation customers to net-monthly usage—on-site generation customer billing would more accurately reflect their contribution to the Company's fixed costs.

In sum, by valuing excess energy at demand-side management avoided cost rate, Staff argued that on-site generation customers would be more fairly compensated for the resources they provide and any cost shift would be eliminated. Tr. at 1491. The Company agreed with this portion of Staff's testimony, in that using Staff's proposed demand-side management avoided cost methodology for compensation would be a reasonable interim step for valuing excess generation.

However, the Company maintained that such a move would not solve the underlying rate design issues related to an equitable cost-of-service collection mechanism for on-site generation customers. Tr. at 239 and 344. Sierra Club disagreed with Staff's proposal due to concerns about potential customer confusion and the Company's lack of adequate metering and billing data infrastructure. Tr. at 1140; 1449-1450; and 1494.

Staff next objected to the Company's lack of a cost-of-service study, which, it argued, would have better linked the causal differences between on-site generation conditions of service, time, nature, and pattern of use, and how these differences might drive Company costs. Tr. at 1446-1447. Staff found the Company's professed need to separate R&SGS customers to better understand them to be disingenuous, because, as currently configured, the Company is fully capable of any and all analytical approaches it proposed. Tr. at 1501.

Staff further argued that on-site generation customers are more similar to EE (for example, low-use vacation home customers) than not. However, Staff stated that its proposal operates reasonably well whether or not on-site generators are more or less similar to EE customers, because, under its proposal, on-site generators would pay their share of fixed costs, with correct compensation. Tr. 1494-1499.

Staff found no harm to the Company caused by on-site generation customers because the fixed cost adjustment mechanism ("FCA") allows the Company to recover fixed costs associated with reductions in energy usage for the R&SGS classes for any reason. Tr. at 1474. Staff stated that the Company should not concern itself when a customer decides to offset its energy use, because, among other reasons, that decision actually lowers costs for all customers. Tr. at 1476. Staff argued that the energy being pushed back onto the grid by on-site generation customers is de minimis and the Company did not show that de minimis exportation is a safety issue or otherwise problematic. Tr. at 1480.

Staff found it difficult to analyze the Company's claims related to cost shifting because the Company did not quantify its claims in a cost-of-service study. Regardless, based on Staff's analysis, and in line with the Company's own conclusions, Staff concluded there is likely little difference in the overall cost to serve on-site generation customers versus standard service customers. Tr. at 1461. Further, it concluded that because the Company admitted that it costs less to serve net-metering customers, this lowers costs for all customers, including low-income customers. Tr. at 1505.

Staff next argued that the Company's underling analytical assumptions were flawed because it is inappropriate to use data from a single pair of customers as the point of comparison, rather than, for example, a comparison between an average on-site generation customer and an average standard service customer. Tr. at 1505. Staff found a slight cost shift, under the Company's growth projections, but reasoned it will remain de minimis as net metering grows proportionally to residential class revenue. Tr. at 1483-1484. Staff found further flaws in the Company's analysis related to subsidization, because any customer with below average use receives a subsidy from any customer with above average use. Tr. at 1485. Finally, in addition, Staff found the Company's underlying analysis to be flawed because it included power consumed by the customer at the time of production by the customer within its cost-shift calculation. Tr. at 1486.

After concluding there is an intra-class R&SGS cost shift because on-site generation customers are over compensated for the energy they produce and export, Staff quantified and analyzed it. Tr. at 1451. Staff found that only those on-site generation customers able to avoid fixed costs by net zeroing usage—of which only approximately 11.5% of the current 1500 net-metering customers—benefit from this ability. Tr. at 1455-1456.

Finally, Staff argued there is little difference in the consumption characteristics that cause the Company to incur costs between on-site generation customers and standard service customers. Tr. at 1458. Staff noted that all rate classes have significant and prevalent load diversity, and so how load drives costs should define whether one customer should be separate from another. Tr. at 1458. To illustrate times of use when customers drive costs, Staff undertook a peak-load analysis. Tr. at 1459. Staff found that the distribution of individual consumption patterns from on-site generation customers and standard service customers is nearly identical and does not support class separation. Tr. at 1459 and 1482.

Irrigators

Irrigators argued that, while new classes may be warranted in the future, the Company's Application is premature. Tr. at 388-389. Instead, cost-of-service and rate design should be developed to accurately reflect the costs and benefits on-site generation customers cause on the Company's system. Tr. at 393-394. Irrigators instead proposed a workshop to address the issues in this case and those related to solar net-metering differentiation between production demand and energy costs. Tr. at 404-405.

City of Boise

Boise argued that granting the Company's proposal would create unreasonable uncertainty because, if granted, new classes would exist without a schedule to show costs or rates to those customers. Tr. at 822-823. Boise argued this uncertainty would negatively affect solar installations and the solar industry at a time when Boise is promoting the expansion of renewable energy. It also argued that it is an on-site generation customer of the Company and the uncertainty of the proposed schedules may hamper its ability to assess cost implications moving forward as new projects are developed. *Id.* at 798-800.

Instead of separating classes, Boise argued the Company should undertake an independent study to show impacts, both positive and negative, including the cost or value of on-site generation to justify the proposed schedules. Tr. at 798-800. More generally, the Company should instead encourage and promote renewable energy, as jobs and benefits for Idaho's local communities flow from it, and these benefits, including environmental, social, and community building benefits, should be analyzed alongside and as a cost-of-service input. Tr. at 805-806; 811.

As far as subsidization, Boise argued that the Company provided insufficient data to demonstrate a material cost-shift impact to the Company or to standard service customers. Nor did the Company demonstrate that its alleged net-metering cost shift is substantially different from other distinguishable customers who share a class. Tr. at 798. Cost shifting occurs daily in the Company's service territory, for example, between an isolated residential customer and a customer next to a generation source. *Id.* at 802.

ICEA

ICEA echoed many public comments in this matter when it argued the Company's proposal is viewed by the public as an attempt to hobble the nascent solar industry in Idaho. Tr. at 899. It argued that gradualism should control the situation, giving the public time to understand the direction(s) the Company proposes to take. Tr. at 960. ICEA argued that transparency in a cost-of-service study would make the public and industry more comfortable. Tr. at 960. It also stated that the Idaho State Energy Plan encourages investment in customer-owned generation and advocates for non-discriminatory net-metering policies. Tr. at 946-947.

