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LISA D. NORDSTROM
Lead Counsel
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June 22, 2016

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-14
New Tariff Schedule 63, A Community Solar Pilot Program – Idaho Power
Company's Application and Testimonies

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application.

Also enclosed for filing are an original and eight (8) copies of the Direct Testimony of Matthew T. Larkin, the Direct Testimony of Peter Pengilly, and the Direct Testimony of Dave Angell. One copy of the aforementioned testimonies have been designated as the "Reporter's Copy." In addition, a disk containing a Word version of the testimonies is enclosed for the Reporter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR) CASE NO. IPC-E-16-14
APPROVAL OF NEW TARIFF SCHEDULE)
63, A COMMUNITY SOLAR PILOT) APPLICATION
PROGRAM.)
_____)

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-503 and RP 52, hereby respectfully applies to the Idaho Public Utilities Commission ("Commission") for an order authorizing Idaho Power to implement an optional program, Schedule 63, Community Solar Pilot Program ("Program"). The Company is proposing to build a 500 kilowatt ("kW") single-axis tracking community solar array in southeast Boise that will exist to allow a limited number of Idaho Power's Idaho customers the opportunity to voluntarily subscribe to the generation output. Participating customers will be required to pay a one-time upfront Subscription Fee ("Subscription Fee") and in return will receive a monthly bill credit ("Solar Energy Credit") for their designated share of the energy produced from the array.

Based on the current timeline, and contingent upon Commission approval, the Company plans to have the facility built and operational no later than June of 2017. Idaho Power requests that the Commission issue an order approving this Application by September 15, 2016, to allow the Company time to solicit Program participants and construct the solar array prior to its June 2017 commercial operation date.

In support of this Application, Idaho Power represents as follows:

I. BACKGROUND

1. For many customers, direct ownership and operation of solar resources is not desirable or feasible. Customer ownership and operation requires upfront capital costs, as well as long-term expenses and liabilities associated with system operation and maintenance. Beyond cost considerations, rooftop or ground-mounted solar installations are feasible only for certain property owners. Customers who reside in rental properties, multi-unit dwellings, or townhomes are necessarily limited in their options, as well as customers that have aging rooftops, shading, or unsuitable rooftop orientation. The Company's proposed Community Solar Pilot Program is designed as an alternative to customers who fall into the various categories mentioned above.

2. Although modifications to Idaho Power's Green Energy Purchase Program Rider ("Green Power Program") have been simultaneously filed in Case No. IPC-E-16-13, it should not be confused with the Community Solar Pilot Program. The existing Green Power Program allows customers to contribute to renewable energy through the purchase of renewable energy certificates ("REC"). The Company, through a broker, purchases and retires RECs on behalf of the program participants and the participant is able to claim the "green" attributes from the renewable energy sources that generated the RECs. In contrast, a customer participating in the Community Solar Pilot Program is subscribing to the energy produced from a specific solar photovoltaic ("PV") resource

and receiving a bill credit based upon their level of subscription and the actual generation from their portion of the array. Idaho Power will retire the RECs from the Program on behalf of the participants.

3. Idaho Power intends for this initial offering to be treated as a pilot program to allow the Company to learn about the complexities associated with offering community solar programs including: customer commitment, construction, contracting, interconnection, maintenance, and billing. The Program is designed as a new option in response to customers' preference for renewable energy options, and will serve to inform the consideration of potential expanded offerings in the future.

II. PROGRAM DESIGN AND COSTS

4. In the direct testimony that accompanies this Application, Mr. Peter Pengilly discusses the customer input that led the Company to offer this Program, the Program design, and the ongoing costs associated with offering the Program.

5. Customer Input. Customers have expressed interest in central station distributed solar generation in forums that include the 2015 Integrated Resource Plan discussions, the Integrated Resource Plan Advisory Council, the Wood River Valley Renewable Energy Working Group, and customer satisfaction research studies. On May 26, 2016, Idaho Power hosted a stakeholder meeting to present an outline of the Company's Program design. The feedback from attendees was generally positive while several questions were addressed. Idaho Power staff also visited the neighborhood near where the Company is proposing to build the array. Additionally, Idaho Power circulated information to the neighborhoods adjacent to the project either through personal hand-delivered letters or through their respective homeowners associations.

