LISA D. NORDSTROM
Lead Counsel
lnordstrom@idahopower.com

October 15, 2019

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97301

RE: UM 1930 – Community Solar Program Implementation
Idaho Power Company's Comments on Staff's October 4, 2019, Report

Attention Filing Center:

I. INTRODUCTION

Idaho Power Company ("Idaho Power" or the "Company") appreciates this opportunity to provide its comments regarding the Public Utility Commission of Oregon ("Commission") Staff's proposals filed on October 4, 2019. Staff's October 4, 2019, Report ("Staff's Report") outlines their recommendations on four major policy decisions required to implement Oregon's Community Solar Program ("CSP" or "Program") which include:

1. Interconnection
2. Bill credit
    a. Implementation of the Simple Retail Rate ("interim rate")
    b. Transition after the interim capacity tier
3. Low-income participation requirements
    a. Minimum eligible low-income participants per project (%)
    b. Requirements for low-income subscriptions
    c. Definition of eligible low-income participant
4. Transition between start-up and ongoing costs
    a. Transition point
    b. Administrative fee methodology

While Idaho Power believes the recommendations provide the needed clarity on the outstanding policy issues, the Company's comments will address concerns with Staff's proposals on the small project carve-out, the bill credit rate, and low-income requirements. The Company's comments regarding interconnection will be filed separately through joint comments with PacifiCorp and Portland General Electric.

II. DISCUSSION

A. Interim Rate and Proposed Escalation

In Order No. 18-177, the Commission found "good cause" to adopt an alternative bill credit rate for the Program. The Commission adopted the Simple Retail Rate (reflecting the residential retail rate), limited to 25 percent of the initial capacity tier, and stated it is their "objective to balance the need to provide a rate that will result in projects being developed while doing so with the lowest possible shifting of costs to non-participants."[1] Staff's Report introduces two major changes from Order No. 18-177: (1) expanding the application of the interim rate from 25 percent of the capacity tier to 75 percent and (2) applying an annual escalation factor of 2.18 percent to the interim rate based on the Consumer Price Index ("CPI").[2]

Staff's Report addresses a practical issue with the interim tier as it applies to Idaho Power's service territory and recommends that the interim rate apply to Idaho Power's entire capacity tier to allow a 3 megawatt ("MW") project to have a single bill credit rate.[3] While Idaho Power agrees with Staff that a 3 MW CSP project in Idaho Power's service territory should receive a single bill credit rate, the Company continues to advocate for a CSP bill credit rate that reflects the resource value of solar ("RVOS"),[4] which more appropriately captures the value of the energy produced by a CSP project. The Company is also concerned that the proposed escalation provides for future increases to a compensation rate that already exceeds the value of the associated generation by a factor of nearly 2 to 1.

Idaho Power's overarching concern is the financial impact on its customers in eastern Oregon. Any rate credit that exceeds the RVOS is effectively a subsidy provided to program participants. If this subsidy is not funded by some external source, it will be borne by Idaho Power's nonparticipating customers within the state of Oregon. While Oregon Revised Statute ("ORS") 757.386 does not prohibit subsidization, it directs the Commission to "minimize the shifting of costs from the program to ratepayers who do not own or subscribe to a community solar project."[5] The Company believes Staff's proposals for the interim rate and associated escalation are outside the bounds of the level of subsidization intended by the initial legislation.

To illustrate, the table below demonstrates that Staff's determination of the Simple Retail Rate is almost double Idaho Power's recently filed RVOS rate. The difference between these rates effectively represents the level of subsidy borne by non-participating customers:

Comparison of Rates for Idaho Power	
Source of Rate	**Rate**
Bill Credit Rate (no escalation)[6]	$0.0848/kWh
Filed RVOS Rate[7]	$0.04273/kWh

The economic conditions of Idaho Power's eastern Oregon service area do not support the proposal for non-participating customers to subsidize participants to such an extent. Idaho Power's Oregon service area spans some of the most remote landscape across eastern Oregon.

[1] Order No. 18-177 at 3.

[2] Staff's Report at 23-24.

[3] *Id.* at 26-27.

[4] ORS 757.386(6)(a).

[5] ORS 757.386(2)(b)(B).

[6] Staff's Report at 22.

[7] *Id*. at 92 – Attachment D, Table 9.

The service area encompasses 4,744 square miles and is largely comprised of rural communities. As of year-end 2018, Idaho Power's Oregon service area consisted of 18,930 total customers, 13,435 of which are residential customers.