ICEA further argued the Company's class separation proposal should be rejected because it lacks a factual basis. Tr. at 873. Until growth triggers a need to change the current net-

metering regime, it should remain in place. Tr. at 875. Changes such as those proposed by the Company should only occur after nameplate capacity of net-metering residential solar reaches a benchmark level of 60 MW. Tr. at 885.

Similar to arguments made by Boise, ICEA next argued the Company's proposal leads to a distinct type of uncertainty, different from general ratemaking uncertainty, in that customers will know they will be treated differently at some future time, but not how they will be treated differently. Tr. at 844; 846-847. The proposed class separation might also promote rate gaming because residential customers, for example, may use a very small solar power system to access potentially beneficial net-metering rate structure(s). Tr. at 851. A very small net-metering customer class may also create administrative inefficiency and undue rate volatility compared to rates that can be spread over a large and diverse residential standard service class. Tr. at 851, 1003.

ICEA agreed with Staff that utility customers should have the right to control their energy consumption so long as they are not unduly impacting others. Tr. at 871. It also argued that customers should not have to pay the utility for the energy they produce on their side of the meter.

ICEA disagreed with the Company's cost-shift formulation and argued the cost-shift calculation should exclude power consumed by the customer when it is produced by the customer's generation system. Tr. at 887. Further, on-site generation provides unaccounted for benefits, such as negating line loss by providing higher voltage, reducing brown-outs, and aligning, for example, air conditioning and solar power systems. Id. at 929-930.

As far as load and usage characteristics, ICEA argued that the Company should collect and provide data to stakeholders and the Commission, not only showing different load characteristics but "that these differences have a material impact on the cost to serve these customers compared to other residential customers." Tr. at 996. ICEA argued that sociocultural dynamics make load diversity in residential classes ubiquitous and load diversity may actually reduce per-customer system costs due to improved class-side load factors. Tr. at 1000 and 1004.

SRA and NWEC

SRA/NWEC also argued that the Company's class separation proposal should be rejected for lack of evidence. Tr. at 987. Class separation should only be addressed after a robust, transparent evaluation of the costs and benefits net-metering customers provide to the Company's

system, and meaningful stakeholder engagement. Tr. at 987. Due to Advanced Metering Infrastructure ("AMI"), all Company customers have a bi-directional relationship with the Company, and net-metering customers are more similar to customers with smart devices than any other. Tr. at 990.

Further, agreeing with Staff, SRA/NWEC argued the Company admitted it can study these customers in their current class, which allows the Company to make these arguments in a general rate case with cost-based analysis and support. Tr. at 1010. Further, there should only be class separation at some point higher than the Company's current 0.25% penetration level. SRA/NWEC offered, as an example, that utility customers in Hawaii were shifted to a successor net-metering tariff at 16% penetration. Tr. at 1025.

SRA/NWEC argued that, regarding the Company's alleged regressive wealth transfer, the Company should survey income information and anonymously collect data on, for example, household size, square footage, installation of smart appliances or thermostats and household income for both net-metering customers and non-net-metering customers, before making such a claim. Tr. at 1008.

Finally, SRA/NWEC argued Staff miscalculated its analysis of a cost shift due to compensation inadequacy, finding instead that cost shifting cannot be addressed without proper cost-based evidence in the record. Tr. at 1040. Similarly, Staff's proposal to alter the Schedule 84 compensation structure cannot be addressed without clear, quantified evidence related to the benefit exported energy provides to the Company. Tr. at 1042.

Sierra Club

Sierra argued that net metering is not just a ratemaking issue to be analyzed under the lenses of cost shifting and costs of service. Instead, it is a long-term resource planning issue because on-site generation systems are long-lived renewable generation demand-side resources. Tr. at 1056-1057. As an example, Sierra argued that if long-term benefits of on-site generation systems exceed the cost, then other ratepayers will also be disadvantaged if net-metering customers are moved to their own class. Tr. at 1056-1057.

If changes are to be made, class separation and ratemaking changes should only occur after the balance of benefits and burdens associated with on-site generation have been assessed. On-site generation customers are not taking service from the utility when exporting power to it, rather, once the power passes to the Company's side of the meter, the utility owns it and delivers

it to the net-metering customer's neighbors or other customers. The utility actually benefits from the on-site generation customer's production—the customer provides a service, not a drain, to the Company. Tr. at 1089. The on-site generation customer uses the Company's grid less than other customers because the net-metering customer does not take service from the Company when exporting energy. Tr. at 1090. Other benefits include avoiding long-term distribution capacity and upgrade costs and reducing load through rate design. Tr. at 1103-1104, and 1110.

Sierra argued that the Company and its infrastructure is always standing by for all of its customers that may suddenly burden its system—for example, vacation homes—and that on-site generation customers' small size and geographic diversity makes them easy to respond to and handle. Tr. at 1094.

Sierra disagreed with the Company's cost-shifting analysis, because the on-site generation customer fully pays to use the utility's system when the customer imports power, and although the customer may end up with a small or net zero bill, this outcome reflects the value of power that the customer exported to the utility. This value is not to account for the customer's use of the system while exporting, but to account for the exported generation resource it supplied to the utility. Tr. at 1092. Similarly to SRA/NWEC, Sierra also argued that the Company's flawed methodology precludes one from accurately quantifying a cost shift in the first place. Tr. at 1122-1124.

Sierra argued that a rate case is the proper forum to address the Company's proposals and, even then, on-site generation customers should be grandfathered into the net-metering program and rate design that applied when the investment was made, for the investment's useful life. Tr. at 1119-1120. Costs to serve on-site generation customers should not be based on the Company's service to the customer without also including the amount of power the on-site generation customer exports to the Company. *Id.* at 1121.

Idaho Conservation League

ICL argued that the Company's proposal should be denied due to a lack of material evidence in the record, the administrative burden in relation to any benefit, and the chilling impact that would result from class separation at this time. Tr. at 1155. ICL is concerned that the Company is attempting to make a policy shift before properly justifying it through meaningful differences in cost causation. Tr. at 1163.

