BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

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

DIRECT TESTIMONY OF MATT ELAM

IDAHO PUBLIC UTILITIES COMMISSION

MAY 10, 2013

Q. Please state your name and business address for the record.

A. My name is Matt Elam. My business address is 472 West Washington Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am employed by the Idaho Public Utilities Commission (Commission) as a Utilities Analyst.

Q. What is your education and experience?

A. I received a Bachelor of Arts degree in Economics from Boise State University in 2003. I began work at the Idaho Public Utilities Commission in May of 2008. In addition to my formal education, I have attended the Michigan State University Institute of Public Utilities Demand Forecasting course. I also serve on the National Association of Regulatory Utility Commissioners (NARUC) committees, and have attended various educational, professional, and energy industry-related seminars.

Q. Please describe your duties at the Commission.

A. As a Utilities Analyst in the Engineering Section at the Commission, I work primarily on natural gas and electric cases. I analyze utility rate applications, rate design, and tariff proposals. I have testified in proceedings before the Commission on cases dealing with rate design, and have written position papers on numerous regulatory policy issues.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe Staff's analysis of the Company's current Net Metering Service and its proposed changes.

Q. Please summarize your testimony in this case.

A. Staff supports the Company's proposal to double the Program Cap from 2.9 MW to 5.8 MW. But Staff does not support the Company's proposals to: 1) change base rates; 2) calculate Excess Net Energy as a kWh credit instead of a financial credit; 3) have a forfeit period for Excess Net Energy; and 4) exclude net metering customers from the Fixed Cost Adjustment (FCA) mechanism.

Q. How will your testimony be organized?

A. My testimony is subdivided under the following headings:

I. Base Rate Change

Q. Please explain how the Company proposes to change current base rates for residential and small general service net metering customers.

A. The Company proposes increasing the current monthly Service Charge to collect the customer-related revenue requirement. This would increase the current monthly Service Charge for residential net metering customers from $5.00 to $20.92, and the current monthly Service Charge for small general service net metering customers from $5.00 to $22.49. The Company also proposes a Basic Load Capacity charge that collects the demand-related revenue requirement associated with the distribution system. The Company proposes Basic Load Capacity charges of $1.48 per kW for residential net metering customers and $1.37 per kW for small general service net metering customers.

The Company proposes to offset the additional revenue collected from the higher monthly Service Charge and Basic Load Capacity Charge by proportionally lowering the energy charges to collect the same annual revenue from the net metering customer group as it does under the current rate structure. The proposed changes are as follows:

Residential:		
Summer	Current Rates	Proposed Rates
0-800 kWh	$0.078428	$0.052583
801-2000 kWh	$0.095788	$0.064223
Over 2000 kWh	$0.115166	$0.077215
Non-Summer		
0-800 kWh	$0.072355	$0.048512
801-2000 kWh	$0.080519	$0.053985
Over 2000 kWh	$0.089960	$0.060315

Small General Service:		
Summer	Current Rates	Proposed Rates
0-300 kWh	$0.090436	$0.043148
Over 300 kWh	$0.109108	$0.052057
Non-Summer		
0-300 kWh	$0.090436	$0.043148
Over 300 kWh	$0.095245	$0.045442

Q. Does Staff support the Company's proposal to change base rates as part of this filing?

A. No. Staff does not support the Company's proposal to change base rates for several reasons. First, the proposal singles out one small group of customers within the residential class when other similarly situated customers exist within the class. Second, the proposal implements a Basic Load Capacity Charge, which has never been introduced to the residential or small general service class. Third, the Company's proposal incents high usage residential customers to install small generation facilities simply to qualify for the more favorable net metering rate. Fourth, the proposal uses the results of a cost-of-service study that was never intended to be used for changing the design of base rates for a small group of customers within a class. Finally, despite any concerns about the likelihood that some of the costs of serving net metering customers will be subsidized by other customers, the overall dollar impact of

net metering is small.

