Comments to the PUC regarding Case # IPC-E-12-27

By Courtney White, January 28, 2013

As a rate payer, a business person, and a concerned citizen of Idaho, I urge the PUC to decline Idaho Power's request to increase the fees and reduce the benefits of net metering. In sum, the proposal does vastly more harm than good. While the proposal's stated intent may sound reasonable on the surface, the actual terms proposed create greater inequities, establish perverse incentives, misrepresent the economics, and cause far more problems than the dollars involved could possibly merit. Below are comments in two sections: impacts of the proposal, and the flaws in its logic.

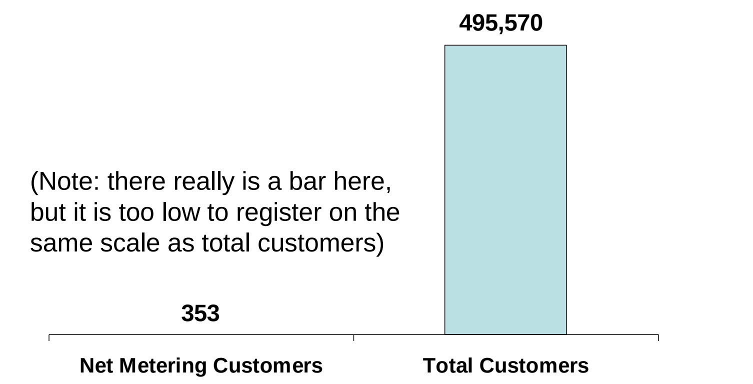
Impacts of the Net Metering Proposal

Destroys jobs. The mere threat of this proposal passing has already caused layoffs. Idaho stands to lose not only the immediate jobs but also the critical mass of knowledge needed to support what other states view as a growth industry.

Guts the financial benefits of investing in renewable energy. The proposed new fees and removal of benefits are already bringing these investments to a halt. As a homeowner, I waited many years to invest in solar until we could project an affordable return on investment. We have run the numbers again, and this proposal would destroy the projected return on the substantial investment we made only last year.

Issue: Not worth it

The 0.07% of customers who net meter do not represent enough money to justify the harm caused by this proposal.



Creates a high-risk environment for future investments. Allowing Idaho Power this degree of monopoly power would create risk and uncertainties in the market that further dissuade investors. Rate changes should correlate with cost changes; Idaho Power has not changed their costs, they've just changed their minds. While 20-year contracts are the norm when companies invest in power generation, the investments made by individuals are no less significant to those individuals and no less deserving of respect for established terms. In addition, as I have spoken with multiple people looking to invest in this field, I hear the same concern repeated - *We can manage market risks, but we can't invest if a monopoly has the power to arbitrarily and severely change our economics.*

Further increases Idaho's reliance on fossil fuels. As an Idaho Power rate payer, I am forced to rely on 40-50% of our electrical power from coal, and the company focuses on fossil fuel sources when adding new capacity. At a minimum, we customers should be free as individuals to invest in renewable energy without being penalized for it.

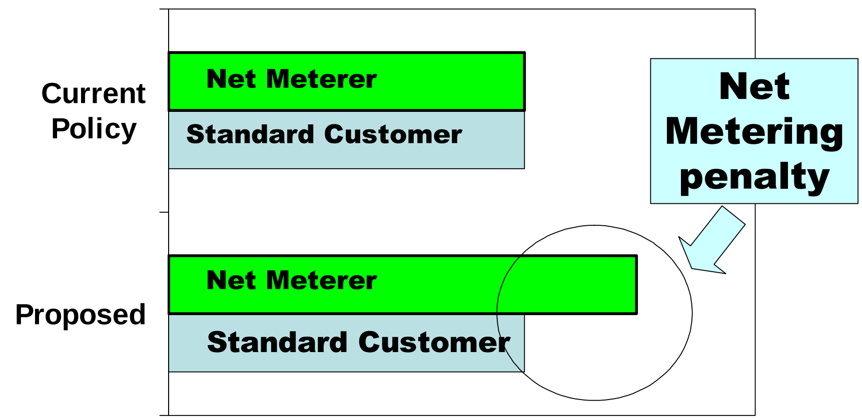
Takes Idaho backwards as others go forward. This proposal would make Idaho stand out on a national level as the only state taking deliberate action to discourage renewable energy. Idaho Power has already built a reputation for its issues with wind power; rather than wisely put forth better solutions for working with renewable energy, the company is investing a disproportionate amount of administrative time and is willing to destroy jobs in order to target a tiny subset of individuals who have invested in renewable energy, individuals who represent only 0.07% of its customer base. This filing is by no means a long term solution.