As far as the Company's arguments related to cost shifting, ICL argued that the purported shift is de minimis and was measured using cost-of-service analytical tools versus analysis based on long-term benefits, akin to analysis of demand-side measures. Tr. at 1157-1159. Any cost-shift calculation should include all members of the R&SGS class because on-site generation consumption reduction occurs behind the meter. Tr. at 1159. ICL undertook its own cost-shift analysis and found de minimis shifting with offsetting attributes, such as, among others: that credits are not monetized; neighbors consume excess generation; the Company pays retail rate; and exported excess energy avoids resources costs. Tr. at 1159-1160.

ICL also argued that variations in consumption within rate classes is common in all ratemaking. Tr. at 1161. Finally, ICL urged the Company and Commission to analyze rates and classifications in this docket under the traditional ratemaking principles of gradualism and avoidance of rate shock. Tr. at 1167.

Vote Solar

Vote Solar argued that net-metering penetration remains low in Idaho, at an insignificant proportion of the Company's sales for decades into the future. Tr. at 1190 and 1209-1211. It argued that the Company's proposal will create the opposite effect it espouses—decreasing transparency and increasing customer and investor uncertainty. Tr. at 1191. The only venue to properly determine a rate class definition is in a general rate case with information regarding cost-of-service. Tr. at 1192.

Further, Vote Solar argued there are other ratemaking non-cost factors and principles that the Company has not considered, such as revenue stability for the utility, bill stability for the customer, and simplicity and customer acceptance. Tr. at 1254. Vote Solar argued the Company appears to have predetermined justification for separation of on-site generation customers, which may unduly discriminate between subsets of customers within already diverse R&SGS classes. Tr. at 1258.

Vote Solar next argued the way the Company combined the service that on-site generation customers take from it, with the service these same customers provide back to the utility, will hinder any cost-of-service and compensation analyses. Tr. at 1258. Fixing the billing issues presented in this docket would alleviate the need for the Company's arguments, and highlight that rate class separation and rate design are exogenous to the Company's Application. Tr. at 1260.

Vote Solar argued the Company's proposal—to separate classes and leave some customers on the old schedule for later migration to common rates—creates undue uncertainty for new and existing customers. Tr. at 1201. The investments that current net metering customers have made should not be undermined, and customers looking to invest should be able to know the basic terms of their compensation and rates when submitting their application. Tr. at 1201. The ability for customers to reduce behind-the-meter consumption by any means and without discrimination should also be preserved. Tr. at 1371-1372.

As far as Staff's proposal, Vote Solar agreed that the cost to serve on-site generation customers versus standard service customers is likely no greater than the differences in cost of service among many other potential subgroups within the larger customer class. Tr. at 1399. However, Vote Solar argued that it is premature to consider Staff's examples and analysis about hourly net billing at avoided costs, until a subsequent docket deals with the costs and benefits of on-site generation. Tr. at 1373. Once costs are established, the Commission should allocate them based on the broader class non-coincident peak because it more closely matches cost causation. Tr. at 1373.

Vote Solar found the Company's cost-shift analysis as more of an attempt to justify alleviating an insignificant problem—assuming the Company's analysis is accurate—Vote Solar found the cost shift to be only $0.00002/kWh for standard service residential customers. Tr. at 1191. Vote Solar argued there are larger subsidies for other customer subgroups within the Company's current residential class. Tr. at 1195. As far as a regressive wealth transfer between low-income and high-income net-metering customers, Vote Solar argued that national studies actually indicate solar systems are being installed by the middle class, and, besides, without a cost-of-service study, a critical examination of wealth transferring cannot occur. Tr. at 1195.

Vote Solar also found the Company's underlying cost-shift calculation to be flawed because it used the amount customers received for their exports to reduce revenue for service provided by the utility without accounting for the benefits received from the exported energy, nor revenue received from the customer who ultimately uses that resold energy. Tr. at 1197-1198. Therefore, Vote Solar argued that current on-site generation customers actually pay more than their fair share of costs when the Company's analysis is corrected to account for these flaws. Tr. at 1198.

Vote Solar also argued that it is incorrect for the Company to include on-site generation customer exports during class non-coincident peak as an additional cost allocator. Tr. at 1304. In fact, it argued, the Company's distribution cost allocation methodology is inappropriate and should be rejected. Tr. at 1304. Further, it is inappropriate for the Company to count the customers' export credit as an allocator while also counting it as a reduction to the Company's revenues for serving customers instead of as compensation to the customer for serving the utility. Tr. at 1306.

Vote Solar objected that Staff's cost shift calculation does not reflect a cost shift as typically defined and, further, is only based on one input, leading to a premature conclusion. Tr. at 1401. Staff's placeholder analysis related to hourly billing at avoided cost rates is also inconsistent and contains errors that should prevent its adoption. Tr. at 1403 and 1406. A more complete analysis may actually show that net-metering customers are still under compensated for generation at the retail rate. Tr. at 1411. Hourly netting, as proposed by Staff, should also not occur until further quantification can be conducted and analysis can be undertaken related to its administrative cost burden. Tr. at 1416-1417.

As far as load and usage characteristics, Vote Solar argued that the Company averaged out measures, obscuring the significant diversity that likely exists within its residential class, for example, between a customer that stays at home with young children or commutes to an office, which may affect customer usage patterns even more than customers with on-site generation. Tr. at 1194-1195. Further, the load shape of the "hypothetical customer" the Company uses in its Application does not accurately reflect the current makeup of on-site generation customers because: (1) customers who adopt on-site generation tend to be larger than average customers; (2) the Company chose the most popular on-site generation system size from the larger net-metering customer base and applied it to a much smaller average-use customer profile; and (3) the Company models production from its chosen on-site generation system used for its analysis for ideal conditions. Tr. at 1315.

COMMISSION FINDINGS

Based on our review of the record, we find it fair, just, and reasonable for the Company to separate on-site generation residential ("R," currently Schedule 1) customers and small general service ("SGS," currently Schedule 7) customers into the newly proposed Schedules 6 and 8, respectively, with immediate closure of Schedule 84. The evidence as a whole, given the

circumstances, supports the differentiation, substantially, competently and with a just and reasonable result. Schedule 6 and 8 will become effective June 1, 2018.

