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*Attorney for Idaho Clean Energy Association Inc.*

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE  
APPLICATION OF IDAHO POWER  
COMPANY FOR AUTHORITY TO  
MODIFY ITS NET METERING SERVICE  
AND TO INCREASE THE GENERATION  
CAPACITY LIMIT

Case No. **IPC-E-12-27**

DIRECT TESTIMONY OF LEIF ELGETHUN

ON BEHALF OF IDAHO CLEAN ENERGY ASSOCIATION

May 10, 2013

JAN 19 1970

1 Q. Please state your name and business address.

2 A. My name is Leif Elgethun and my business address is 1775 W State St. PMB  
3 125, Boise, ID 83702.

4 Q. Please describe your educational background.

5 A. I hold a bachelor of science in chemical engineering, chemistry, and  
6 mathematics and masters of engineering in engineering management, all from the  
7 University of Idaho. I am a licensed Professional Engineer in the State of Idaho and a  
8 LEED AP BD-C (Leadership in Energy and Environmental Design Accredited  
9 Professional with an emphasis in Building Design and Construction).

10 Q. Please describe your professional work experience.

11 A. I am currently a partner in four companies, all within the clean energy sector.  
12 The majority of my time is spent with Site Based Energy, headquartered in Ketchum,  
13 which provides energy efficiency and renewable energy consulting and construction  
14 services. My role is Sr. VP of Development with primary responsibilities including:  
15 business development, project development, project management, engineering  
16 oversight, and corporate strategy. I am a partner and managing member in HydroGen  
17 LLC, a renewable energy development firm focused on small hydroelectric facilities on  
18 existing infrastructure. My primary responsibilities are business development, project  
19 development, project management, engineering oversight, and corporate strategy. I  
20 also am a partner in E-Newables, an energy finance consulting firm and Retrolux,  
21 software as a service (SaaS) for electrical contractors that manages their business  
22 processes, including energy efficiency and cost estimating.

23 Q. On whose behalf are you testifying?

1 A. I am testifying on behalf of the Idaho Clean Energy Association (ICEA).

2 Q. Please describe the Idaho Clean Energy Association.

3 A. The Idaho Clean Energy Association is a nonprofit organization dedicated to the  
4 advancement of renewable energy, energy efficiency and their associated technologies  
5 in the State of Idaho.

6 Q. Has the IECA adopted a Mission, Vision and Goals statement?

7 A. Yes. Our Mission, Vision and Goals are:

8 Mission: The Idaho Clean Energy Association is dedicated to advancing Idaho's  
9 independence and economy through growing our clean energy industry.

10 Vision: ICEA is Idaho's leading voice for policies and programs to promote  
11 Idaho's clean energy resources in order to maintain reliable, affordable energy and  
12 grow our economy.

13 Goals: Bring together clean energy businesses to network, collaborate, and  
14 advocate for policies and programs that grow our industry; Engage with Idaho's  
15 policymakers to make clean energy the top priority of state energy policy; Provide  
16 Idaho's clean energy industry with a consistent and clean voice in regulatory  
17 proceedings and policy making arenas; Educate Idaho's citizens on the opportunities to  
18 use our energy resources efficiently and develop our own clean energy resources.

19 Q. Approximately how many persons are employed by ICEA members?

20 A. Approximately 100 employees.

21 Q. What is your position with the ICEA?

22 A. I am Chairman of the Board of Directors.

23 Q. Are other witnesses testifying on behalf of the ICEA?

- 1 A. Yes. Mrs. Courtney White provides technical testimony touching on:
- 2 I. The proposed cap on net metering creates more costs than benefits;
- 3 II. The filing is inconsistent with state policy;
- 4 III. Any claimed inequity claimed is driven by a few customers with excess
- 5 generation; there is no need for a new rate structure for all net metering
- 6 customers;
- 7 IV. The proposed rate structure is inequitable and discriminatory;
- 8 1. Inequity between standard service and net metering customers
- 9 2. Inequity between low usage and high usage customers
- 10 V. Excess generation should be given a financial value;
- 11 VI. The filing will likely not remain revenue neutral;

12 And, Mr. Matthew Dunay provides technical testimony touching on the effects this

13 proposal is having on his business, which solely relies on small net metered solar PV

14 systems in Idaho.