II. Singling Out Net Metering

Q. Please explain why the Company believes net metering customers should pay the full customer-related and demand-related revenue requirement in a monthly Service Charge and Basic Load Capacity Charge.

A. The Company says the current net metering program creates a "potential inequity between net metering customers and standard service customers, as net metering customers are provided the opportunity to unduly reduce collection of revenue requirement by receiving credit for generation at the full retail rate while standard service customers are left to compensate for revenue shortfall." P. 18, Larkin testimony.

Q. Does a net metering customer who receives credit for generation at the full retail rate pay their fixed costs?

A. Some do not. According to the Company's most recent cost-of-service study, if a residential net metering customer generates enough excess net energy to *completely offset* their usage during the year, their service charge covers only 8% of their fixed costs. So if a residential net metering customer achieves net zero consumption, their distribution-related costs and most customer service-related costs will need to be recovered from other standard service

customers within the residential class. On the other hand, if the net metering customer has enough net annual energy consumption, fixed costs may be adequately recovered through the energy rate component.

Q. How does the current percentage of fixed costs collected outside of the Schedule 1 energy rate compare to the other schedules and the Company's proposal?

A. In response to Staff Production Request No. 29, the Company provided the following table illustrating the percentage of fixed costs collected outside of the energy rate for all Schedules since its most recent cost-of-service study in Case No. IPC-E-11-08:

Rate Schedule	% Fixed Cost Recovery Excluded from Energy Rates
Schedule 1	8%
Schedule 6 (Proposed)	53%
Schedule 7	14%
Schedule 8 (Proposed)	75%
Schedule 9	38%
Schedule 19	60%
Schedule 24	35%

Q. Did Staff analyze the impact each residential and small general service net metering customer may have on standard service customers given the distribution and customer related costs that may go uncollected?

A. Yes. Based on the average usage of a residential customer and the Company's cost-of-service results from the last general rate case, Staff looked at the distribution and

customer-related costs that go uncollected if a net metering customer achieves net zero consumption. The annual impact on non-participating customers from one residential net metering customer with net zero consumption is approximately $320. The annual impact on non-participating customers from one small general service net metering customer with net zero consumption is approximately $253. So given the number of customers actively taking service as of December 31, 2012, Idaho Power's unrecovered distribution and customer-related costs have the potential of costing non-participating residential customers approximately $81,920 on an annual basis (256 customers x $320 per customer), and non-participating small general service customers approximately $5,313 on an annual basis (21 customers x $253 per customer). If the program cap were increased to 5.8 MW as Idaho Power proposes, the additional potential inequity caused by unrecovered distribution and customer related costs may double, or be approximately $163,840 for the residential class on an annual basis. This small identified inequity caused by the residential net metering customers is insignificant when compared to annual residential revenue of over $409 million.

Q. Is it realistic to assume a net metering customer will offset their entire usage during the year?

A. No, not for most residential customers. Based on the data provided by Idaho Power, it appears about 14% of residential net metering customers generated enough annual excess net energy to entirely offset their consumption for the year. For the small general service net metering customers, about 57% of customers generated annual excess net energy.

Q. Please explain how a customer achieves net zero consumption on an annual basis?

A. The current program allows net metering customers to roll over their Excess Net Energy credits from month to month, so customers can essentially treat Idaho Power's system as a battery for storing energy they generate beyond what they use in any given month. For example, a net metering customer with Photovoltaic (PV) generation (and without their own battery storage) will more than likely need the utility to provide energy at night or when conditions are not optimal for solar generation. But if the customer generates enough excess net energy when solar generation is optimal, they will accrue Excess Net Energy credits. Thus, the Excess Net Energy credits may accumulate to the point of completely offsetting what the customer uses during the night or whenever self-generation is not adequate. Therefore, on an annual basis, the customer may

pay nothing for their nightly usage or whenever they cannot generate enough to offset what is used.