In Case No. IPC-E-12-27, we found that on-site generation customers have characteristics that could justify moving them onto a new schedule but expressed reservations about doing so based, in part, on the Company's simultaneously proposed rate design and compensation structure. *See* Order No. 32846 at 13. The Company has now proposed distinctions based on subsidization and usage characteristics, with changes to rates, rate design and compensation to follow after cost-based factors are analyzed in a specific subsequent docket and future general rate case. As a result, and based on the evidence before us, we find it is time to distinguish a class of customers that uses the grid for standard energy import and use, from a class of customers that uses the grid to both import and export energy.

The increasing technological and financial feasibility of on-site generation, and its adoption by customers, is rapidly increasing and evolving. Accordingly, we must now take reasonable steps to address on-site generation system costs, benefits, rates, rate design, and compensation. We find that reclassifying customers with on-site generation will enable the Commission, our Staff, the Company, interested parties and the public to more efficiently and reasonably analyze on-site generators; their cost-of-service, the benefits they offer to the utility's system, allocation of revenue requirement, and future rate design. Here, we reiterate that this Order does not change rates, rate design, or the current compensation credit structure for on-site generation customers. Rather, this Order only changes how these customers are classified for purposes of the requisite analysis to be conducted in the Company specific on-site generation docket we address below.

Evidence of cost shifting, or subsidization, and load and usage characteristics informed our decision. While we appreciate the parties' concerns that the Company's Application did not include a cost-of-service study, and we agree that a cost-of-service study would have provided additional helpful evidence, the missing cost-of-service study is not dispositive of the issues before us. Further, cost of service issues will be fully vetted if and when the Company applies to change the rates of customers that take and provide service under Schedules 6 and 8.

Our analysis of the history of the Company's on-site generation program reveals an unfairness in how current and future on-site generation customers avoid fixed costs. The ability these customers have to "net out" or net to zero their electricity use causes them to underpay their

share of the Company's fixed costs to serve customers, and this inequity will only increase as more customers choose on-site generation. The Company must continually work to rectify these rate design and ratemaking issues across its customer classes. We appreciate Staff's attempt to quantify potential cost shifting and then alleviate it by changing Schedule 84's billing and compensation structure. But we disagree this solution, coupled with the FCA, completely fixes the rate design issue. We appreciate the parties' arguments about cost shifting, but the analyses were incomplete. Moreover, we need not quantify a cost shift in either direction to make our decision. The underlying on-site generation rate design should take into account that customers with on-site generation are differentiating themselves by exporting energy to the Company's grid. The present netting of energy not only allows these customers to avoid paying their fair share of fixed costs, but also prevents them from realizing presently unquantified benefits to the grid. Separating these on-site generation customers from standard customers will help the Commission and stakeholders analyze subsidization, fixed costs, cost to serve, rates, rate design, and benefits and compensation for exports.

There is great diversity within the current R&SGS classes and, again, other potential groups (such as cabin owners and other low-use customers or EE adopters) may not be paying their fair share of fixed costs being recovered through the variable rate. However, these customers do not export excess energy to the Company's system, and they cannot "mask" their consumption characteristics with net-energy use. Nevertheless, we also find it is time for the Company to address fixed-cost apportionment across its system, and we outline a procedure for doing so below.

There presently is insufficient evidence for us to determine whether a "wealth transfer" is occurring between low-income customers and customers with greater financial resources. But our decision today does not turn on this issue. Whether such wealth transfer is occurring, it is reasonable to start improving and rectifying on-site generation's non-cost-based rate and compensation structures now. Class distinction is a reasonable first step to facilitate a cost-based analysis by the Company, Staff, and interested stakeholders that can inform those stakeholders and the Commission of how on-site generation customers actually use the system, including any costs they may impose and benefits they may provide.

To reiterate, we recognize the fundamental difference between, as an example, a residential customer with no on-site generation and one that can both import energy from, and export it to, the Company's grid using the same infrastructure. This bi-directionality is distinct

from a customer purely offsetting its own energy usage outside of the grid. The bi-directional customer can push energy back to the grid whenever its generation source and timing allows it to, with the Company having limited control over the use and distribution of this somewhat unpredictable resource. Because of this bi-directionality, we conclude that net-metering customers with on-site generation present unique load and usage characteristics that lend toward class distinction. These characteristics include increased volatility in demand and load factors, excess net-energy exportation in the spring and summer, and more volatility in contributions to the Company's peak(s).

These characteristics create a distinction that must be addressed because of their effect on circuits, voltage management, islanding, and load cycle adjustments, which makes it harder for the Company to forecast resources and load. While the Company has not produced evidence that the current on-site generation customer population has significantly challenged its system, our experience guides us to believe that the industry parties incorrectly assume that the outcome of this case—placing on-site generation customers in a separate class—will undermine the solar industry. Rather, we believe the use of on-site generation will continue to rapidly grow, and may someday become a critical resource for the Company. Anticipated growth makes a thorough analysis as to the costs and benefits of on-site generation all the more important.

In the sections below, we initiate a docket for the Company, Staff and interested stakeholders to explore difficult on-site generation issues that will take time to resolve. Creating a separate on-site generation class now, without changing the rate, rate design or compensation structure, will facilitate analysis and, as necessary, promote creativity in solutions related to this unique, important class of customer.

The Company must provide safe, reliable energy service to its customers. A utility like Idaho Power satisfies this duty, in part, by forecasting resources and load. The increased difficulty on-site generation poses to the Company's ability to forecast resource availability and load is further support for allowing the Company to treat on-site generation customers as a separate class—through rates, rate design, and compensation for excess energy. This unique classification will also allow the Company, this Commission, Staff, interested parties and the public to better understand and investigate on-site generation and its relation to demand and peak, and to the Company's infrastructure and reliability generally.

We again recognize there are distinctions in load diversity within, for example, the standard residential customer class generally. But these variations have not been presented to us, nor, in the record before us, have they been tied to a load that includes an export component. However, in a general sense, the arguments have led us to conclude that the Company should begin quelling *any* intra-class subsidization related to fixed costs.