6. Participation. The Program is open to Residential Service (Schedules 1 and 5), Small General Service (Schedule 7), Large General Service (Schedule 9), Large

Power Service (Schedule 19), Agricultural Irrigation Service (Schedule 24), Micron Special Contract (Schedule 26), Simplot Special Contract (Schedule 29), and the Department of Energy Special Contract (Schedule 30) customers (“Eligible Customers”). Participation is voluntary and available on a first come first served basis.

7. Individual Customer Subscriptions. Program participants may elect to purchase one or more subscriptions in the generation output for the life of the project (25 years). Individual residential customers may subscribe to an expected annual production up to but not exceeding 100 percent of their usage for the prior 12 months, on a kilowatt-hour (“kWh”) basis. Idaho Power employees and net metering customers will only be able to subscribe after the initial 60-day enrollment period in order to test other customers’ commitment to community solar. Eligible Customers’ expected annual production associated with their subscription level cannot exceed 100 percent of their usage for the prior 12 months, on a kWh basis. Nonresidential customers are limited to 50 subscriptions each.

8. Aggregate Customer Subscriptions. Initially non-residential customers will be limited to 470 subscriptions in aggregate, representing approximately 150 kW of the total 500 kW, and residential customers will be able to subscribe to 1093 subscriptions or about 350 kW. Subscriptions will be awarded on a first-come, first-served basis until Program capacity is reached. The first 60 days of the initial enrollment window will reserve 70 percent of the project for residential customers and 30 percent for non-residential customers as detailed above. After the 60-day timeframe, if there is unsubscribed capacity that was reserved for residential customers, it may be opened up to non-residential customers and vice versa.

9. Transferability. If participants move to other points of electric service delivery within the Company's Idaho service area, their subscription will transfer with them at no charge. If a participant moves outside the Company's service area and the participant notifies the Company in writing within 60 days of closing their account, the participant may transfer their subscription to another eligible customer for a transfer fee of \$25.00. If a participant moves outside the Company's service area and does not request a subscription transfer as detailed above, the subscription will revert to Idaho Power.

10. REC. Idaho Power will retain ownership of the RECs and all other environmental attributes including but not limited to carbon emission reduction credits, and the RECs will be retired by Idaho Power on behalf of subscribers.

11. Enrollment. Following Commission approval, the Company will begin marketing and enrolling customers in the Program. The Company hopes to have nearly full enrollment 120 days from Commission approval, but may adjust this based on the difficulty of enrolling customers during the holiday season. Idaho Power reserves the right to discontinue efforts on the Community Solar Pilot Program if the project is not fully subscribed within 120 days after the commencement of the enrollment period. However, Idaho Power may, at its discretion, elect to continue the Program even if it is not fully subscribed within that time period, but expects that it would not continue the Program if less than 80 percent of the Program is subscribed within 120 days after the commencement of the enrollment period.

12. Customer Billing. The Solar Energy Credit, described and quantified by Company witness Mr. Matthew T. Larkin, will be applied to each kWh associated with the participant's subscription for a given month; however, participants will see the bill

credits for solar production as a dollar offset to the total bill, not as a kWh credit that offsets billed kWh consumption. The solar array's actual loss-adjusted output each month (measured in kWh), will be applied to the participant's bills according to the proportional number of subscriptions each participant purchases. The monthly bill credit will be limited to the participant's monthly usage; any excess production will be carried forward on a kWh basis to be credited on a participant's bill in a future month. The Company is proposing that the participant's share of the monthly output will also be applied as a kWh credit toward billed kWh subject to the annual Power Cost Adjustment ("PCA") rate.

13. Program Administration. While the Company anticipates that the Program will require approximately 0.5 full-time employees for management and project oversight, there are no incremental administrative expenses included in the cost assumptions for the Program, as the Company expects to rely on its existing workforce to serve the administrative function for this Program.