15 Q. What is the purpose of your testimony?

16 A. I will describe the growing market for green energy products and services and

17 the impact of the Idaho Power's (The Company) proposed changes to its net metering

18 tariffs upon that market. I will also set forth ICEA's position on treatment of the

19 Company's proposed changes to the rate structure, aggregate cap, excess generation,

20 application fee, and interconnection.

21 Q. Is there growing consumer demand for clean energy products and services?

22 A. Yes there is. For example, Figure 1 contained in the Direct Testimony of

23 Mathew Larkin illustrates this growing interest. See Exhibit 711 attached hereto.

1 Q. Why do you believe the market for customer-owned electric generation is  
2 growing?

3 A. I believe there are several reasons. In general, individuals and businesses have  
4 an increased interest in controlling their energy costs through cost effective investments  
5 on their properties. This interest has been met with positive actions, including  
6 marketing, education, direct non-profit financial support, and the energy efficiency  
7 rebate program from the Company if the method of control is conservation or energy  
8 efficiency. The Company has also exhibited positive actions with respect to their net  
9 metering program until this filing, with an appropriately designed and executed existing  
10 tariff coupled with great customer service.

11 However, the cost and complexity of generation sources have typically limited  
12 this program to participants with additional motives beyond cost control, limiting the  
13 scope and adoption of customer-owned generation. The increased interest in net  
14 metering in particular can be attributed to three primary factors: lower installed cost,  
15 desire for energy independence and security, and increased awareness of  
16 environmental degradation due to fossil fuel consumption.

17 With respect to PV solar, for example, technology is improving and prices are  
18 declining, bringing PV solar closer to price parity with Company retail rates. For  
19 simple rooftop installations, the 20 year levelized cost for customer owned PV solar  
20 (including federal tax implications) currently is on par with projected 20 year levelized  
21 retail rates provided by the Company in their 2011 IRP.

22 Additionally, customers are increasingly interested in offsetting purchases of  
23 electricity from a utility and reducing dependence upon utility generation. Self-

1 generation can also serve as a partial hedge against increasing electric service rates. In  
2 addition, installers have seen an increasing interest in battery backup, especially in  
3 more rural areas that have had longer durations of power going offline due to system  
4 failure.

5 Finally, customers are interested in investing in technologies that make a  
6 contribution towards reducing reliance on fossil fuels. This is not usually the deciding  
7 factor in most installations, but does provide the a large portion of the initial interest in  
8 a renewable energy system. Most potential customers list this as a growing concern  
9 and as a primary concern in their decision to install a renewable energy system.

10 Q. Do you believe there are public policy reasons for facilitating the growth of this  
11 market?

12 A. Yes. The primary public policy reasons for facilitating the growth of this  
13 market are job growth, grid security, grid reliability, and individual liberty. In  
14 particular, the Idaho State Legislature adopted the 2012 State Energy Plan, in particular,  
15 Policy Goal 3 which states:

16 *“When acquiring resources, Idaho and Idaho utilities should give priority to*  
17 *cost-effective and prudent: (1) conservation, energy efficiency, and demand*  
18 *response; and (2) renewable resources, recognizing that these alone will not fulfill*  
19 *Idaho’s growing energy requirements and that these resources play a role in*  
20 *addition to conventional resources in providing for Idaho’s energy needs.”*

21 [[http://www.energy.idaho.gov/energyalliance/d/2012\\_idaho\\_energy\\_plan\\_final\\_2.pdf](http://www.energy.idaho.gov/energyalliance/d/2012_idaho_energy_plan_final_2.pdf)  
22 f, Page 3].