Aside from our concerns about how on-site generation customers use and affect the Company's system and provide resources to it, the evidence causes us a great deal of concern that industry surrounding R&SGS on-site generation may be sending price signals to Idaho consumers, including the Company's customers, that are not in the public interest. For example, the cost to consumers of financing, installing, and maintaining a residential rooftop solar system is not trivial. However, the inverse also holds true, where incorrect price signals related to rate or rate design changes may be trivialized. Rates change, and rate design evolves, and no utility rate can be locked or considered to exist ad infinitum. As we have consistently held, tariff rates are not contracts. While the responsibility to investigate purchasing or financing an on-site generation system lies with the consumer, based, in part, on the integrity of the seller, the fact that on-site generation customers differ from standard customers can and should be clarified to consumers.

While the number of on-site generation customers on the Company's system is a relatively small percentage of the Company's total customers, based on the relatively high rate at which customers are installing systems in Idaho and elsewhere, we believe current and prospective on-site generators will be better positioned to analyze the costs and benefits of buying, installing, and maintaining an on-site generation system as a result of this Order.

To be clear, the separate rate classes established here are not meant to be punitive nor discriminatory—nor, as with rates, are they a classification that will not evolve. As the Company has found, and the parties vigorously asserted, the cost to serve on-site generation customers may be lower than the cost to serve their current class members. The benefits that on-site generation provide to the Company's infrastructure and resource allocation, once quantified, may well prove to outpace any alleged costs, increases in fixed-cost responsibility or decreases in net excess energy compensation credit. Therefore, we find that on-site generators are sufficiently distinct to warrant separate schedule treatment. The rate and rate design elements of this new class must be analyzed thoroughly and discussed cooperatively, with an eye toward compromise. We discuss our expectations for an expeditious process in more depth below.

III. SMART INVERTER TECHNOLOGY

A. Acknowledgement of Certain Benefits of Forthcoming IEEE Smart Inverter Standards

Idaho Power proposed to modify its interconnection Tariff 72 to require on-site generation customers to install smart inverters that meet industry standard requirements, as defined in the IEEE revised 1547 and 1547.1 standard. Tr. at 590-594. Simultaneously, the Company asked that the Commission acknowledge the benefits of smart inverter technology and, in return, the Company will file a tariff advice within 60 days of the final revised IEEE standards being released. Tr. at 590-594.

The Company believes that the benefits of smart inverters include providing important ancillary services, such as: voltage control, system protection, scheduling, dispatching, load balancing, and forecasting. Tr. at 566. Because the Company cannot detect on-site generation systems on the other side of the meter, it believes that installation of smart inverters is a cost effective voltage regulation option from the distributed energy resource side. Tr. at 594.

Staff

Staff argued that the IEEE standards the Company proposed the Commission acknowledge, and customers install, are not yet final or available and, therefore, should be analyzed only after the standards exist, ideally through a tariff advice or separate docket. Tr. at 1462-1463.

ICL

ICL agreed with the Company's request to require smart inverters according to industry standard definitions and installation requests, as it is already common practice in its service area. *Id.* at 1155.

COMMISSION FINDINGS

The Commission now acknowledges that the weight of the evidence supports the proposition that smart inverters provide functionality that is beneficial to support the ongoing stability and reliability of the Company's distribution system. Therefore, we find that the industry's adoption of a smart inverter requirement will mitigate circuit voltage deviation in a cost effective manner and is therefore reasonable.

The Company is directed to file a tariff advice with this Commission within 60 days of the final adoption of IEEE standards 1547[7] and 1547.1, or 60 days from the final date of this Order, for investigation and final approval.

IV. SCHEDULE 72 REVISIONS

A. Revision of Schedule 72 Based on Adoption of Schedules 6 and 8

In its Application the Company proposed a comprehensive revision of its interconnection Schedule 72, to allow necessary incorporation of terms related to the adoption of Schedules 6 and 8. Application at 11. However, even if Schedule 6 and 8 were not approved, the Company also proposed one additional change to Schedule 72. The Company proposed to revise Schedule 72 to allow it additional time to complete the on-site inspection of a newly installed on-site generation system when circumstances beyond the Company's control arise, making the on-site inspection impracticable or impossible within the 10-business day requirement, such as an extreme weather event. Tr. at 469-470.

Staff and ICEA

Staff argued that the changes are actually more significant than claimed by the Company, and affected schedules that apply to all Company interconnection, including Public Utility Regulatory Policies Act ("PURPA") customers, not just net-metering customers. Tr. at 1463. ICEA agreed with Staff and asked the Commission to postpone its decision.

COMMISSION FINDINGS

Because we approve proposed Schedules 6 and 8, we direct Commission Staff to audit and analyze any necessary integration that must take place to be properly incorporated into Schedule 72, as proposed by the Company.

The Commission also approves the change the Company has proposed to allow it additional time to complete on-site inspections of net-metering systems when circumstances beyond the Company's control arise, making inspection impracticable or impossible, but within a ten (10) business day period.[8]

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[7] IEEE 1547-2018 IEEE Standard for Interconnection and Interoperability of Distributed Energy Resources with Associated Electric Power Systems Interfaces was published on April 6, 2018.

[8] *See* Attachment 5 of the Company's Application in this matter for proposed Idaho Power Company Schedule 72, Interconnections to Non-utility Generation, I.P.U.C No. 29, Tariff 101, Third Revised Sheet No. 72-8.

The Company will work with Staff and other interested parties to finalize the details of its proposed revised Schedule 72, and file conforming tariff language for our approval before the June 1, 2018, effective date.

V. IDAHO POWER SPECIFIC ON-SITE GENERATION DOCKET

Idaho Power asked that, after this case was completed, the Commission order the opening of a generic docket for the Company, other Idaho utilities, Staff and, interested stakeholders to establish a compensation structure for customer-owned on-site generation systems that reflects both the benefits and costs that on-site interconnection brings to the electric system. Application at 2.

COMMISSION FINDINGS

We agree that an additional docket should be opened as a result of the findings in this case. However, we find that the scope of the docket should be redefined.

All parties to this case substantially agreed there should be more analysis of how on-site generation customers are unique, including how their usage characteristics affect costs and benefits, rates, and rate design, and how they should be compensated for excess generation. We agree with the Company, Staff and the intervening parties that this Commission should engender a thorough, data-driven evaluation of Idaho Power's on-site generation program to appropriately inform future Company decisions.