Q. Even if a customer achieves net zero consumption for the year, won't they pay their share of fixed costs through the annual FCA mechanism?

A. No. First, the FCA is a per kWh charge, so if a net metering customer achieves net zero annual consumption, they will only pay the rate during months they actually use energy. They will not pay the FCA rate during months they generate excess net energy. In addition, the FCA is intended to ensure that the Company collects appropriate fixed costs from an entire customer class as a whole. It does not ensure that individual customers within a class pay their fair share of fixed costs compared to other customers in the class.

Q. Does a customer who participates in demand-side management (DSM) programs and consequently has low usage cover their full fixed costs?

A. No. Customers who have made energy efficiency improvements and thus have low energy usage will cover some of their fixed costs, but may not cover all their fixed costs.

Q. On pages 14 and 15 of Mr. Larkin's testimony, he states, the Company's pricing proposal limits "the potential for inequity by applying charges to net metering customers

that accurately reflect the cost to serve them." Does the affect of the Company's pricing proposal address an inequity between net metering customers and standard service customers?

A. No, not outside of a rate case. The Company's rate design proposal only impacts net metering customers, not standard service customers. Rates do not change for standard service customers, so the Company's proposal has no effect on them as a result of this case.

Q. Does Staff support the Company's proposal that customers taking service under Schedule 6 or Schedule 8 not be subject to FCA rates contained in Schedule 54?

A. No. Staff does not propose changes to base rates, so the Company is still vulnerable to much of the same fixed cost recovery concerns that may be addressed by the FCA.

Q. Are there customers within the residential and small general service classes who are similar to net metering customers?

A. Yes. Consider, for example, a residential customer who has a vacation home, or a small general service customer who has a workshop. If the vacation home or workshop is used very little during the year, the customer would pay little more than the $5.00 monthly service charge. Based on the Company's most recent cost-of-service study, the customer service charge only covers 8% of the Company's

fixed costs of providing service. Similar to a net metering customer who achieves net zero annual consumption, Idaho Power could collect insufficient revenue from the sale of kWhs to cover remaining fixed costs. However, both customer types still require service when they want to use it. To provide service, Idaho Power must still have distribution (poles, wires, transformers, etc.), transmission, and generation plant in place.

Q. Can the Company install fewer facilities because net metering customers generate electricity, or someone with a vacation home or workshop rarely uses them?

A. No. The energy offered to customers by Idaho Power is firm, meaning that it is available whenever customers want to use it. Net generation, on the other hand, is provided by customers to Idaho Power on a non-firm basis. There is no obligation or contracted delivery for net metering participants, and the characteristics of net metering change with the addition of participants, weather trends, and new technologies. The Company must design its system to meet a net metering customer's peak demand when power is not being generated, such as at night, on cloudy days, or when the wind is not blowing. Similarly, the Company must design its system to meet the peak demand when a customer's vacation home is occupied or the workshop is being used.

Q. Does net metering provide capacity value during the system peak?

A. It depends on the types of resources being used for generation, the configuration of the resources, and the usage characteristics of the net metering customers during the system peak. Consider, for example, a customer who generates using a flat plate PV solar installation. Their system's orientation might be southwest to offset their personal peak and possibly the Company's system peak, or it might be directly south to maximize the amount of energy generated throughout the day. Not only will the configuration of the resource impact the capacity value of flat plate PV solar, it also varies depending on when the utility peaks during the day. For example, historically the utility's summer peak sometimes occurs as early as three or four o'clock in the afternoon; other times it occurs as late as eight o'clock in the evening. According to the capacity factors used for Idaho Power's 2011 Integrated Resource Plan, the on-peak capacity factor for 1 MW of distributed flat plate PV solar was 26%. The on-peak capacity factor established by the Commission for evaluating PURPA projects with flat plate PV solar is 35%. In other words, only 26-35% of the nameplate capacity of flat plate PV solar contributes towards reducing the utility's peak because the

utility's peak load typically occurs several hours after the solar system peaks.

