

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION TO APPROVE NEW TARIFF SCHEDULE 63, A COMMUNITY SOLAR PILOT PROGRAM))))))	CASE NO. IPC-E-16-14 ORDER NO. 33638
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In June 2016, Idaho Power Company filed an Application with the Commission to authorize it to implement an optional program, Schedule 63, Community Solar Pilot Program. Under the Program, the Company proposes to build a 500 kilowatt (kW) single-axis tracking community solar array in southeast Boise that will allow a limited number of Idaho Power's customers to subscribe to the generation output. The parties to this matter entered a Settlement Stipulation, about which the parties and members of the public submitted comments, and the Company submitted a reply. Having reviewed the record, we now approve the Settlement Stipulation as reasonable and in the public interest.

BACKGROUND

A. The Application: Proposed Schedule 63, Community Solar Pilot Program

In its Application, Idaho Power stated that the proposed Program would enable customers to invest or participate in the "operation of solar resources" without "requir[ing] upfront capital costs . . . [and] long-term expenses and liabilities associated with system operation and maintenance." Application at 2-3. The proposal would permit participation in a solar power program by those for whom "rooftop or ground-mounted solar installations" are not feasible. *Id.* at 2. According to the Company, the Program is being offered in response to customer input, and is separate from Idaho Power's existing Green Energy Purchase Program Rider. *Id.*

The Company stated that the proposed Community Solar Program would be open to the following customer service classes on a first-come, first-served basis: residential, small general, large general, large power, agricultural irrigation, Micron special contract, Simplot special contract, and Department of Energy special contract. Application at 3-4. Under the Program, individual customer subscriptions would allow expected annual production up to 100% of a participant's usage for the prior 12 months on a kilowatt-hour (kWh) basis. *Id.* at 4.

The Company's Application stated that, if approved, participants' monthly energy production would be calculated as per kWh "Solar Energy Credits" (SEC) that participants receive for their share of the solar production each month. Application at 5-6; Larkin Direct at 12. The Company proposed calculating its per kWh SEC as the product of the rate specified in tariff Schedule 63, and the participant's share of the total monthly production for the month. Application at 10. The Company would base the SEC on "its embedded energy-related costs recovered through base rates," and would update them as needed. *Id.* Participation in the Program would be reflected in participants' bills "as a dollar offset to the total bill, not as a kWh credit that offsets billed kWh consumption." Application at 6; Pengilly Direct at 13. "[E]xcess production [would] be carried forward on a kWh basis to be credited on a participant's bill in a future month." *Id.*

The Company proposed that the Program's facility would be built adjacent to Idaho Power's Boise Bench substation. Application at 7. Testimony by David Angell, attached to the Application, described the request for bid process that the Company used to secure a contractor for the design, procurement, and construction of the solar photovoltaic (PV) system. *Id.*; see Angell Direct at 4-8. The successful bidder gave a cost-estimate for the project of \$1,158,769. Application at 7; Angell DI at 6. In April 2016, Idaho Power completed the facility study – required in order for the facility to interconnect with the Company, consistent with Idaho Power's Open Access Transmission Tariff with the Federal Energy Regulatory Commission. Application at 7-8. According to the study, the preliminary interconnection costs for the Program's facility are about \$81,000. *Id.*

Because the Company does not have a current load-serving need for the proposed solar resource, the Program was designed such that participants would cover the cost of the project, less a 15 percent Company-shareholder subsidy, thus the Program would have a nominal impact on non-participating customers. Larkin Direct at 5-6. The Company would not earn a return on the Program. Application at 9.

B. Procedural History

The Commission issued a Notice of Application and Order setting a deadline for interested parties to intervene, Order No. 33552, and granted intervention to the following parties: Idaho Conservation League (ICL), Idaho Irrigation Pumpers Association (IIPA), Industrial Customers of Idaho Power (ICIP), Sierra Club, Snake River Alliance (SRA), and the

City of Boise. Order Nos. 33552, 33557, 33560, 33562. The parties agreed upon a schedule to process the matter by Modified Procedure, and to engage in settlement discussions to address the parties' concerns about the project as initially proposed. The Commission issued a Notice of Modified Procedure adopting the parties' agreed schedule. Order No. 33569.