We find it reasonable to direct the Company, Commission Staff, and all interested parties and stakeholders to initiate an Idaho Power specific on-site generation docket to study the costs and benefits of net metering on Idaho Power's system, proper rates and rate design, alongside the related issues of compensation for net excess energy provided as a resource to the utility. We agree with Staff and Sierra Club, that the docket should be limited to Idaho Power, because no other Idaho utility has filed an on-site generation case.

The Commission recognizes the intractability these issues have created around the region and the country generally, and would prefer that interested Idaho stakeholders work together in compromise. All parties, to varying degrees, admit that on-site generation customers both cause costs and create potential benefits to the Company's system(s). Again, we agree, and acknowledge that the cost of serving on-site generation customers, when the true value of their interconnection is realized, may be less than the cost of serving standard service customers. Separating these customers now, for purposes of analysis and not ratemaking, will allow the

Company, Staff and interested stakeholders analytical focus as it relates to future ratemaking and compensation.

The Company, Staff and the intervenors offered various and numerous proposals related to the docket we now direct the Company to initiate. While we greatly appreciate the parties' input and analyses, their positions may be altered as a result of our findings in this Order. Consequently, we direct the parties to meet in an effort to agree on the scope of proper procedural and substantive elements of the on-site generation docket, for approval by this Commission. A deadline will be established in the notice of application in that matter. We also find the docket should include all net-metering interests, not only solar on-site generation, and focus on Idaho Power's systems, costs, benefits, resources, and tariffs.

VI. Analysis of Fixed Costs In Separate Docket

A. The Company Must Undertake a Comprehensive Study of Fixed Costs

Commission Findings

We are convinced, based on the Company's arguments, the parties rebuttals, and the substantial and competent evidence and testimony, that critical questions related to fixed costs must be addressed. Due to the unclear timing of its next general rate case, the Commission now orders the Company to undertake a comprehensive customer fixed-cost analysis to determine the proper methodology and "spread" of fixed costs as they relate to the Company's customers. The Company, with input from interested parties, shall outline the scope of the study that should include exploring fixed-cost recovery in basic charges and other rate design options. A status update shall be filed with the Commission on a quarterly basis, with more specific deadlines prescribed in the coming notice of application in that matter.

VII. Transitional Rates

A. Scope of Transition to New Rates, Rate Design, Compensation Structure

Commission Findings

The Company proposed a transitional period with no change to rates, ostensibly to avoid rate discrimination issues. On the other hand, Sierra and Vote Solar proposed "grandfathering" current on-site generation customers under the current rate class and compensation structure. However, this Order does not change on-site generation customer energy and compensation rates. We find it appropriate to more fully consider the nature and effect of

allowing a transitional period for customers who have already invested in on-site generation in the upcoming on-site generation docket.

Therefore, as a part of our general encouragement for interested stakeholders to work toward agreement in the Company's on-site generation docket described above, we are not opposed to considering the parties' legal analysis and interpretation of *Idaho Code* § 61-315 and related Idaho Supreme Court case law, which prohibits rate discrimination among similarly situated ratepayers. We find it reasonable to consider arguments related to protecting investments already made, or other transitional periods, and other pertinent and legally sufficient distinctions, by customers with on-site generation systems.

PUBLIC TESTIMONY AND COMMENTS

Besides the important testimony provided by the Company, Staff, and intervenors, the Commission received hundreds of written public comments. Approximately 46 members of the public also provided live testimony between the two public hearings in this matter. No comments entirely supported the Application, though some comments agreed or supported certain aspects of it. Much of the public input mirrored and reinforced the parties' stances, and we will not repeat them here verbatim.

First, thematically, public comment focused first on the financial burden and threat to the industry that public commenters believed the Company's proposal creates. Customers and members of the on-site generation industry expressed frustration and concern that the future credit structure of on-site generation investment is uncertain, existing energy rates could change, their investments could suffer diminished returns, and future rates could effectively disallow investment. Installers said they were unsure about how changing Schedule 84 might affect incentives for future installations.

Second, public comment focused on fairness and discriminatory rates. The vast majority of commenters viewed the Company's attempt to separate on-site generation customers as punitive or arbitrary. Commenters questioned how, without cost data or sufficient analysis available, the Company can claim on-site generation customers do not cover their cost-of-service, especially given that traditional residential customers vary in the degree to which they cover their cost-of-service. Some customers suggested that instead of focusing on on-site generators, the Company should impose a rate design that fairly distributes cost-of-service among all customers, which suggestion we now attempt to begin to address through the above-ordered Company fixed-

cost analysis. Commenters expressed fear that, if the Company is allowed to separate on-site generation customers, discriminatory rates may follow that would burden these customers with higher rates and curb future on-site generation investment.

Finally, commenters focused on the potential benefits of solar generation. Many commenters argued that the Company should encourage solar generation because solar generation would: (1) have sociocultural benefits (it is the right thing to do); (2) limit the Company's dependence on fossil fuel produced electricity; (3) reduce carbon emissions; and (4) preserve the environment for future generations. These commenters also believe on-site generation tangibly and intangibly benefits the Company and its customers. The benefits include freeing the public to generate its own power outside of the monopoly system, allowing on-site generation to offset peak demands during the day and in the summer, and enabling customers to offset their electric needs and control their energy future. These benefits, commenters argued, should be considered and quantified before the Company separates net-metering customers into their own rate class.

COMMISSION FINDINGS

The Commission appreciates the thoughtful and extensive public testimony. We share the concerns expressed by the public and the Company's customers. The overwhelming majority of those who participate in the Company's dockets related to on-site generation oppose the Company's proposals. The Company must continue to listen to and understand, and address its customers' concerns in these cases.

We can also assure the Company's customers that discriminatory rates will not follow from the outcome of this case, as the prevention of discriminatory rates by the utility is the main purpose of this Commission's oversight, Commission Staff's public service, and the many intervenors and public participant's involvement in these important cases. We also share with commenters the concern about the future of on-site generation. This Commission views on-site generation resources as an inevitable part of any utility's future resource portfolio. The underlying, fundamental nature of a utility's business is rapidly changing due to evolving regulatory regimes, technology, and customer preference. The characteristics of on-site generation, as well as how these rapidly evolving and increasingly adopted technologies interact with the traditional utility resource model, will affect future rates, rate design, and compensation structures.