Flaws in the Proposal's Logic

<u>Creates a penalty for net metering</u>. Under the proposed terms, net metering customers with usage less than about 800 kWh in a month will pay higher bills than standard customers with the same net usage. Idaho Power has long argued that managing peak demand is a key driver of infrastructure costs; if its past arguments are true, the company cannot also claim that customers who reduce peak demand should pay a **higher share of infrastructure costs** than standard rate payers with the same monthly usage.

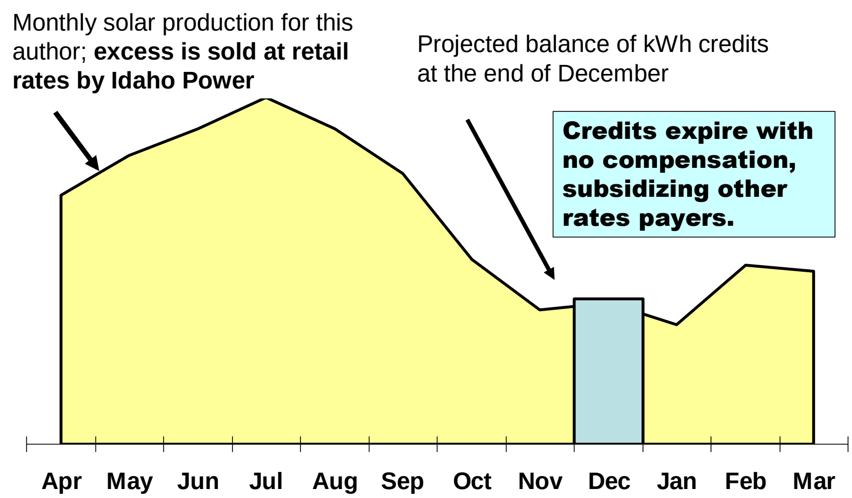
Issue: Penalizes net metering customers
Net metering customers with usage less than ~800 kWh would pay **higher bills than standard customers for the *same net usage***

E.g., this compares the cost to customers (kWh, service fees, and base load charges for 400 kWh) for the 2013 summer rates vs. proposed changes



<u>Idaho Power will sell customer-produced power it doesn't pay for</u>. For example, this author's peak production month is July, and our lowest is January. Under the guise of correcting inequities in its rates, Idaho power proposes that it will sell our excess production at summer rates, but will disallow us to apply the kWh credits we earn in January. The majority of net metering customers have solar panels, yet Idaho Power proposes that customer credits should expire 10 days after the shortest day of the year. **This term ensures that net metering customers will subsidize other customers.**

Issue: Utility will sell kWh it doesn't pay for
Solar customers will build kWh credits in summer but are not allowed to apply balance in Jan/Feb



The composition of retail rates is misrepresented.

The filing argues that net metering customers benefit unfairly if they reduce their power bill at the same price per kWh that they pay for power because retail prices include other infrastructure costs. This grossly misrepresents the economics:

- **Price = Value.** Regardless of how a price is derived, it represents the value of a unit at the time & place of purchase. A kWh delivered to a home by Idaho Power is the same value as a KWh produced and consumed at that home. The price may be derived from Idaho Power's cost structure, but both Idaho Power *and* homeowners have costs to cover.

- **Cost-based price must remove legacy hydro**. When a utility dissects the composition of its rates, it should look at the whole picture. The rates on all our power bills represent the combination of exceptionally cheap hydro power built by a prior generation and the higher costs of more recent capacity. When Idaho Power adds capacity, it costs more than the historical average, so they ask for rate increases. When individuals invest in solar, they don't get to argue how their capacity costs more than legacy hydro, they make do trying to earn a return at the prevailing retail rates. Yet Idaho Power argues the price is still too high. If one doesn't believe that the retail price is a fair market price which should apply to everyone, and that a cost-based price is appropriate, then the entire composition of retail prices must be considered. A credible effort to propose retail rates for net metering customers would begin by breaking down current retail rates to remove the below-average rate needed for a fair return on legacy hydro and to include the above-average rate Idaho Power expects to earn a return on recent or future investments. Focusing on half the equation misrepresents the economics and is inconsistent with the logic Idaho puts forth whenever the company proposes new infrastructure.