The Commission received timely comments from Staff, ICL, ICIP, Sierra Club, and SRA. On September 26, 2016, Idaho Power filed a Settlement Stipulation and Agreed Motion to Approve Settlement Stipulation signed by all parties to the matter. With the Motion, the Company filed supporting documents, including the revised proposed Schedule 63. The Commission issued a Notice of Settlement Stipulation, and Notice of Comment Deadline. Order No. 33616.

The Commission received comments on the Settlement Stipulation from Idaho Power, Staff, ICL, ICIP, Sierra Club, and SRA, as well as four comments from members of the public. Idaho Power filed a reply, clarifying points raised in comments on the Settlement Stipulation, after which the matter became fully submitted.

SETTLEMENT STIPULATION

The Settlement Stipulation sets forth terms to which the parties agreed to resolve their concerns about the Program as originally proposed. The agreed terms mainly concern: (1) calculation of the solar energy credit; (2) the subscription fee; (3) a Company-facilitated monthly fee option; and (4) the Company's cost recovery. The parties' Agreed Motion asked the Commission to issue notice of the Settlement Stipulation, set a deadline for comments on the Stipulation, and – on expiration of the comment period – to approve the Settlement Stipulation without material change or condition. Motion at 11.

A. The Solar Energy Credit

In the Settlement Stipulation, the parties agree that the Program “will use the on-bill Solar Energy Credit reflecting the embedded cost of energy, as well as the proposed application of each participant's portion of monthly generation as an offset to billed kilowatt-hours subject to the Power Cost Adjustment (PCA).” Settlement Stipulation at 3. This agreed term is as the Company originally proposed.

1. *Idaho Power Comments.* The Company “believes that the embedded cost of energy rate is an important aspect of the original proposal because it aligns with actual energy-

related costs included in base rates and acts as a hedge against future energy-related price changes for the 25-year term of the Program.” Idaho Power Settlement Comments at 10.

2. Staff Comments. In its initial comments, Staff expressed that the Company’s cost-of-service credit methodology “incorrectly assumes that adding a new resource would reduce existing Company generation at average embedded energy costs rather than the most expensive (incremental) resources.” Staff Comments at 5. Staff proposed that the solar credit should be based instead on the demand-side management (DSM) avoided costs plus the value of deferred transmission investments. *Id.* at 7-9. However, Staff believes that its concerns regarding the calculation of the solar energy credit are addressed by the change in the subscription fee to which all parties agreed in the Settlement Stipulation. Staff Settlement Comments at 3.

3. ICL Comments. ICL also expressed, in its initial comments, that the Company’s cost-of-service credit methodology was “not an accurate way to determine the value of the solar energy credit.” ICL Comments at 6. Like Staff, ICL proposed using DSM alternate costs for calculating the value to customers “of a subscriber reducing their demand on the existing system.” *Id.* at 7-8. In agreeing to the Settlement Stipulation, ICL agreed that “part of the value of the solar output is rolled forward and used to reduce the subscription costs,” adding that this “portion of the value represents the long-term benefits that accrue from investing today in an alternative resource.” ICL Settlement Comments at 2.

4. SRA Comments. SRA had the same concern as Staff and ICL, in its initial comments. SRA stated, “We believe a more accurate and meaningful basis for the [solar energy] credit would be tied to Idaho Power’s Commission-approved DSM avoided costs.” SRA Comments at 4. In supporting the Settlement Stipulation, SRA stated that it is “pleased that Parties in this case were able to satisfactorily craft a Settlement Stipulation that addresses Parties’ concerns, . . . [including] calculation of the program’s solar energy credit.” SRA Settlement Comments at 2.

5. Sierra Club Comments. Likewise, Sierra Club asserted in initial comments that it disagreed with Idaho Power’s valuation of the output from the Program with historic annual average energy values, and instead proposed using the DSM value methodology. Sierra Club Comments at 2. In supporting the Settlement Stipulation, Sierra Club stated it believes the parties’ agreement is a valuable “launching point . . . in the public interest.” Sierra Club Settlement Comments at 1.