INTERVENOR FUNDING

A. Standard for Intervenor Funding

Intervenor funding is available under *Idaho Code* § 61-617A and Commission Rules of Procedure 161 through 165. Idaho Code § 61-617A(1) states 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 authorizes 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. Idaho Code § 61-617A(2).

Intervenor funding costs include: legal fees, witness fees, transportation and other expenses so long as the total funding for all intervening parties does not exceed $40,000 in any proceeding. *Id.* The Commission must consider the following factors when deciding whether to award intervenor funding:

(1) That the participation of the intervenor has materially contributed to the Commission's decision;
(2) That the costs of intervention are reasonable in amount and would be a significant financial hardship for the intervenor;
(3) The recommendation made by the intervenor differs materially from the testimony and exhibits of the Commission Staff; and
(4) The testimony and participation of the intervenor addressed issues of concern to the general body of customers.

Id.

To obtain an award of intervenor funding, an intervenor must further comply with Commission Procedural Rules 161-165. IDAPA 31.01.01.161-165. The petition must contain an itemized list of expenses broken down into categories, a statement explaining why the costs constitute a significant financial hardship, and a statement showing the class of customer on whose behalf the intervenor participated. Rule 162; IDAPA 31.01.01.162.

As set out in greater detail below, the Commission received timely intervenor funding petitions from four parties: ICEA, Irrigators, Sierra, and SRA/NWEC, in total amount of $94,589.65.

B. The Petitions

Idaho Clean Energy Association

On March 23, 2018, ICEA timely filed a Petition for Intervenor Funding seeking recovery of $30,158 in expenses, including an itemized list of expenses incurred. King Affidavit at 2. In December 2017, ICEA consolidated representation with Auric Solar, to increase efficiency

and reduce costs, therefore, approximately $15,000 of the requested funds were incurred by Arkoosh Law Offices, related to the Motion to Dismiss filed in this matter, and the other approximately $15,000 was incurred by Givens Pursley, ostensibly after representation was consolidated. *Id.* at 3. The fees paid to ICEA's attorneys represent a "blended rate" of $250/hour for Arkoosh Law Offices, and $225/hour for Givens Pursley. *Id.* at 2. ICEA argued that this rate is reasonable given the fact that, as an example, Idaho Power had a budget of $100,000 and hourly rate of $550/hour for one expert witness. *Id.* at 3.

ICEA stated that it is a non-profit organization dedicated to providing a collaborative forum for Idaho's diverse renewable energy and energy efficiency business community and to pursuing other objectives related to the advancement of clean energy in Idaho. *Id.* at 1. It stated that it reduced costs by relying on volunteer witnesses and other volunteers. It relies solely on donations from its members and maintains the fees incurred were reasonable and necessary. *Id.* 3. It further stated that having to expend these amounts, which were significantly reduced to stay in line with intervenor funding limitations, puts ICEA in significant hardship, especially given this case is only 5 years after Idaho Power's previous net-metering case. Further, if the Commission grants Idaho Power's requests, it will have no choice but to continue to represent its and its members' best interests in the new docket. *Id.* at 3.

ICEA stated that it materially contributed by presenting the perspective of businesses involved in the renewable energy industry, a perspective unavailable to Staff. ICEA Request for Intervenor Funding at 4. ICEA stated it also presented the perspective of a financial analyst to demonstrate the impacts of the filing on evaluation of investments in rooftop solar installations, another perspective unavailable to Staff. *Id.* at 4. More specifically, ICEA filed a Motion to Dismiss as a preliminary matter, and then approximately 100 pages in pre-filed direct and rebuttal testimony of four (4) witnesses. ICEA made a series of proposals both in direct and rebuttal testimony generally consisting of its recommendations to the Commission on how to proceed regarding concerns of present and future net-metering customers and of businesses that serve net metering customers. *Id.* at 4-5. ICEA also fully participated, including by cross examining witnesses, in the technical hearing.

Irrigation Pumpers Association

Irrigators sought to recover their legal fees ($12,654.07) and witness fees ($19,561.29) for a total of $32,215.36. Application for Intervenor Funding of the Idaho Irrigation Pumpers

Association, Inc. at Ex. A. Irrigators is a non-profit corporation representing farmers' interests in electric utility matters in southern Idaho. *Id.* at 3. This amount represents 122 witness hours at $155/hour and legal expenses at $250/hour and $190/hour respectively. *Id.* Irrigators filed approximately 12 pages of direct testimony in this matter, and participated in the technical hearing.

Irrigators stated that it relies solely on dues and contributions voluntarily paid by its due-paying members, having only one part-time paid contractor who shares office space in Boise, and a financial hardship thus exists in relation to the expenses it accrued to fully participate in this matter. Application at 3.

Irrigators further stated that its position materially differed from that of the Commission Staff and other parties, because it argued that: (1) the experimental rate design of Schedule 84 initiated over 30 years ago is no longer justified, because of technological advancements and the increase in net-metering customers; and (2) an intraclass cost shifting is occurring. *Id.* at 3. Irrigators concluded that intraclass cost shifting can be dealt with by modifying Schedule 84, but the appropriate next step would be to first study the costs and/or benefits of net metering through a workshop. Irrigators stated that it represents the irrigation class of customers under Schedule 24 on the Company's system, but it also addressed issues of concern to the general body of users or consumers. *Id.* at 4.

Sierra Club

Sierra Club timely filed a Petition for Intervenor Funding seeking $24,390. *See* Sierra Club Request for Intervenor Funding Exhibit A. Sierra Club sought recovery of its legal fees ($6,202.50) and witness fees ($18,187.50). *Id.* This amounts to approximately 41 hours at $150/hour in legal fees and 73 hours at $250/hour in expert witness fees. Sierra Club filed approximately 51 pages of direct testimony, and fully participated in the technical hearing. Sierra Club stated that it did not include all potential billable hours in its request due to expending a great deal of time and energy on attempting to explore and implement creative options and strategies with other parties. *Id.* at 3.