Q. If net metering customers still require the Company to install facilities to serve load and may not cover their full fixed costs, why does Staff oppose the Company's base rate change at this time?

A. Even though net metering customers may not pay their full fixed costs, Staff does not support the Company's proposed base rate change outside of a general rate case. If the Company is going to propose adjusting base rates for this small group of customers, Staff believes it should be done in a general rate case when the costs of serving every customer within the class are fully vetted out.

Q. How does net metering potentially benefit non-participating customers and the Company?

A. Aside from potentially providing a capacity benefit during the utility's peak, net metering potentially allows the Company to meet growing load with current resources. Consider, for comparison purposes, non-participants funding the DSM Rider through a kWh charge. Standard service customers pay the Company for administrative overhead to run the programs and pay participants rebates or incentive payments to permanently or temporarily reduce load. Like net metering, this may allow the Company to use current resources to meet growing load,

potentially delaying the need for additional resources. According to Idaho Power's 2012 Demand-Side Management report, the Company paid $2,143,235 in energy efficiency incentives to residential customers in Oregon and Idaho. P. 14, DSM 2012 Report. Furthermore, net metering customers pay for and maintain their own systems, reduce power supply costs, and support the continuing development of renewable energy generation that may offer environmental benefits.

III. Basic Load Capacity (BLC) Charge

Q. Please explain how the Basic Load Capacity (BLC) is calculated.

A. The Basic Load Capacity is the average of the two greatest non-zero billing demands (kW) during the 12-month period, which includes and ends with the current billing period.

Q. Please explain why the Company proposes to implement a Basic Load Capacity Charge for residential and small general service net metering customers.

A. According to the Company, "the basic load capacity charge more accurately reflects the cost of serving these customers while avoiding many of the incremental costs that have existed prior to the installation of AMI." P. 16-17, Larkin testimony.

Q. Before Advanced Metering Infrastructure (AMI) meters, what would the Company have to do to implement demand-related rates for net metering customers?

A. The Company would have had to replace residential and small general service net metering customers' standard mechanical meters with more expensive demand meters.

Q. Has the Company proposed a Basic Load Capacity Charge for the entire residential or small general service class?

A. No. However, Basic Load Capacity charges have been standard for other customer classes for many years.

Q. Is it reasonable that net metering customers have a Basic Load Capacity Charge when other customers in the class do not?

A. No. Even though I agree with the general concept of a Basic Load Capacity Charge given how costs are assigned, I disagree with the Company's proposal to implement one solely for net metering customers at this time.

IV. Shifting Between Schedules

Q. Please explain how the Company's proposal might cause standard service customers to switch to net metering.

A. The Company's proposal shifts the customer-related and demand-related revenue requirement associated with the distribution system from the per kWh energy charges into the

proposed monthly Service Charge and Basic Load Capacity Charge. Consequently, if a customer can save enough on the energy portion of their bill to offset the increase to the Service Charge and Basic Load Capacity Charge, the customer will switch from standard service to net metering.

Q. Do you believe the Company's proposal could benefit high-usage customers who install a small amount of generation and switch to net metering for the favorable rate?

A. Yes. The Company's proposal benefits high-usage customers who install a small amount of generation for two reasons. First, the base rate proposal shifts the customer-related and demand-related revenue requirement from the per kWh energy charges into the proposed monthly Service Charge and Basic Load Capacity Charge. Thus, the customers who benefit most have high enough usage that the savings from the favorable energy rates offset the increase to the Service Charge and Basic Load Capacity Charge. Second, the Company proposes that excess net energy be forfeited each December. Consequently, the customers who benefit most either do not generate excess net energy, or have very little remaining at the end of December. For example, if a Schedule 1 customer with average demand uses 4000 kWh per month, but installs a single 255 watt PV panel to qualify for net metering, I estimate they would save approximately

$1,100 per year. It is impossible to determine how many of these high-usage customers will realize that by purchasing one solar panel and paying the $100 application fee, they will save on their energy bill by becoming a net metering customer.