6. *ICIP Comments.* ICIP also disagreed with the Company’s method for calculating the solar energy credit amount, ICIP Comments at 3, but ultimately signed the Settlement Stipulation without submitting additional comments.

B. Subscription Fee and Monthly Payment Plan Options

In the Settlement Stipulation, the parties agreed to lower the \$740 subscription fee originally proposed, to \$562, through three reductions: (1) a reduction reflecting the net present value of the incremental difference between the DSM alternate costs and projected embedded energy costs; (2) a reduction reflecting the present value of the projected deferral of transmission and distribution (T&D) investments for the 25-year life of the project; and (3) a reduction reflecting the removal of the smart inverter cost from the subscription fee calculation.

Further, the parties agreed that the Company would provide a “Bill Me” electronic payment option, and also a 24-month fee option for residential customers (also available electronically). In the event a participant using the monthly fee option does not complete all 24 payments, the participant “may transfer their subscription(s) to eligible customers within the 24-month time period.” Settlement Stipulation at 5. For such transfers, Idaho Power will maintain a waitlist of customers (if any) who wish to participate in the Program, but for whom subscriptions are no longer available. If the waitlist is exhausted and partially-paid 24-month subscriptions still exist, an as-yet unidentified third-party institution will cover the unpaid amounts to Idaho Power in exchange for the corresponding subscriptions. *Id.* at 6. If no institution agrees to indemnify Idaho Power, the parties agreed that the Company should be allowed to recover unpaid amounts of partially-paid 24-month subscriptions through the next year’s PCA.

1. *Idaho Power Comments.* The Company believes the subscription fee modification “represents a reasonable compromise between holding non-participating customers harmless while providing reasonable compensation to participants for their subscribed portion of the solar generation.” Idaho Power Settlement Comments at 10. The Company believes that “reducing the upfront cost . . . may also allow for increased participation in the Program.” *Id.* at 11. As to the stipulated T&D deferral, the Company believes that it “appropriately recognizes the potential T&D benefits offered by a solar facility without unduly compensating participants at the expense of non-participating customers.” *Id.* at 12. Regarding the smart inverter, the Company stated that the knowledge and experience gained from having and controlling it “will ultimately benefit all customers.” *Id.* at 13, *citing* Angell Direct at 13.

Regarding the monthly fee option, Idaho Power had omitted such option in its initial proposal to avoid the financial risks of participants dropping out of the Program prematurely. Idaho Power Settlement Comments at 14. The Company noted that, under the Settlement Stipulation, if its waitlist is exhausted, and if no third-party agrees to indemnify the Company, “the Parties agree that Idaho Power should be authorized to recover 100 percent of the unpaid subscription amounts in the next year’s PCA.”¹ *Id.* at 15. Also, “ownership of the associated subscriptions would remain with Idaho Power and the net power cost benefits would automatically flow through the PCA to the benefit of all customers.” *Id.* The Company believes these terms address the parties’ concerns about generating sufficient customer participation, and also limit risk to the Company and non-participating customers, related to unsubscribed amounts. *Id.* at 16.

2. Staff Comments. Staff welcomed the subscription fee reduction from \$740 to \$562, stating that it addresses what would have been “an unreasonable barrier to participation for many residential customers.” Staff Settlement Comments at 3. Staff believes the first reduction – the net present value of the incremental difference between forecasted embedded energy costs and the DSM avoided costs – reflects its position “that the value of the project is best quantified by the DSM avoided costs and should be reflected as a credit to participants.” *Id.* Also, although Staff had supported including the value of deferred transmission investments but not distribution investments, “Staff agrees that using the combined value of both deferred transmission and distribution as a reduction to the subscription fee is a reasonable compromise.” *Id.* Finally, about removing the cost of smart inverters from the Program costs (that are recovered through subscription fees), Staff believes it is appropriate to recover the cost from all customers, because “all customers will benefit” from the lessons derived from the Company’s ownership and operation of the smart inverters. *Id.* at 3-4.