14. Program Marketing and Education. The Company has included \$50,000 for marketing and ongoing communication expenses as part of the total costs of offering the Program. The Company will market the Community Solar Pilot Program alongside the Green Power Program, leveraging resources and providing both programs additional visibility.

15. Operations and Maintenance ("O&M"). The total Program costs include ongoing O&M expenses of \$16 per kW, or approximately \$8,000 escalated for inflation at 2.6 percent beginning in year four. The first three years of maintenance will be performed by the selected contractor. After the initial three years, the Company will either assume these duties or contract with a maintenance contractor.

III. SOLAR ARRAY CONSTRUCTION AND OPERATION

16. In the direct testimony that accompanies this Application, Mr. David M. Angell describes the Request for Bid (“RFB”) process for the selection of the contractor, the resulting cost to build the array, and the operational aspects of offering the Program.

17. Location. The Company considered multiple locations around its service territory and evaluated each site based on price, current infrastructure, permitting, constructability, access, and general impacts. Ultimately, the land adjacent to Idaho Power’s Boise Bench substation was chosen to be most suitable for the pilot project.

18. RFB Process and Results. On February 1, 2016, the Company issued an RFB for the design, procurement, and construction of a 500 kW single-axis tracking solar PV system to be built in Boise, Idaho on land owned by Idaho Power. Based upon the technical specifications in the RFB, the successful contractor has proposed to install 1,800 Hanwha Q-cells 320 watt solar modules mounted on Array Technologies single-axis tracking mount with SolarEdge SE33.3k-US inverters at an estimated cost of \$1,158,769.

19. Commercial Operation Date. In the RFB, the Company requested that substantial completion of the project occur by May 24, 2017, with a final completion date of June 7, 2017. The Company will not issue a notice to proceed prior to receiving a Commission order; the date of such order may impact the completion dates identified in the RFB.

20. Interconnection. Every generation facility that wants to connect to Idaho Power’s system must submit an interconnection request consistent with Idaho Power’s Open Access Transmission Tariff filed with the Federal Energy Regulatory Commission (“FERC”). The request is studied to determine what, if any, facilities are reasonably required by good utility practices and the National Electric Safety Code to interconnect

and allow the delivery of energy from the generation facility to the Company's system. On April 21, 2016, the Facility Study was completed and the preliminary costs for interconnecting the community solar PV resource are approximately \$81,000. These costs are included in the total project costs used to calculate the Program Subscription Fee.

21. Resource Energy Production. The expected average annual energy output provided by the selected contractor is 1,031,000 kWh per year. The annual output includes a stated performance degradation of 0.6 percent. To account for the delivery of the energy from the production location to the community solar subscriber, line losses of 3.3 percent applied to the average annual output of 1,031,000 kWh results in 996,977 kWh per year.

22. Program Operational Learning Objectives. The Company intends for this initial offering to be treated as a pilot program for a variety of operational reasons. The Company expects to gain experience with: (1) the power output of a single-axis PV solar facility at the time of the feeder customers' coincident peak demand, (2) control of the inverter to avoid voltage management issues, (3) the monitoring requirements of PV solar and how best to present the information to the Company's plant dispatch and technician personnel, (4) the maintenance and failure rates of PV solar equipment, and (5) the various facility issues that may cause PV solar facilities to underperform.

IV. PROGRAM PRICING AND ACCOUNTING

23. In direct testimony that accompanies this Application, Mr. Larkin summarizes the total costs of the proposed Program, relates how the proposed Solar Energy Credit was determined, and sets out the proposed regulatory accounting treatment.

24. Pricing Methodology. Because there is no existing load-serving need to construct the solar array, the pricing and design of the Program should ensure that the costs of the Program are borne by customers who choose to participate in this optional pilot, while holding non-participating customers harmless. The Company is proposing a cost-based method of pricing whereby the Company has set the Subscription Fee for participants to reflect 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.