Q. Did the Company include tariff language that would prevent high-usage customers from installing a minimal amount of generation to simply qualify for lower energy rates as a net metering customer?

A. No. The Company could have included language specifying that customers install a certain amount of generation relative to historical average annual demand or usage, but it did not.

V. Cost-of-Service

Q. Please explain how the Company used its cost-of-service study to design its proposed net metering rates.

A. The rate design was determined using the cost-of-service study results from Case No. IPC-E-11-08, but because the general rate case settlement stipulation resulted in a uniform percentage increase to all rate classes, the class cost-of-service totals did not sum to the Commission's final approved revenue requirement amount. To reconcile the difference, the Company adjusted its study to match the final approved revenue requirement from Order No. 32426, and then developed rates given the additional revenue

requirement from the Langley Gulch generation plant. Order No. 32585.

Q. Does Staff agree with the Company using the cost-of-service study from Case No. IPC-E-11-08 to adjust base rates?

A. No. Even though it is the best information the Company currently has, it is not reasonable to use the cost-of-service study for an entire class to adjust base rates for a small subset of customers within that rate class.

Further, on page 4 of Order No. 32426, the signing parties agreed that the annual revenue requirement be recovered by increasing the rates "by a uniform percentage instead of using the Company's originally-proposed cost-of-service study." The signing parties further agreed only that "Idaho Power's proposed cost-of-service study will be used to determine fixed costs for purposes of the fixed-cost adjustment (FCA) mechanism until such time as the Commission approves a different cost-of-service study." P. 4, Order No. 32426. Nothing suggests that the signing parties intended that the Company use the cost-of-service study to redesign base rates for any Idaho Power customers before the next general rate case.

Q. Does Staff believe the Company's class cost-of-service study accurately reflects the costs to serve net metering customers?

A. No. By using the class cost-of-service study to develop its base rate proposal, the Company assumes its costs to serve net metering customers and standard service customers are the same. In reality, the cost to serve net metering customers depends on weather conditions, the type of generation customers have, and their overall usage characteristics. So, net metering customers may use less energy during high priced periods and may contribute less to peak than the Company's standard service customers. The Company cannot adequately justify net metering customers having different rates from the rest of the class unless the Company more specifically evaluates the costs to serve net metering customers. The Company cannot simply use the cost-of-service study for the entire residential class.

Q. Please summarize Staff's opposition to the Company's proposed base rate change for net metering customers.

A. Staff opposes the base rate change for the following reasons:

- The proposal singles out a small group of customers when the same problem exists for a much larger group within the class.
- The potential impact of net metering on the rest of customers within the class is de minimis, and

may be less than a rounding error given the $409 million revenue requirement of the residential class.

- Contrary to Matt Larkin's testimony, the proposal does not impact standard service customers, and consequently does nothing to address the potential inequity between net metering customers and standard service customers.
- The proposal improperly causes large standard service customers to inappropriately migrate to the new net metering schedules.
- The cost-of-service study used to develop rates was not approved and does not represent the net metering group whose rates the Company proposes to change.

VI. Program Cap

Q. Why does the Company still believe it needs a program cap for its net metering program?

A. The Company believes "it is important to maintain a capacity limit to allow the Company and other stakeholders to evaluate this service as it expands." P. 13, Larkin testimony.