1 In addition, several municipalities within the Company's service area have also  
2 made renewable energy a priority., The City of Boise has intervened in this case,  
3 expressing concern that the Company's proposals will undercut the City' sustainability  
4 goals. (See, City of Boise's Petition to Intervene, January 29,2012. City of Ketchum has  
5 filed Public Comments opposing the application , Ketchum, Hailey, and Blaine County  
6 now require renewable energy generation in their Exterior Renewable Energy  
7 Mitigation Program:

8 [[http://www.co.blaine.id.us/vertical/sites/%7BBB2A7BCF-1E38-4DB2-AE8E  
9 3A22829A1987%7D/uploads/Exterior\\_Renewable\\_Energy\\_Mitigation\\_Program.pdf](http://www.co.blaine.id.us/vertical/sites/%7BBB2A7BCF-1E38-4DB2-AE8E3A22829A1987%7D/uploads/Exterior_Renewable_Energy_Mitigation_Program.pdf)].

10 Q. What role does a viable net metering (NEM) structure play in allowing this  
11 market to develop?

12 A. The ICEA believes a NEM structure that fairly compensates participants is  
13 essential to growth in this market. This is the most important role NEM should provide  
14 to the market and is an area ICEA is in agreement with the Company. We disagree  
15 with the method by which the Company is determining 'fair' and have outlined our  
16 objections to their methods in testimony provided by Ms. White.

17 Another very important factor that will allow this market to continue to develop  
18 is a sense of stability in the rate structure going forward. Customers and installers  
19 understand that their rates will change over time, and attribute an increasing value to  
20 this fact due to increasing rates, but do not understand fundamental changes to the way  
21 the program is structured. Most participants place the cost of their system and the  
22 associated time dependent value of that system as the deciding factor before making a  
23 substantial investment. Each participant will undergo a financial assessment of that

1 system based on the rules of the day and expect that while certain components of that  
2 system may change, that the underlying structure will remain consistent. To remain  
3 viable, the NEM program needs to have firm sidebars put in place by the Commission  
4 to ensure participants have as much certainty in their financial analysis as possible.

5 Q. Does ICEA believe the current NEM structure—which credits customers at the  
6 applicable retail rate—is appropriate?

7 A. Yes. Ms. White's and Mr. Thomas Beach (on behalf of the Idaho Conservation  
8 League) testimony provides a detailed analysis, but we believe the monetary benefits  
9 to the Company exceed the monetary costs accrued by the Company for the net  
10 metering class under the current rate structure and overall market conditions. We  
11 believe we could show the Company should pay a multiplier of the retail rate to NEM  
12 participants and still have a revenue neutral NEM class. However, we also believe the  
13 current system should be retained due to its simplicity and congruence with the  
14 historical program and the majority of other state programs.

15 As I will discuss below, ICEA does believe some modification may be  
16 appropriate to address the relatively small issue of excess generation, but the basic  
17 structure should remain in place. ICEA strongly opposes the Company's proposed  
18 changes to the rate design. Ms. White more fully discusses these objections in her  
19 testimony.

20 Q. Please describe the effect upon the renewable generation market that resulted  
21 from the filing of this case (IPC-E-12-27) by the Company on November 30, 2012.

22 A. The filing has created great uncertainty among potential customers and the  
23 renewable industry. The resulting uncertainty has provided a very real chilling effect in

1 the market. Many installers have had shovel ready projects put on hold until the case is  
2 resolved while having new potential projects shelved until the case is resolved. A  
3 survey of ICEA members has resulted in only one company reporting steady business.  
4 On the other end of the spectrum, one ICEA member has not had a single install since  
5 the Company filed their proposal. In particular, my firm, Site Based Energy, has  
6 completely shut down our Idaho small renewable energy installation program, laid off  
7 one employee, had multiple projects shelved, and lost tens of thousands of dollars spent  
8 in marketing, training, and proposals put out in Fall of 2012 to ramp up a program to  
9 meet demand.