25. Investment Tax Credits. The Company anticipates receiving federal investment tax credits (“ITC”) for the Program of 30 percent under current law. The Company will pass on the ITC benefits to customers in this Program through the calculation of the upfront Subscription Fee, which recognizes the ITC benefits in the same manner as the Company records them for income tax accounting purposes.

26. Company Contribution. Expected project costs will be borne by the voluntary participants upfront, and the Company will not earn a return on the project. To facilitate the learning objective to gauge customer commitment in participating in community solar, the Company proposes to include a shareholder-funded contribution of 15 percent of the solar facility construction costs because the Company is building a solar facility that is smaller in size than what is considered the industry standard for “utility scale” solar and construction of a larger facility would likely result in cost savings due to economies of scale estimated at 15 percent. Based on the cost provided by the successful contractor of \$1,158,769, 15 percent is approximately \$173,815.

27. Subscription Fee. Based on the costs described above, less the shareholder subsidy of 15 percent, the proposed Subscription Fee is \$740, the equivalent of a 320-watt panel, as shown in Exhibit 2. The Subscription Fee is a one-

time upfront payment that will result in a Solar Energy Credit on the customer's monthly bill for the 25-year life of the Program. There will be approximately 1,563 subscriptions available.

28. Monthly Energy Production. The total energy output of the array will be measured on a monthly basis at a production meter connected at the generation source before applying line losses of 3.3 percent to the total output to determine loss-adjusted actual production. The resulting energy will be divided by the total number of subscriptions, and each participant will receive their proportionate share of the energy commensurate with their level of subscription. The forecast annual energy per subscription is approximately 638 kWh.¹

29. Solar Energy Credit. The Company is proposing a per kWh Solar Energy Credit calculated as the product of (a) the proposed Solar Energy Credit rate specified in tariff Schedule 63 and (b) the participant's share of the total monthly production for that month. The Company proposes to base the Solar Energy Credit on its embedded energy-related costs recovered through base rates and update them as needed. The total dollar value of the Solar Energy Credit reflected on a customer's bill will fluctuate monthly as production from the solar facility fluctuates. The participant's share of the monthly output will also be applied as a kWh credit toward billed kWh subject to the annual PCA rate for billing purposes.

30. Regulatory Accounting Treatment. The project will be considered utility plant and will close to electric plant in service, FERC account 101, in the same manner as any other Company-owned asset. The shareholder contribution of 15 percent of the plant-related costs will be written-off of the plant in service account and the Company

¹Estimated average annual loss-adjusted energy of 996,977 kWh ÷ 1,563 subscriptions = 638 kWh/year per subscription.

will record a contribution in aid of construction (“CIAC”) for the remaining balance assuming a 100 percent subscription rate. The combination of the two entries will effectively zero out the plant balance on the Company’s books. The portion of the upfront Subscription Fees related to ongoing costs such as O&M, marketing, and property tax will be recorded to a deferred revenue account. The balance of the deferred revenue account will be amortized over the life of the project.

31. Non-Participant Rate Neutrality. The community solar plant-related costs will be zero on the Company’s books based on the accounting entries described above; therefore, any future change in base rates will exclude any community solar plant-related costs. With regard to Program expenses (marketing, ongoing O&M, property taxes), a test year adjustment will be made based on the annual amortization of the deferred revenue account. The result of the adjustment will effectively offset the ongoing incremental costs of the Program in the Company’s revenue requirement determination in future rate cases. Because the annual amortization amount will be based on estimated costs, the actual costs may differ from that estimate. The Company does not intend to track differences between estimated costs embedded in the upfront Subscription Fee and actual costs incurred throughout the life of the Program.

V. MODIFIED PROCEDURE

32. Idaho Power believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201 *et seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready to present the direct testimonies of Matthew T. Larkin, Revenue Requirement Manager, Peter Pengilly, Customer Research and Analysis Leader, and

David M. Angell, Planning Manager, that accompany this Application and support the Application in such hearing.