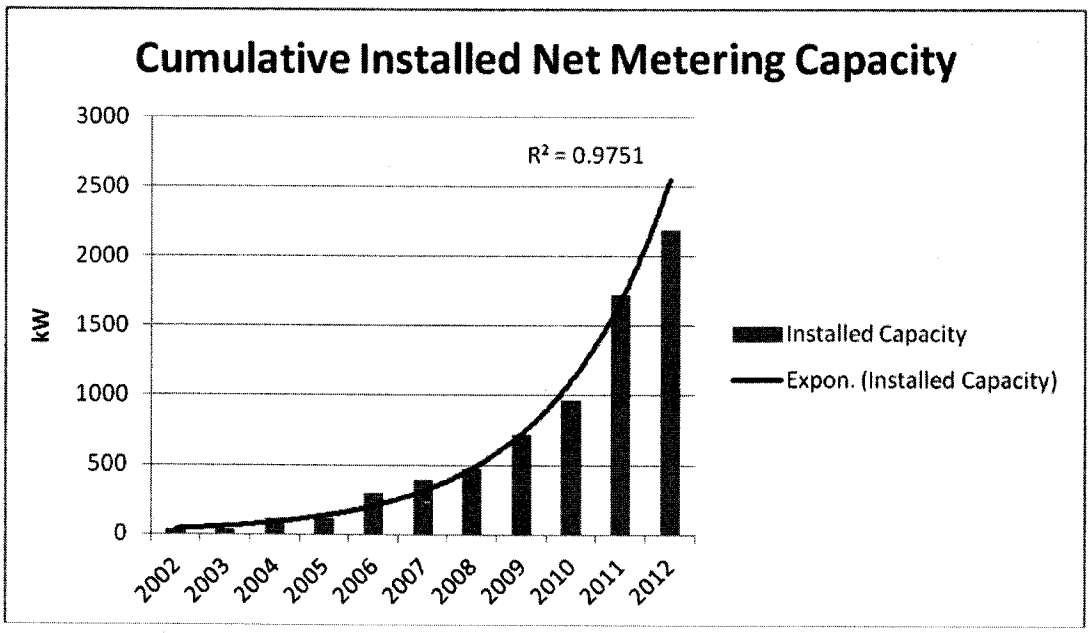
Q. Does Staff believe it is necessary to have a Program Cap?

A. Yes. Even though the Company is free to file an

application to change the program anytime, it is in everyone's interest to establish a check point to reevaluate the program.

Q. Why does Staff believe a cap is in the interest of everyone involved with net metering?

A. Similar to the reason DSM Programs are regularly evaluated, the cap simply allows the Company an opportunity to evaluate impacts to its system, review rates, review program costs and benefits, and provides an opportunity to evaluate the impact of net metering generation on non-participants. Both the Company and the Commission are interested in ensuring that utility programs do not harm non-participating customers; therefore Staff supports the Company's proposed 5.8 MW cap. Staff believes a reasonable cap is even more important given the program's exponential growth shown on the graph below:



It is impossible to predict how quickly the program will grow moving forward, but Staff believes the proposed cap allows room for growth. Assuming all new net metering customers were 7 kW in size, which is the average generation capacity of current residential and small general service customers, the Company's proposed 5.8 MW cap would allow an extra 414 customers to participate. If new customers under Schedule 84 were 100 kW in size, the cap would allow an extra 29 customers to participate.

Q. Has Staff looked into the program caps offered by utilities in other states?

A. Yes. But it is difficult to compare the program caps for utilities in other states to Idaho Power's program. Each utility may have unique eligibility requirements, ways of defining "avoided cost," approaches to determining cost-

of-service, and goals for designing rates. In addition, some states may not have options other than net metering to allow customer-owned generation to be sold to the utility. Idaho, for example, has other options such as PURPA and Schedule 86 (energy sales at market-based tariff rates) that may not exist in other states.

Q. Did Staff consider the impact of a cap on future net metering customers, and the installers of self-generation equipment?