10 Q. Please describe the effect on the NEM market that the proposed system wide  
11 cap will have.

12 A. As explained previously, the proposed changes by Idaho Power has had  
13 negative consequences for installers since they were filed. The proposed cap raises the  
14 system size from 2.9 MW to 5.8MW. At the current rate of growth in the system, the  
15 next cap will be reached in 3-5 years. If there will be another 6 month disruption to the  
16 program, this results in a negative chilling effect on the NEM market equal to 10-17%  
17 ( $0.5 \text{ years} / 5 \text{ years} = 10\%$ ,  $0.5 \text{ years} / 3 \text{ years} = 17\%$ ) over the next 5 years. More  
18 importantly, in the years of contention, it accounts for 50% of annual revenues. For  
19 small privately held companies typical of those installing NEM systems in Idaho, this  
20 represents an undue regulatory burden on their businesses, resulting in negative  
21 consequences for the overall NEM market.

22 Q. If the Company's proposed rate design changes were approved, what would be  
23 the effect on the renewable generation market, in your opinion?

1 A. As the Company has acknowledged, the proposed rate design changes will have  
2 a disparate effect on customers depending on their usage. The proposed rate design  
3 will have a negative effect on small users while providing positive benefits to large  
4 users. As there are more small users than large users, it stands to reason that the overall  
5 effect will be negative. In addition, it is our opinion that this will sow negativity in the  
6 market with customers coming to the conclusion that the State and the Company do not  
7 support renewable energy. Further, the market may conclude that their investments in  
8 customer owned electrical generation resources are not secure, which will reduce debt  
9 financing. Overall, it is reasonable to conclude the proposed rate design will have a  
10 severely negative effect on the market, which stands in direct contrast to the stated  
11 policy of both the State and the Company.

12 Q. Please explain the Company's proposal for net excess generation, as you  
13 understand it.

14 A. Idaho Power proposes to terminate the practice of cash payments for net excess  
15 generation, to allow carry-forward of credits to subsequent billing periods based on  
16 power generated (kWh), and to require forfeiture of any accumulated credits at the  
17 conclusion of a customer December billing period. (Larkin, Direct Testimony, pgs. 26-  
18 27.)

19 Q. Does ICEA support this proposal?

20 A. Only in part. ICEA does not object to terminating cash payments at the retail  
21 rate for net excess generation. The other features of the proposal are arbitrary, punitive,  
22 and unfair. The selection of December as the forfeiture date is arbitrary and could have  
23 negative consequences for participants that generate excess power in the summer that is

1 carried forward to offset winter and spring loads. In addition, the selection of one year  
2 for forfeiture is arbitrary, punitive, and unfair as participants that try to become true net  
3 metering customers will have annual variability in their systems. An unlimited term  
4 will help reduce the variability of a participants loads. Complete forfeiture of credits  
5 without payment is punitive, unfair. The Company's proposal to take this customer  
6 produced product and sell it to their neighbors without payment is akin to theft and is  
7 the most egregious of the entire Company proposal.

8 Q. Does ICEA have an alternative proposal?

9 A. Yes. ICEA proposes that:

10 1. The company place a financial, not kWh, value on excess generation. The  
11 value should be at the participants highest rate tier for the month in which the excess  
12 energy is generated and should include all rate specific adjustments applied in that  
13 month. This will ensure that power is valued during the time it is generated, not the  
14 time it is offset with future energy usage. An example is solar power which has  
15 maximum output during the Company on peak, summer rate tier. The power should be  
16 paid at a rate closest to this generation time, not paid during the off peak, non-summer  
17 rate tier.

18 2. Allow excess generation to be carried forward as long as the customer  
19 continues their account. Item 3 will ensure the Company's concerns regarding payment  
20 are met. If the commission finds a term to be necessary, then a minimum three year  
21 period is appropriate and acceptable. This will allow for annual variation in system  
22 loads but will ensure the Company does not have an indeterminate liability.

1           3. Allow a customer to transfer any excess generation credits to IPCo in return  
2 for a payment based on then current avoided cost at any time. The participant should  
3 be able to sell their power to the Company at any time at the current avoided cost rate.  
4 This will ensure the participant is compensated for their power, but will limit that  
5 compensation to the same rate paid to an independent power producer. This has been  
6 shown to satisfy FERC rules regarding power sales from a NEM customer.