VI. COMMUNICATIONS AND SERVICE OF PLEADINGS

33. Communications and service of pleadings with reference to this Application should be sent to the following:

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VII. CONCLUSION

34. The Company believes the pilot Program is in the public interest because the Program is the direct result of customers expressing their desire for additional choices when it comes to renewable energy. By offering access to community solar on a pilot basis, the Company is hoping to expand the renewable energy options available to customers who are interested in supporting solar energy. In addition, participation through a Company sponsored renewable energy Program provides for better consumer protection through Idaho Power's regulated business practices as compared to third-party installations or leasing of rooftop solar installations. The Program is structured to minimize the impacts to non-participating customers while offering a community solar project in the most cost-effective way possible. The Company's proposal is designed such that the costs associated with this customer option are borne by those customers who choose to pursue the option.

Therefore, Idaho Power respectfully requests that the Commission issue an Order by September 15, 2016, authorizing: (1) this matter to be processed by Modified

Procedure and (2) Idaho Power to implement optional Schedule 63, Community Solar Pilot Program.

DATED at Boise, Idaho, this 22nd day of June 2016.



LISA D. NORDSTROM
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-16-14

IDAHO POWER COMPANY

ATTACHMENT 1

SCHEDULE 63
COMMUNITY SOLAR PILOT PROGRAM
(OPTIONAL)

PROGRAM DESCRIPTION

The Community Solar Pilot Program ("Program") is an optional program that will provide a limited number of Idaho Power's Idaho Customers the opportunity to voluntarily subscribe to the generation output of a 500 kW single-axis tracking community solar array.

AVAILABILITY

The Program is available to Eligible Customers that hold evidence of a Subscription or an entitlement to the electric generation output of a portion of the community solar array. Participation in the Program is available on a first-come, first-served basis to all Eligible Customers who complete a Participant Agreement to participate in this Program. Approximately 1,563 subscriptions will be available. If Idaho Power does not receive what it deems to be a sufficient number of Subscriptions for the Program, Idaho Power may terminate the Program and refund the Subscription Fees as set forth under "Refund of Subscription Fee" in the Participant Agreement.

DEFINITIONS

Eligible Customers. Residential Service (Schedules 1 and 5), Small General Service (Schedule 7), Large General Service (Schedule 9), Large Power Service (Schedule 19), Agricultural Irrigation Service (Schedule 24), Micron Special Contract (Schedule 26), Simplot Special Contract (Schedule 29), and the Department of Energy Special Contract (Schedule 30) Customers. Non-metered and lighting accounts may not participate in the Program. Customers must be in good standing with metered electric service accounts with service addresses located within Idaho Power's Idaho service area. Participants must be 18 years of age or older and have full power and authority to execute the Participation Agreement. Participant must be the customer of record for the service agreement to which the Subscriptions apply.

Good Standing. At the time of Subscription a Customer does not have a past-due balance with Idaho Power.

Participant. The Customer specified as the Participant in the Participant Agreement who has received notification of acceptance into the Program, or a successor Participant designated in accordance with the Participant Agreement. The Participant is also required to be a customer listed on the Idaho Power account.

Subscription. A proportionate interest in the electricity generated by the community solar array.

TERM

The Program term will extend 25 years from the date of first production of solar energy on a non-test basis (Operation Date).

SCHEDULE 63
COMMUNITY SOLAR PILOT PROGRAM
(OPTIONAL)
(Continued)

TERM (Continued)

Service on this rate schedule will commence with the first billing cycle following approval of the customer's Participant Agreement by the Company and after the Operation Date.

SUBSCRIPTION FEE

An upfront payment of \$740.00 per Subscription is required.

PARTICIPATION

To participate in the Program, a Customer must sign and return the Participant Agreement along with payment of the Subscription Fee.

Should a prospective participant have more than one service agreement, the participant must designate which service agreement and account the Subscription should apply to.

Customers may apply for multiple Subscriptions; however, the estimated total energy output of the Subscriptions may not exceed 100 percent of the customer's usage for the prior 12-month period (on a kWh basis) per service agreement.

For 60 days following the receipt of a Commission order, nonresidential Customers are limited to 50 Subscriptions each and 30 percent of total capacity in aggregate. After 60 days, all available capacity may be made available to all eligible customer classes at the Company's sole discretion.