A. Yes. Staff understands that certainty is something net metering customers' value when evaluating the economics of their installation, and Staff also understands that it is important to process cases associated with the program cap quickly to eliminate uncertainty around installers' businesses. However, a cap would not necessarily limit the demand for new net metering installations, or cause uncertainty around installers' businesses. Potential net metering customers will evaluate the economics of their investments given the best information available at the time, similar to someone deciding whether to upgrade their furnace or install a tankless water heater. It is also unlikely the cap creates a level of uncertainty that will halt the number of installations. For example, in this case, the Company took into account "pending applications and the level of growth

the Company has experienced over the last two years," and filed its Application six months before it expected to reach the 2.9 MW capacity limit. P. 12, Larkin testimony. Furthermore, in order to prevent refusal of new applications for net metering service while this case is processed, the Commission issued a temporary waiver on the limit of the net metering capacity until a final Order is issued in the proceeding. P. 4-5, Order No. 32715.

VII. Excess Net Energy

Q. Please explain how the Excess Net Energy credit is currently calculated.

A. Excess net energy is credited the same way as consumption, according to the seasonal tiered billing structure of the rate schedule. Consider, for example, a residential customer who generates 2500 kWh more than what they consume in July. The financial credit would be based on the following calculation:

800 kWh at $.078428 =	$ 62.74
1200 kWh at $.095788 =	$114.95
500 kWh at $.115166 =	$ 57.58
Total Financial Credit =	$235.27

Q. Does Staff support the Company's proposed treatment of excess net energy?

A. No. The Company proposes two major changes. First, it proposes making the excess net energy dollar credit a kWh carryover instead of a financial carryover

based on retail rates. Second, the Company proposes that the accrued kWh excess net energy be forfeited each December.

Q. Why does the Company propose making the Excess Net Energy credit a kWh credit instead of a financial credit?

A. According to the Company, its proposed treatment of excess net energy resolves a FERC compliance issue associated with issuing financial payments.

Q. Does Staff believe there is another way to address the Company's concerns?

A. Yes. Staff believes the Company can continue crediting customers on a financial basis without ever issuing checks. It appears that utilities in other states have a similar approach.

Q. Does Staff believe it would be administratively burdensome for the Company to keep track of financial credits instead of kWh credits?

A. No. The Company already calculates a financial credit under its current practice. The Company only issues a check if the customer requests it and the credit is over $20; otherwise the Company calculates a financial credit to carry forward. Therefore, from an administrative standpoint, it is reasonable for the Company to continue tracking financial credits, the only difference being that

it will no longer issue checks upon a customer's request if the credit is over $20.

Q. Does the Company's proposal to make excess net energy a kWh carryover instead of a financial carryover differentiate the seasonal value of excess net energy?

A. No. The Company's proposal treats every kWh generated the same, regardless of the season when it was generated. Even though the summer rates for residential customers are higher than the non-summer rates, all excess net energy is treated equally.

Q. Does the Company design its retail rates to reflect the seasonal differences in providing service?

A. Yes. When the Company designed its rates in the last general rate case, Case No. IPC-E-11-08, it clearly identified the seasonal differences in providing service. The same principles should be applied when assigning value to excess net energy for net metering customers.

Q. Does a financial carryover based on retail rates capture the seasonal differences in the value of excess net energy?

A. Yes. For example, customers who generate excess net energy during the summer will receive a larger financial credit than those who generate an equal amount of excess net energy during the non-summer.

Q. Are there important objectives achieved by capturing the seasonal differences in the rate paid for excess net energy?

A. Yes. Two important price signals are sent if the value of excess net energy reflects the seasonal differences in rates. First, it improves the economics for facilities that generate during the summer months when rates are higher, consequently encouraging new net metering customers to invest in resources that generate when it costs the utility more to provide service. Second, it encourages customers to reduce usage during the summer months when excess net energy is valued at the higher price, consequently increasing the potential credit used to offset consumption during periods of low generation. Both of these objectives allow the Company to use more of its current resources to meet future summer load growth.