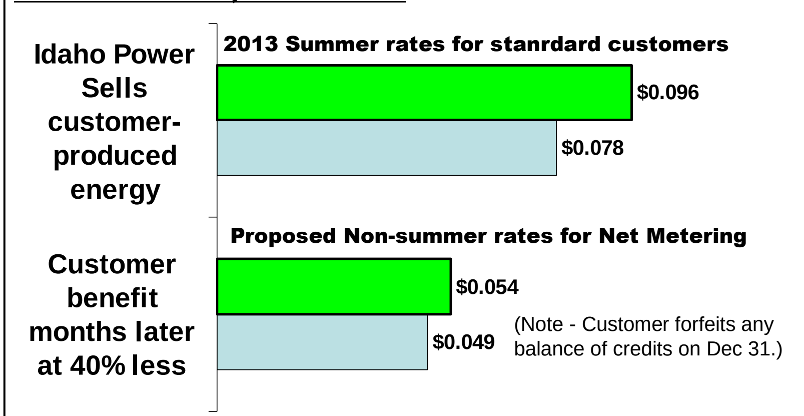
  Note that Idaho Power proposes the electricity we net metering customers produce should be valued at – for example – 5.4¢ per kWh, yet net metering customers in Washington who buy their systems from Washington manufacturers are paid 54 ¢ per kWh produced, 10 times more.

The proposal is grossly inequitable in terms of the seasonal value of power.

According to the proposal, a kWh produced in mid-day July is worth the same as a kWh produced in October. In the past, Idaho Power has stressed the value of time-of-day pricing, and they charge customers more for power in summer. This proposal reverses that logic. When, for example, a solar customer produces excess power during July, *Idaho Power sells that power at full retail summer rates*; under the proposal, the customers giving Idaho Power that electricity cannot even reduce their own service charges or base load charges.

Issue: Exploits customer-produced power
Idaho Power will sell customer-produced power at summer rates, customer reduces bill months later at 40% less value

Per-kWh Rates, residential

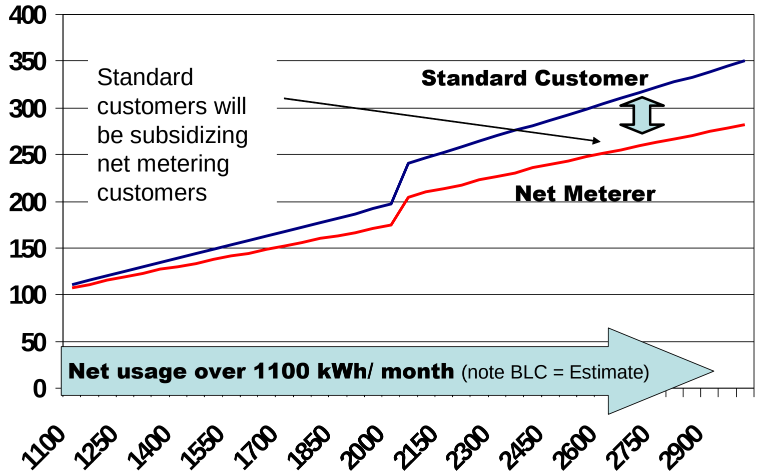


For this author, we would be start to consume more than we produce in October, and would be allowed to

apply our kWh credits at non-summer, net metering rates, which are 40% less than the value at which Idaho Power would sell our electricity.
Power is worth more in summer than non-summer, thus solar net metering customers will be subsidizing standard customers.

The proposal creates perverse incentives. Idaho Power is proposing high monthly fixed fees and a lower per-kWh charge for net metering customers. If you own a large home and consume high amounts of energy (anywhere over 2000 kWh/month), you will be able to save money by installing a tiny system that qualifies you as a net metering customer: you can bring your bill down because you would qualify for the lower per-kWh rates. E.g., a net metering customer with a net usage of 2500 kWh in a month would pay a lower bill than a standard customer with the same net usage. **Standard rate payers will be subsidizing net metering customers with high net usage.**

Issue: Creates perverse incentives
Huge consumers of electricity could sign up for Net Metering and pay LESS than standard customers for the same usage



The proposal accelerates future rate increases for all rate payers. When homeowners invest in solar, it doesn't raise rates – it mitigates peak demand, reduces the need for higher cost capacity additions, and buffers other rate payers from the disproportionately high rate at which fossil fuel based power costs will increase. By actively discouraging net metering, Idaho Power unfairly exposes all rate payers to future rate increases.

Again, it's not worth it.

Even if one disagreed with every issue raised in this document, the potential financial benefits to other rate payers gained by quadrupling fees on net metering customers are negligible. For example, the increase in service fees to be collected from current net metering homeowners, though a big hit to those individuals, **represents less than $5,000 per month.** No logic can justify that fees in this range outweigh the jobs and talent this state will lose. I implore the PUC to decline this filing and to advise Idaho Power to focus its resources on creating value rather than pricing policies that do vastly more harm than good for Idaho.

Thank you.