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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION TO MODIFY) **CASE NO. IPC-E-16-13**
OPTIONAL SCHEDULE 62, GREEN ENERGY)
PURCHASE PROGRAM RIDER) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Daphne Huang, Deputy Attorney General, and submits the following comments.

BACKGROUND

On June 22, 2016, Idaho Power Company filed an Application with the Commission to modify its Schedule 62, the Green Energy Purchase Program. The proposed modifications do not change customer rates associated with the ongoing funding of the Program, but change the Program's pricing structure, renewable energy credits (RECs) sourcing and certification, and the treatment of certain program expenses. Idaho Power asked that the case be processed by Modified Procedure, and that the proposed modifications become effective 60 days after Commission approval, to allow adequate time to reprogram and test its billing system in accordance with the Commission's Order.

The Commission approved Idaho Power's Schedule 62 Green Power Program in February 2001, as "an optional program to allow customers and non-customer participants to participate in the purchase of new environmentally friendly green energy." Order No. 28655; Application at 2. Participants' contributions to the Program go towards the purchase of Green-e certified renewable energy credits (RECs). Application at 2. "A REC is created when a megawatt-hour (MWh) of renewable energy is produced and delivered to the grid." *Id.* It is "a tradable, non-tangible commodity that represents the environmental attributes associated with one MWh of electricity generated from a renewable energy resource and can be sold separately from the electricity commodity." *Id.* According to the Application, "Green-e Energy is the nation's leading independent certification and verification program for renewable energy." *Id.*

Idaho Power's Application seeks approval of proposed modifications to the Program. Idaho Power states that the proposed changes are in response to customer input, received during meetings with the Company from February 2014 to early 2016. *Id.* at 3. The Company states that the changes are intended to "satisfy changes in customer preference . . . [and] align the Green Power Program with the best practices of other green programs in the industry." *Id.*

The proposed modifications include: (1) the existing Dollar Contribution Method would be replaced with both a block option and a 100 percent of usage option; (2) the Bonneville Environmental Foundation (BEF), which facilitates the purchase of green energy for the Program, would give preference to RECs from sources located closest to or within Idaho Power's service territory, when possible; (3) Idaho Power would seek Green-e certification of the RECs purchased through BEF; (4) up to 15 percent of the total Program funds would be used for Program marketing expenses, to allow the Company to reach more customers. *Id.* at 2-5.

STAFF ANALYSIS

Staff reviewed Idaho Power's Application and believes the proposed modifications are reasonable, and recommends accepting the proposed changes. Staff believes the new rate of 1.0 cent/kWh is a fair and reasonable adjustment, given the added program benefits associated with the Schedule 62 modifications. Staff will discuss the proposed participation options, the 15 percent marketing expense, REC certification and sourcing, and Staff's recommendation for the Company to provide Schedule 62 biennial reports.

Participation Options

As described in the Application and the direct testimony of Mr. Pengilly, the Company proposes two options for transferring existing participants to the new structure. Option 1 will allow participants to purchase 100 kWh blocks of “green” energy for \$1.00 per block. Option 2 will allow participants to purchase renewable energy equal to their monthly usage each month at a price premium of 1.0 cent per billed kWh. According to the Company, the current pricing structure does not meet the Green-e certification standards, but rather energy sold to customers must be a “percentage-of-use” or “block” product.¹ Staff has reviewed the Green-e Energy National Standard and concurs with the Company that the current dollar contribution method does not comply with Green-e standards.

Staff believes the Company’s method for transferring participants to the new pricing structure is reasonable, and provides customers with more options for participating. The new pricing structure will allow the program to be Green-e certified, and will not adversely impact participants. Staff recommends the Commission approve the new pricing structure as proposed by the Company.

REC Certification and Sourcing

Staff has reviewed the Company’s proposal and supports the REC certification and verification modifications presented by the Company. Currently, no verification process has been put into place to ensure the RECs meet any national certification standard. By obtaining Green-e certification, participants can be assured that all RECs come from eligible renewable sources, following Green-e standards.

Currently, RECs purchased through BEF for use in the Green Power Program, are primarily from renewable projects in the Northwest. Staff supports the Company’s proposal to continue to purchase RECs from projects in the Northwest, but believes the Commission should direct BEF to give additional preference to RECs from sources located closest to, or within, Idaho Power’s service territory, including RECs currently owned by Idaho Power. Revenue from the sale of Idaho Power-owned RECs from Schedule 62 funds will be used to offset power supply expenses as a credit to customers in the annual Purchased Cost Adjustment (PCA).

¹ See the footnote on page 10 of the Direct Testimony of Peter Pengilly.

Marketing Expense

The Company proposes that up to 15 percent of the total Program funds be used for Program marketing expenses. Staff requested information pertaining to the Programs revenues and expenses from January 2010 to present.

Based on data provided by the Company, Schedule 62 revenues ranged from approximately \$220,000 to \$150,000 per year from 2010-2015, with an average annual revenue of roughly \$185,000. After applying the proposed increase from 0.85 cents/kWh to 1.0 cent/kWh, Staff believes average annual revenue could be approximately \$218,000, putting the annual marketing expenditures at about \$32,000. Staff believes this is a reasonable amount for marketing the Program, but notes that as participation increases, revenues and marketing funds will increase. While Staff accepts the Company's proposal to use 15 percent of program funds for marketing, Staff believes this figure should be reviewed periodically as described in the Schedule 62 Biennial Reports section below.

Schedule 62 Biennial Reports

Staff was able to obtain monthly ledgers for Schedule 62 from 2010 to present and review funding and expenses for the Green Energy Program. While this audit and analysis was sufficient for this case, Staff believes the inclusion of a marketing expense will now require more thorough and routine audits of Schedule 62 accounting.

While Staff believes auditing is necessary, an annual report may not be necessary given the simplicity of the accounting treatments for Schedule 62. Rather, Staff recommends the Company submit a biennial Green Energy Prudency Report which includes:

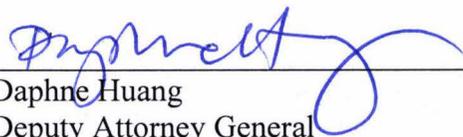
- Customer count under each participation option by Schedule
- Monthly RECs purchased
- Monthly revenue and expenses for Schedule 62
- Updated costs associated with re-certifying the RECs prior to retirement
- Summary of marketing activities and expenses
- Solar 4R Schools expenses
- Percentage of RECs purchased within Idaho Power's service territory
- Monthly funds transferred to the PCA from Idaho Power owned REC purchases

Staff believes biennial reporting for Schedule 62 is appropriate. The reports will allow Staff to routinely audit revenues and expenses for Schedule 62, including marketing expenditures, as well as to track funds transferred to the PCA through the purchase of Idaho Power-owned RECs.

RECOMMENDATION

Staff recommends the Commission accept the proposed changes to Schedule 62, Green Energy Purchase Program Rider. Staff further recommends the Company file a biennial Green Energy Prudency Report that includes the information described above.

Respectfully submitted this 3rd day of August 2016.



Daphne Huang
Deputy Attorney General

Technical Staff: Mark Rogers
Stacey Donohue
Donn English

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3RD DAY OF AUGUST 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-16-13, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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