Q. How does Staff propose the Company treat excess generation moving forward?

A. Similar to the current program, Staff proposes customers be credited at the retail rate and allowed to accumulate the credits from excess net energy indefinitely. But Idaho Power should *never* reconcile the excess net energy balance with payments.

Q. When the customer discontinues service, does Staff propose any remaining balance of excess net energy be forfeited?

A. Yes.

Q. Please explain Schedule 84 and how Staff proposes to value net excess energy?

A. Schedule 84, Customer Energy Production Net Metering, is designed for net metering customers who are not served under Schedules 1, 4, 5 and 7. Similar to Schedules 1 and 7, Staff proposes excess net energy be credited at the retail energy rates and that the credit be allowed to accumulate indefinitely. This approach is easy for customers to understand, and is reasonable for the Company since it will never reconcile the excess net energy credits with payments.

Q. Does Staff believe it is necessary to limit the benefits of the accrued credits to a certain timeframe from the date it was generated?

A. No. Because the purpose of net metering is to allow customers to offset their usage, net metering customers should theoretically not accrue substantial credits over the long term. Customers who do accumulate substantial credits should arguably not be on the net metering tariff but should instead be on Schedule 86, Cogeneration and Small Power Production Non-Firm Energy,

which is the tariff established for non-firm generation. Under Schedule 86, customers are paid for all of their generation on a monthly basis.

Q. Does the Company's proposal that excess net energy be forfeited each December accommodate all types of generation?

A. No. Depending on the type of self-generation, the amount of excess net energy available from season to season varies by generation type. For example, customers with solar generation may be impacted the most by the Company's proposal since excess net energy is typically generated in the summer and the credits used in the late fall and winter when solar generation is lower.

Q. Are there other potential benefits to customers by allowing credits to be rolled over from year to year?

A. Yes. Customers are better able to use their credits to accommodate variations in usage and changes in weather conditions or maintenance that might impact their generation from year to year.

Q. Does Staff believe there are reasonable approaches using a forfeit period, but still allowing customers flexibility in the way Excess Net Energy credits are used from year to year?

A. Yes. But regardless of how many years a customer has before their credits might be forfeited, each customer

should have the opportunity to select their anniversary period given their generation type and usage characteristics.

Q. Does Staff believe the Company needs to encourage customers to right-size net metering systems?

A. Yes. After reviewing net metering customers' generation data, it appears as though there are a handful of customers who may be using the net metering tariff as an avenue to receive more favorable rates for their generation when compared to Schedule 86, Cogeneration and Small Power Production Non-Firm Energy. Looking at the residential net metering customers who generated enough annual excess net energy to offset their consumption for the year, I discovered one customer who made up 54% of the remaining excess net energy for the year, and five customers who made up 76% of the annual excess net energy remaining for the year. Similarly, I discovered three net metering customers who made up 86% of the small general service excess net energy remaining at the end of the year.

Q. Do you believe Staff's proposal encourages customers to right-size their net metering systems?

A. Yes. Since the Company never reconciles the excess net energy balance with payments and any balance of excess net energy is forfeited when the customer

discontinues service, Staff's proposal discourages customers from generating more than what they may use.

Q. Does Staff's proposal impact net metering customers who select Idaho Power's Budget Pay option?

A. Yes. If net metering customers on Budget Pay have a credit remaining at the end of their anniversary period, they will no longer be able to request a check. Instead the Company would re-estimate the customer's monthly bill and the credit would be carried forward.

Q. How many net metering customers have currently selected the Budget Pay option?

A. According to the Company's response to Staff's Production Request No. 14, there are currently six residential net metering customers enrolled. Two of these customers have been enrolled for less than 12 months and there are no non-residential customers currently enrolled.

Q. Does this conclude your direct testimony in this proceeding?

A. Yes, it does.

AMENDED CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10TH DAY OF MAY 2013, SERVED THE FOREGOING **DIRECT TESTIMONY OF MATT ELAM,** IN CASE NO. IPC-E-12-27, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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