About the monthly fee options, Staff believes the payment option will “minimize the hurdle to participation that a large, upfront subscription fee creates.” *Id.* at 4. Staff also believes “that using a waitlist will provide an effective backstop against participants who do not complete all of their required payments.” *Id.* In its settlement comments, Staff “encourages the Company to include references to the waitlist in its program marketing materials” as an enticement for

¹ In its Reply, Idaho Power noted that it contacted Staff and confirmed the parties’ understanding that, under the Settlement Stipulation, only unpaid amounts remaining from 24-month subscriptions, would be recoverable through the PCA. Idaho Power Reply at 2.

potential participants that could further reduce the risk of under-subscription. *Id.* at 5. As clarified in Idaho Power’s Reply, Staff agrees with the Company that, “under-subscription” or “costs not provided through subscription fees” that are recoverable in the next year’s PCA refer to unpaid amounts remaining from 24-month subscriptions. Staff Settlement Comments at 5; Idaho Power Reply at 2. Costs flowed through the PCA are costs borne by all customers. But Staff believes the risk-exposure to Idaho customers is offset by the improved likelihood of full subscription due to the lower subscription fee, payment options, and possibility of a third-party backstop. Staff Settlement Comments at 5.

3. ICL Comments. ICL’s chief concern about the originally-proposed project was that the “lump sum, upfront payment for subscriptions [would] greatly limit residential participation.” ICL Comments at 3. ICL believes the monthly payment plan option “better aligns with the financial situation of most Idahoans,” and “serves the public interest by enabling potential subscribers [to participate] while holding non-subscribers harmless.” ICL Settlement Comments at 1.

4. SRA Comments. SRA was also concerned that the initially-proposed “lump sum, one-time, up-front” cost to participate in the project would “hinder customer participation and the project’s chances of success.” SRA Comments at 2. SRA supports the Settlement Stipulation reached on the issues of the subscription fee and payment terms.

5. Sierra Club Comments. Sierra Club had expressed concerns about the barrier to participation caused by the original proposal’s requirement to provide “the entire capital cost for 25 years of solar benefits” upfront. Sierra Club Comments at 4. In supporting the Settlement Stipulation, Sierra Club noted the parties made joint efforts to “expand opportunities for customer participation by lowering the upfront subscription fee and providing a monthly payment option.” Sierra Club Settlement Comments at 1.

C. Idaho Power’s Cost Recovery

In the Settlement Stipulation, the parties agreed that Idaho Power should be allowed to include in rate base (and collect 100 percent of the revenue requirement associated with) the three subscription fee reduction amounts – the three amounts by which the parties agreed to reduce the subscription fee. Per the Settlement Stipulation, these three “rate base amounts” will be collected through each annual PCA following the project in-service date, and the annual revenue requirement will be moved from the PCA into base rates in the Company’s next general

rate case. In addition, the parties agreed that unpaid amounts remaining from 24-month subscriptions (but not costs from subscriptions that are never filled) would be recovered through the following year's PCA mechanism, and thus recovered from all customers.

1. Idaho Power Comments. The Company believes that recovery of the rate base amounts from all of Idaho Power's customers is appropriate "because each of these items represents a benefit provided to the Company's overall electrical system," and because "the level of recovery is commensurate with the system benefits expected to be provided by the solar facility." Idaho Power Settlement Comments at 14. The Company believes the parties' agreement that Idaho Power "should be authorized to recover 100 percent" of unpaid amounts remaining from 24-month subscriptions, in the next year's PCA, is a fair compromise to limit risk to the Company and non-participating customers. *Id.* at 15-16; Idaho Power Reply at 2.

2. Staff Comments. Staff supports allowing the Company to recover the rate base amounts, stating that "the benefit to all customers from this pilot project both in terms of the resource acquired and operational lessons for the Company justifies [what Staff believes will be a] small annual dollar amount provided by all customers through rate base treatment." Staff Settlement Comments at 6. As to allowing the Company to recover unpaid amounts remaining from 24-month subscriptions, Staff states "this is a reasonable way to mitigate [the Company's] risk" based on the potential for a third-party backstop and use of a waitlist. *Id.* at 5.

3. SRA Comments. SRA believes the Settlement Stipulation appropriately addresses the parties' concerns regarding the Company's cost recovery. SRA Settlement Comments at 2.