Sierra Club is a nonprofit organization representing Idaho Power ratepayers and those who are interested in promoting distributed energy generation and resiliency throughout Idaho. *Id.* It relies solely on donations from members and foundations. *Id.* Sierra Club's proposed findings materially differ from those of the Commission Staff. Sierra Club's position is that the class structure should not be modified until after a benefit-cost study shows that the costs of Net-Energy

Metering ("NEM") exceed the benefits. *Id.* at 4. Sierra Club is also concerned with the Staff's proposal to determine a NEM customer's imports and exports of electricity on an hourly basis. Sierra Club's participation raised issues relating to the value of renewable energy on Idaho Power's system and contributed to a more thorough understanding of the costs and benefits. *Id.* at 5.

Sierra Club stated that it represents its members and supporters who are residential and small commercial customers of Idaho Power. *Id.*

Snake River Alliance/Northwest Energy Coalition (SRA/NWEC)

SRA/NWEC timely filed their Petition for Intervenor Funding seeking $7,826.29. SRA/NWEC Petition for Intervenor Funding at 6. SRA/NWEC sought recovery of $7,500 in legal fees, because its expert witness preparation fees were provided for, and $326.29 in expert witness travel, meal, and transportation expenses. *Id.* SRA/NWEC filed approximately 33 pages of direct and rebuttal testimony, and fully participated in the technical hearing.

SRA/NWEC claimed their testimony and participation differed materially from Commission Staff because they proposed and discussed: proper data the Company should compile and analyze before moving forward with a generic docket; hourly usage of distributed generation customers; spatial distribution and size of projects at sub-station level; coincident and non-coincident peaks; fixed-cost recovery of customers at issue; "full costs of service"; proportion and number of customers who net zero usage with on-site generation; bi-directionality of all AMI customers; Commission ordered surveys related to household size, income, etc.; policy considerations for future rates, rate design, and rate methodologies related to gradualism, fairness, and a study of benefits incentive to adopt distributed generation. *Id.* at 3-4.

SRA/NWEC stated that they represented present and future net-metering customers of the residential and small general services customer classes. *Id.* at 4.

COMMISSION FINDINGS

The Commission reviewed the Petitions, associated briefs, and the record of proceedings. Consistent with the policy expressed in *Idaho Code* § 61-617A, we encourage intervenors to participate in cases and decisions before us.

Based on their testimony and participation in this matter, we find that the Petitions for Intervenor Funding filed by ICEA, Irrigators, Sierra, and SRA/NWEC generally comport with the procedural and technical requirements set forth in Rules 161-165 of the Commission's Rules of

Procedure. We find that these intervenors have generally satisfied the criteria for an intervenor funding award under *Idaho Code* § 61-617A.

Specifically, we find that ICEA, Irrigators, Sierra, and SRA/NWEC materially contributed to our decision in this matter by addressing issues important to our consideration. These include, but are not limited to, perspectives from the renewable energy industry, businesses that finance on-site generation systems (ICEA), the agricultural community (Irrigators), and entities that participate in the promotion of distributed energy generation and energy efficiency (Sierra and SRA/NWEC). We note that the intervenors participated in scheduled negotiations, prepared and evaluated discovery, and testified and examined witnesses at the technical hearing. We further find that much of the intervenors' evidence, and many of their positions, materially differed from Staff evidence and positions. Finally, we find that the intervenors addressed issues relevant to all consumers, providing us with a more complete framework in which to evaluate the case and render a decision in the public interest. We also find that the intervenors would suffer financial hardship without access to some intervenor funding.

However, while we recognize the value of the contributions of the intervenors, we are limited to an award not exceeding $40,000. Therefore, in the interest of fairness, with acknowledgment of the substantial value their participation added to the record and our deliberation and ultimate decision, we find that the intervenors contributed to a substantially similar degree, which leads us to an approximately equal distribution of intervenor funds.

Having made the requisite findings under *Idaho Code* § 61-617A, we find it appropriate to grant the Petitions and award intervenor funding as follows: $11,000 to ICEA; $11,000 to Irrigators; $11,000 to Sierra; and $7,000 to SRA/NWEC. 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 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, classifications 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) close Schedule 84 and create new Schedule 6: Residential Service On-Site Generation and new Schedule 8: Small General Service On-Site Generation; (2) acknowledge smart inverter

technology and require the Company to file a tariff advice within 60 of the final adoption of IEEE standards 1547 and 1547.1; (3) allow the Company's proposed revisions to its Schedule 72, after working with Staff and other interested parties to finalize the details and file conforming tariff language by June 1, 2018; (4) open an Idaho Power specific docket to comprehensively study the costs and benefits of on-site generation on Idaho Power's system, proper rates and rate design, transitional rates, alongside the related issues of compensation for net excess energy provided as a resource to the Company; and (5) order Idaho Power to file a study with the Commission exploring fixed-cost recovery in basic charges and other rate design options prior to its next general rate case.

ORDER

IT IS HEREBY ORDERED that Idaho Power shall close Schedule 84 and create new Schedule 6: Residential Service On-Site Generation and new Schedule 8: Small General Service On-Site Generation.

IT IS FURTHER ORDERED that certain benefits of smart inverter technology are acknowledged and Idaho Power shall file a tariff advice with this Commission within 60 days of the final adoption of IEEE standards 1547 and 1547.1, or 60 days from the final date of this Order, for investigation and final approval.

IT IS FURTHER ORDERED that Idaho Power's proposed revisions to Schedule 72 are approved. The Company shall work with Staff and other interested parties to finalize the details and file conforming tariff language by June 1, 2018.

IT IS FURTHER ORDERED that Idaho Power shall initiate a docket to comprehensively study the costs and benefits of on-site generation on Idaho Power's system, as well as proper rates and rate design, transitional rates, and related issues of compensation for net excess energy provided as a resource to the Company.

IT IS FURTHER ORDERED that Idaho Power shall file a study with the Commission exploring fixed-cost recovery in basic charges and other rate design options prior to its next general rate case.

IT IS FURTHER ORDERED that the intervenor funding petitions of ICEA, Irrigators, Sierra, and SRA/NWEC are granted in part. The Company shall promptly pay $11,000 to ICEA, $11,000 to Irrigators, $11,000 to Sierra, and $7,000 to SRA/NWEC, chargeable to the residential and small commercial classes.

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 9th day of May 2018.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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