7           4. If a term is implemented, then the Company shall automatically transfer all  
8 expiring excess generation credits to IPCo on a monthly basis in return for a payment  
9 based on then current avoided cost. If the participant is not able to utilize their excess  
10 generation credits within the three year carry forward period from the month it is  
11 generated, expiring credits should be compensated, but at the current avoided cost rate  
12 for the same reasons as in item three above.

13 Q.     Do you believe this proposal more fairly balances the needs of customers and  
14 the utility?

15 A.     Yes I do.

16 Q.     Do you have any concerns with the Company's proposed interconnection  
17 procedure?

18 A.     ICEA members met with Company Staff and IPUC Staff to negotiate technical  
19 details for interconnection. We feel our concerns have been met and recommend  
20 accepting the Company's proposed modified interconnection rules negotiated with  
21 input from the ICEA.

1 Q. To your knowledge did Idaho Power make any effort to reach out to members  
2 of the renewable energy industry to discuss possible changes to NEM before filing Case  
3 No. IPC-E-12-27?

4 A. To my knowledge it did not.

5 Q. Could you please summarize ICEA's recommendations in this matter?

6 A. Yes. ICEA respectfully recommends that in its Final Order the Commission:

- 7     ▪ Maintain the current rate structure for net meter service and reject the  
8       Company's proposed rate structure because it is arbitrary, discriminatory and  
9       punitive;
- 10    ▪ Reject the Company's proposal for a system cap on the meter metering program  
11      because the Company has not demonstrated a reliability or economic need for a  
12      cap and because a cap introduces uncertainty into the system;
- 13    ▪ Reject the Company's proposal to forfeit net excess generation at the end of a  
14      customer's December billing period and adopt instead ICEA's proposal which  
15      would:
  - 16          ▪ Place a financial, not kWh, value on excess generation;
  - 17          ▪ Allow excess generation to be carried forward indefinitely (preferred) or  
18             for a three year period (acceptable);
  - 19          ▪ Allow a customer to transfer any excess generation credits to IPCo in  
20             return for a payment based on then current avoided cost at any time;
  - 21          ▪ If a period is set, then the Company shall automatically transfer all  
22             expiring excess generation credits to IPCo in return for a payment based  
23             on then current avoided cost.

1       ▪    Accept the Company's proposed modified interconnection rules negotiated with  
2       input from the ICEA.

3    Q.    Does this conclude your testimony?

4    A.    Yes, it does.

**BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION**

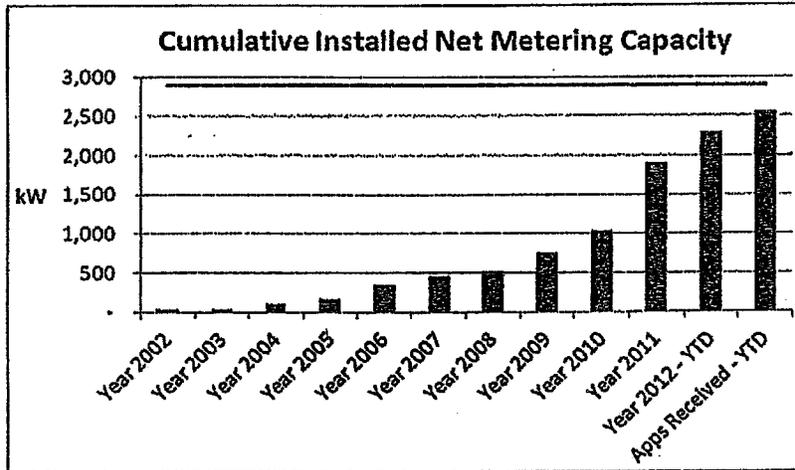
**CASE NO. IPC-E-12-27**

**IDAHO CLEAN ENERGY ASSOCIATION**

**ELGETHUN, L., DI TESTIMONY**

**EXHIBIT NO. 711**

**Figure 1**



## CERTIFICATE OF SERVICE

I hereby certify that on the 10<sup>th</sup> day of May, 2013, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

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