Customers may apply for one Subscription regardless of usage.

If 12 months of usage data is not available, a prospective Participant may estimate its annual usage, using a method that includes, but is not limited to, usage by similarly sized properties or builder or architect estimates. All estimates will be reviewed and approved by Idaho Power at its sole discretion.

Customers that Idaho Power at its sole discretion determines are ineligible will be notified as soon as administratively practicable which Idaho Power expects to generally occur within 10 business days and the Subscription Fee check will be returned without interest.

SOLAR ENERGY CREDIT

Participants will receive a credit on their monthly bill for retail electric service. The amount of the Solar Energy Credit will depend on the type of retail metered electric service of the designated service agreement. The Solar Energy Credit will commence on the first billing cycle from the Operation Date. The monthly bill credit will be limited to the Participant's monthly billed kWh. Any excess production will be carried forward on a kWh basis.

SCHEDULE 63
COMMUNITY SOLAR PILOT PROGRAM
(OPTIONAL)
(Continued)

SOLAR ENERGY CREDIT (Continued)

The monthly Solar Energy Credit will be equal to the product of (a) the Solar Energy Credit rate as set forth below and (b) the proportional share measured in kWh of the monthly generation from the array for that month (as determined by the number of Subscriptions and monthly generation). The month to which the Solar Energy Credit is applicable may not match the billing period for the retail electric service billing to which the Solar Energy Credit is applied.

<u>Schedule</u>	<u>Description</u>	<u>Solar Energy Credit</u> <u>¢ per kWh</u>
1 and 5	Residential Service	3.0246
7	Small General Service	3.0209
9S	Large General Service	2.9936
9P and 9T	Large General Service	2.7352
19	Large Power Service	2.7735
24	Irrigation Service	2.6559
26	Micron Special Contract	2.5167
29	Simplot Special Contract	2.5371
30	DOE Special Contract	2.4915

The Power Cost Adjustment rate set forth in Schedule 55 will be applied to the net of the Participant's total energy use measured as the Participant's monthly billed kWh less their proportional share of the monthly generation measured in kWh from the array for that month.

The Solar Energy Credit rate is subject to change as the average embedded energy cost reflected in retail rates changes or as otherwise approved by Commission order.

CANCELLATION

The Participant is not eligible to receive a refund of any portion of the upfront Subscription Fee upon cancellation of the Subscription. The Participant may elect to transfer the Subscription within 60 days of the Participant terminating the service agreement with Idaho Power. If no transfer is requested within such 60 day period the Subscription will revert to Idaho Power. The Subscription transfer terms are discussed below.

SUBSCRIPTION TRANSFER

A Participant may elect to transfer the remaining life of their Subscription to a new service agreement or service location for the same Participant which meets the eligibility requirements. Such transfers are not subject to additional fees.

SCHEDULE 63
COMMUNITY SOLAR PILOT PROGRAM
(OPTIONAL)
(Continued)

SUBSCRIPTION TRANSFER (Continued)

Participants may transfer the remaining life of their Subscription to another Eligible Customer's service agreement, including an eligible non-profit, for a \$25 fee. Participants with more than one Subscription may transfer their Subscriptions in whole subscription increments to one or more Eligible Customers for a \$25 fee per transfer. A single Subscription cannot be split for multiple transfers.

Participants must notify Idaho Power in writing of their intent to transfer any Subscription(s). Transfers will only be effective if the recipient satisfies the terms and conditions applicable to the Subscription and signs the Participant Agreement and assumes all responsibilities associated therewith.

ENVIRONMENTAL ATTRIBUTES

Idaho Power will retain ownership of the Renewable Energy Certificates and all other environmental attributes including but not limited to carbon emission reduction credits. The Renewal Energy Certificates will be retired by Idaho Power on behalf of Participants.

RULES AND REGULATIONS

Service under this Schedule will be in accordance with the standard Rules and Regulations of the Company as on file with the Idaho Public Utilities Commission.