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April 17, 2018

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket No. UM 1930
Alternative Bill Credit Rate Proposals for Community Solar – Idaho Power Company's Comments

Attention Filing Center:

INTRODUCTION

Idaho Power Company ("Idaho Power" or the "Company") appreciates this opportunity to provide comments regarding Staff's interim alternative bill credit rate ("interim credit rate") proposals for the Community Solar Program, dated April 10, 2018, and issued pursuant to Order No. 18-088.

In Order No. 18-088, the Public Utilities Commission of Oregon ("Commission") found that there is good cause to evaluate options for an interim alternative bill rate credit for the Oregon Community Solar program due to the timing and value challenges associated with basing the bill credit rate on the resource value of solar ("RVOS"). The Commission requested that the following factors be considered in the development of the alternative bill credit options:

1. Transition to an RVOS based rate
2. Ensure that subscriptions are made available in the program and minimize cost-shifting
3. Rate design based on project type
4. Review of other jurisdictions.

Based on the objectives and considerations contained in Order No. 18-088, Commission Staff identified three rate components (Base Rate, Adjustment Factors, and Transition Mechanism) and evaluated each component's alignment with the Commission's guidance. Staff identified the process beginning with a Base Rate that is modified with Adjustment Factors to establish an initial interim rate. A transition

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mechanism would then be applied to the initial interim rate, allowing the rate to revert to the RVOS in the long run.

Overall, Idaho Power believes that Staff's report provides thoughtful and detailed evaluation of the various options that can be applied as an interim bill credit rate. Staff assembled three interim alternative rate proposals, which present different approaches to balancing the Commission objectives.

1. Simple Retail Rate: Emphasizes simplicity by foregoing Adjustment Factors. The rate relies on the residential retail rate's value relative to the other base rates and the transition mechanism to balance accessibility and minimizing cost-shifting.

2. Adjusted Retail Rate: Builds upon the Simple Retail Rate, applying several adjustment factors to increase alignment with guiding principles.

3. Adjusted RVOS: Focuses on correcting the issues of timing and value associated with the application of RVOS to the Community Solar Program. A readily available RVOS-based base rate helps correct issues of timing, and adjustment factors help align that value with the guiding principles.

Idaho Power's comments are offered to identify areas of concern with Staff's interim credit rate proposals and the overall treatment of the Community Solar bill credits.

COMMENTS

Idaho Power's overarching concern is the financial impact on its customers in eastern Oregon. As discussed in more detail below, 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 Senate Bill 1547 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."[1]

Idaho Power's Oregon service area spans some of the most remote landscape across eastern Oregon. The service area encompasses 4,744 square miles, and is largely comprised of rural communities. As of year-end 2017, Idaho Power's Oregon service area consisted of 18,818 total customers, 13,423 of which are residential customers.

[1] Senate Bill (SB 1547) – Solar Program, Section 22(2)(b)(B).

According to the United States Census Bureau,[2] the median household income (in 2016 dollars) for Ontario, Oregon is $27,262,[3] compared to $52,249 for Boise, Idaho and $58,423 for Portland, Oregon. Furthermore, in a report released in May 2015,[4] the Oregon Department of Human Services identified Malheur County as a "high poverty hotspot." 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, the potential interim credit rate options that exceed the RVOS are concerning, as they may lead to low income customers subsidizing these projects and program participants.

Option 1: Simple Retail Rate

Idaho Power agrees that the simple retail rate does emphasize simplicity, but it does not minimize cost-shifting, especially for Idaho Power's Oregon customers. Shown on page 12 of Staff's Report, the estimated 20-year impact of using the retail rate as the interim rate would be $1.3 million for Idaho Power. Idaho Power's customers in eastern Oregon may not have the economic means to support the cost-shift that may occur due to an interim credit rate that exceeds the RVOS. For this reason, Idaho Power does not support the retail rate as the interim credit rate for this program.

Option 2: Adjusted Retail Rate

Similar to Option 1, the adjusted retail rate results in similar cost-shifting issues for Idaho Power's Oregon customers. A positive aspect of this option is that open pre-certification is done in tranches, 5 percent for small/medium projects and 15 percent for large projects, which will allow for evaluation of the interim credit rate as each tranche is filled. Staff's proposal allows the interim credit rate to be adjusted down if applications are sufficient, conversely it provides the ability to "adjust [the] rate up if pre-certification applications fall short of initial tranche in [the] first 12 months." However, as stated above, utilizing a rate based on the retail rate detaches compensation from the value provided by a project, thus increasing the likelihood that cost-shifting will occur.

Option 3: Adjusted RVOS

Idaho Power believes that the community solar bill credit rate should ultimately reflect the RVOS, and for an interim credit rate, Option 3 maintains the closest alignment

[2] https://www.census.gov/quickfacts/fact/table/ontariocityoregon,boisecitycityidaho,portlandcityoregon,US/PST045217

[3] Largest city in Idaho Power's Oregon service area.

[4] Oregon Department of Human Services Office of Forecasting, Research, & Analysis, "High Poverty Hotspots – Malheur County".

with the Company's position. While Staff's proposed adders to the RVOS are concerning as they increase program compensation beyond the RVOS, the proposed adders and the fixed step-down of those adders are better positioned to minimize the cost-shift to nonparticipants. Additionally, Idaho Power believes that Option 3 will allow for a more seamless transition to RVOS as the bill credit rate compared to Option 1 and Option 2.

Transition Mechanism Timeframe

Staff recommended that the transition mechanism, from interim credit rate to RVOS, be evaluated at 50 percent of the capacity tier (approximately 80 megawatts) under all three options. Subsequently, Staff quantified the impact of each interim credit rate option at 50 percent of the capacity tier. Because SB 1547 requires the community solar program to "minimize the shifting of costs . . . ", Idaho Power is concerned that the transition mechanism of 50 percent of the capacity tier, with the possibility of extending beyond 50 percent, may not be consistent with the requirement to minimize cost-shifting.

RECOMMENDATIONS

Interim Bill Credit Rate

Idaho Power believes Staff presented three thoughtful interim credit rate options for the Commission to adopt. Due to concerns surrounding cost-shifting and the economic characteristics of the Company's Oregon service area, Idaho Power recommends that the Commission adopt Option 3: Adjusted RVOS as the interim credit rate. The Company also recommends that if the Commission chooses to adopt Option 3, that it considers any departure from the RVOS through adders or deductions from the perspective of impact to nonparticipating customers. Idaho Power further requests that the Commission consider the impact Options 1 and 2 will have on Idaho Power's eastern Oregon customers. Additionally, Idaho Power recommends the Commission reduce the transition mechanism period from the proposed 50 percent of the capacity tier to 25 percent or less to limit the impact to all nonparticipating customers until a final RVOS value is established.

Recovery of Community Solar Bill Credits

While not specifically addressed in Staff's Report, Idaho Power requests that the Commission remain mindful of the cost recovery mechanism(s) yet to be established for the recovery of these expenses, such as (but not limited to) a balancing account[5] and associated utility rider.

[5] On March 2, 2018, Idaho Power filed a supplemental application for reauthorization to defer start-up expenses associated with the Community Solar Program.

CONCLUSION

Idaho Power thanks the Commission for this opportunity to comment on the UM 1930 interim alternative bill credit rates and reserves the right to file additional comments in response to the points made by other parties.

If you have any questions about these Comments, please do not hesitate to contact me at (208) 388-5825 or Matt Larkin at (208) 388-2461.

Very truly yours,

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