

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: DAPHNE HUANG
DEPUTY ATTORNEY GENERAL

DATE: JULY 1, 2016

SUBJECT: IDAHO POWER'S APPLICATION TO APPROVE NEW TARIFF
SCHEDULE 63, A COMMUNITY SOLAR PILOT PROGRAM, CASE NO.
IPC-E-16-14

On June 22, 2016, Idaho Power Company filed an Application with the Commission to authorize it to implement an optional program, Schedule 63, Community Solar Pilot Program. Under the Program, the Company proposes to build a 500 kilowatt (kW) single-axis tracking community solar array in southeast Boise that will allow a limited number of Idaho Power customers to subscribe to the generation output. Idaho Power asked that the case be processed by Modified Procedure, and that an Order be issued with an effective date of September 15, 2016. With its Application, the Company attached the proposed Tariff Schedule 63, and Direct Testimonies by David Angell, Matthew Larkin, and Peter Pengilly.

THE APPLICATION

Idaho Power's Application states that the proposed Program, offered in response to customer input, enables customers to invest or participate in the "operation of solar resources" without "requir[ing] upfront capital costs . . . [and] long-term expenses and liabilities associated with system operation and maintenance." Application at 2-3. The Company's proposal also permits participation in a solar power program by those for whom "rooftop or ground-mounted solar installations" are not feasible. *Id.* at 2.

The Community Solar Program is separate and distinct from Idaho Power's Green Energy Purchase Program Rider, for which an application was simultaneously filed before the Commission in Case No. IPC-E-16-13.

The proposed Community Solar Program would be open to the following customer service classes on a first-come, first-served basis: residential, small general, large general, large power, agricultural irrigation, Micron special contract, Simplot special contract, and Department of Energy special contract. Application at 3-4. Under the Program, individual customer subscriptions would allow expected annual production up to 100% of a participant's usage for the prior 12 months on a kilowatt-hour (kWh) basis. *Id.* at 4. The Application sets forth the number of subscriptions and kW's to which customers are limited, as well as the transferability of subscriptions in the event a participant moves within Idaho Power's service area. *Id.* at 4-5. Idaho Power proposes to retain ownership of renewable energy credits (RECs) associated with the Program. *Id.* at 5.

Participants' monthly energy production will be calculated as per kWh "Solar Energy Credits" (SEC) that participants receive for their share of the solar production each month. Application at 5-6; Larkin Direct at 12. The Company proposes calculating its per kWh SEC as the product of the rate specified in Tariff Schedule 63, and the participant's share of the total monthly production for the month. Application at 10. The Company will base the SEC on "its embedded energy-related costs recovered through base rates," and will update them as needed. *Id.* Participation in the Program will be reflected in participants' bills "as a dollar offset to the total bill, not as a kWh credit that offsets billed kWh consumption." Application at 6; Pengilly Direct at 13. "[E]xcess production will be carried forward on a kWh basis to be credited on a participant's bill in a future month." *Id.*

The Company proposes ongoing operations and maintenance (O&M) expenses of \$16 per kW. Application at 6. If approved, the Program's facility would be built adjacent to Idaho Power's Boise Bench substation. *Id.* at 7. Testimony by David Angell, attached to the Application, describes the Company's request for bid (RFB) process for the design, procurement, and construction of the solar photovoltaic (PV) system. *Id.*; *see* Angell Direct at 4-8. The successful bidder gave a cost-estimate for the project of \$1,158,769. Application at 7; Angell Direct at 6.

In April 2016, Idaho Power completed the facility study – required in order for the facility to interconnect with the Company, consistent with Idaho Power's Open Access Transmission Tariff with the Federal Energy Regulatory Commission. Application at 7-8.

According to the study, the preliminary interconnection costs for the Program's facility are about \$81,000. *Id.*

The Company states that the Program is designed to "ensure that [its] costs . . . are borne by customers who choose to participate . . . , while holding non-participating customers harmless." *Id.* at 9. A participant's subscription fee reflects "the cost to construct and interconnect the solar PV facility and market the program, less an IDACORP, Inc. shareholder contribution of 15 percent, as well as ongoing costs such as O&M expenses and property tax." *Id.* The Company proposes the shareholder-funded contribution of 15% of construction costs because the project is smaller than the industry standard for a "utility scale" solar project, and because "construction of a larger facility would likely result in cost savings due to economies of scale estimated at 15 percent." *Id.* According to Idaho Power, the Company will not earn a return on the Program. *Id.*

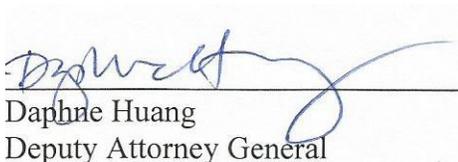
The Company expects to receive federal investment tax credits (ITCs) of 30% for the Program. *Id.* The Company will pass the ITC benefits to the Program participants, calculated into the upfront subscription fee. *Id.* The proposed subscription fee, based on anticipated costs, is \$740, "the equivalent of a 320-watt panel." *Id.* Idaho Power will treat the project facility as "utility plant." Application at 11. Using accounting methods set forth in the Application, the project's costs will be zero on the Company's books, thus "any future change in base rates will exclude any community solar plant-related costs." *Id.*

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application and Deadline to Intervene of two weeks from the service date of the Order.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and Deadline to Intervene of July 19, 2016?



Daphne Huang
Deputy Attorney General

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