D. Support for Community Solar Pilot Program

In addition to supporting the terms of the Settlement Stipulation, the parties generally praised Idaho Power for proposing the Community Solar Pilot Program, and expressed satisfaction with the parties' mutual efforts to address one another's concerns. ICL stated it appreciated "Idaho Power's initial proposal, and the compromises reached by all parties through the negotiation process," and urged the Commission to adopt the parties' Stipulation. ICL Settlement Comments at 2.

Sierra Club noted that "the revised proposal . . . addresses changing customer preferences and represents a valuable opportunity for Idaho Power Company to learn about benefits that can [be] offered by clean distributed energy resources" throughout Idaho. Sierra Club Settlement Comments at 1. Sierra Club stated it "enthusiastically supports the proposed

Community Solar Pilot Project outlined in the Settlement Stipulation as a launching point for community solar in Idaho.” Sierra Club Settlement Comments at 1.

SRA continues to “encourage stakeholders to more creatively explore avenues to include Idaho Power customers on low or fixed incomes to participate in the pilot,” but commended Idaho Power “for its flexibility and willingness to hear suggestions about the program’s design.” SRA Settlement Comments at 2. Further, SRA believes the Settlement Stipulation “furthers the objectives of the 2007 and 2012 Idaho Energy Plans as adopted by the Idaho Legislature.” *Id.* at 4.

The Commission also received four comments in favor of the Program from members of the public. Echoing the parties’ comments, input from the public included the following comments: “I sincerely appreciate the initiative taken by Idaho Power to integrate more solar power into the Treasure Valley’s electrical grid.” “Bravo to the PUC, Idaho Power, and other organizations who brainstorm[ed] this creative solution and are making it happen.” “We are extremely concerned about climate change and what this means for our and our children’s future. . . . We are very excited to sign up for Idaho Power’s community solar program and feel the cost is reasonable . . . we are very happy Idaho Power has made the effort to take this important step.”

COMMISSION DECISION

The Commission has jurisdiction over this matter under *Idaho Code* § 61-503. Under Rule 276, a settlement proposal is not binding, but must be reviewed and approved by the Commission as “just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.” IDAPA 31.01.01.276. The proponents of a settlement have the burden of showing the settlement is “reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.” IDAPA 31.01.01.275.

Having thoroughly reviewed the record, we find that the Settlement Stipulation entered by the parties is just, fair and reasonable, and in the public interest. We appreciate the intervening parties’ participation in the matter, as well as all parties’ willingness to engage in settlement negotiations to address the various concerns raised from the parties’ varying perspectives. In this way, the public interest is best served. In addition, we thank the members of the public who offered comments for the record. Our service to the public in hearing and deciding these matters is better informed when it includes input from the public itself. Thus, we

welcome and value public participation, and appreciate the time and effort taken by members of the community in providing their comments.

The record demonstrates that there is great interest and enthusiasm for the Company’s proposed Community Solar Pilot Program. The issues raised by the parties were valid concerns that touch on the viability of the project itself. We find that the resolutions reached in the Settlement Stipulation represent fair and reasonable compromises intended to help the proposed pilot program succeed. We further find that pilot programs such as that proposed here, on a small-scale, are valuable for learning what works and what does not, to inform future projects with similar offerings.

Accordingly, we approve the Settlement Stipulation and revised tariff Schedule 63, as submitted and already on file at the Commission, without modification.

ORDER

IT IS HEREBY ORDERED that the Settlement Stipulation entered into by all parties concerning Idaho Power’s Application to approve new tariff Schedule 63, a Community Solar Pilot Program is approved, effective on the service date of this Order.

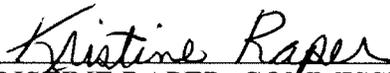
IT IS FURTHER ORDERED that the deadline for intervenor funding shall be fourteen (14) days after the service date of this Order. Any motions opposing intervenor funding shall be due within fourteen (14) days after a request for intervenor funding is filed. IDAPA 31.01.01.164.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31
day of October 2016.



PAUL KJELLANDER, PRESIDENT

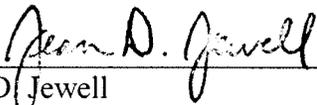


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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