According to the United States Census Bureau,[8] the median household income (in 2017 dollars) for Ontario, Oregon is $31,182,[9] compared to $54,547 for Boise, Idaho and $61,532 for Portland, Oregon. Furthermore, a report issued by the Oregon Department of Human Services has identified Malheur County as a "high poverty hotspot."[10] The report stated that Malheur County has three high poverty locations; two of which are located in and around Ontario and the other in Vale. Given the economic characteristics of the Company's Oregon service area, Staff's proposals are concerning, as they may lead to non-participating low-income customers further subsidizing these projects and program participants.

Additionally, Staff is proposing to apply a 20-year escalation based on the CPI. The introduction of an annual escalation to the bill credit rate is generally unsupported in Staff's Report and only exacerbates the shifting of costs to non-participating customers for 20 years. Staff's recommendation is based on a modeling outcome that provides project developers an investment return of at least 8 percent without any discussion or acknowledgement of how a bill credit escalation benefits CSP participants to the detriment of non-participating customers.

ORS 757.386(2)(b) directed the Commission to adopt rules that at a minimum incentivizes consumers to be owners or subscribers, but to also minimize the shifting of costs from the Program to ratepayers who do not own or subscribe to a community solar project. As previously discussed, the Simple Retail Rate is almost double the Company's RVOS, providing an incentivization well above the value of the generation; Staff's proposal goes even further by unduly escalating this already elevated rate over the 20-year life of the Program. The Commission should reject the annual escalation factor as it is contrary to the legislation and the policies the Commission adopted in Order No. 18-177. Additionally, the Commission should evaluate CSP project development after a pilot phase to aid in future bill credit rate recommendations, as indicated in Order No. 18-177[11] rather than commit non-participants to 20-years of additional cost-shifting before the Program even launches.

B. Small Project Carve-Out

Staff's proposal for the small project carve-out[12] would effectively prohibit a 3 MW CSP project in Idaho Power's service territory unless the project manager was a non-profit or public entity as defined in Staff's Report.[13] In Idaho Power's service area, however, the Company has already been in contact with a developer of an approximate 3 MW project interested in

[8] https://www.census.gov/quickfacts/fact/table/ontariocityoregon,boisecitycityidaho,portlandcityoregon,US/PST045218.

[9] The largest city in Idaho Power's Oregon service area.

[10] Oregon Department of Human Services Office of Forecasting, Research, & Analysis, "High Poverty Hotspots – Malheur County" (May 2015).

[11] Order No. 18-177 at 4.

[12] 25 percent of each utility's total capacity tier.

[13] Staff's Report at 28.

participating as a CSP project. While Idaho Power understands the intent of the small project carve-out, given the relative size of the Company's capacity tier and the interest already shown by a potential project, the Company believes this component of Staff's proposal would serve as an undue restriction in its service area. Therefore, Idaho Power requests an exemption from the small project carve-out and/or project manager restrictions in order to allow a 3 MW CSP project to participate in Idaho Power's service territory.

C. Low-Income Participation Targets Should Remain Flexible

Staff's low-income recommendations diverge from Commission Order No. 17-232 where the Commission discussed the need for flexibility when implementing the low-income requirements of the rules. To attain the 10 percent requirement, the Commission adopted that at least 5 percent of each project must be allocated to serve low-income residential customers and an additional 5 percent of the total program must be allocated to serve low-income residential customers.[14] However, Staff's Report recommends a change back to 10 percent of each project allocated for low-income residential customers and requires a minimum guaranteed bill savings of 20 percent.

Idaho Power is supportive of ensuring the low-income requirements of the CSP are met; however, the way they are met should remain flexible to allow the various CSP projects to meet or exceed these targets in an effective and practical manner. For example, the CSP project in Idaho Power's service territory has indicated it will target low-income multifamily housing subscriptions, most likely exceeding the 10 percent minimum requirement. Therefore, under Idaho Power's unique circumstances, the strict low-income requirements proposed by Staff may hinder, rather than assist, the ability for a CSP project to successfully provide subscription options for low income customers. In light of these circumstances, Idaho Power recommends that the Commission continue to allow for flexibility in achieving the low-income targets.

III. CONCLUSION

Idaho Power appreciates the efforts by Staff and others to resolve the outstanding policy issues that will allow the CSP to move forward. While Idaho Power addresses a practical issue with the small project carve-out and allowing for more flexible low-income requirements, the Company's greatest concern is the financial impact of Staff's bill credit and escalation proposal on non-participating customers. Idaho Power requests that the Commission reject the bill escalation proposal as it is contrary to the legislation and prior Commission guidance to limit cost-shifting.

Very truly yours,

Lisa D. Nordstrom

Lisa D. Nordstrom

LDN/kkt

[14] Order No. 17-232 at 11.