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August 26, 2016

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
P.O. Box 1088
Salem, OR 97308-1088

Re: UM 1716 - In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation to Determine the Resource Value of Solar

Attached for filing in the above-referenced docket is an electronic copy of Idaho Power Company's Initial Brief.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo

Wendy McIndoo
Office Manager

Attachment

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1716

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation to Determine the Resource Value of Solar.	**IDAHO POWER COMPANY'S INITIAL BRIEF**

In accordance with the August 10, 2016 ruling issued by Administrative Law Judge ("ALJ") Sarah Rowe, Idaho Power Company ("Idaho Power" or "Company") submits this Initial Brief to the Public Utility Commission of Oregon ("Commission").

I. INTRODUCTION

On January 27, 2015, the Commission opened this docket to examine the resource value of solar ("RVOS"). The purpose of this current phase of the proceeding is to adopt a methodology that the utilities will use to calculate the RVOS. The utilities will apply the methodology to calculate a specific RVOS for their individual systems in a future phase.

To assist the parties and the Commission in this case, Commission Staff ("Staff") retained Arne Olson of Energy and Environmental Economics to develop a methodology for valuing solar generation, consistent with the Commission's direction. The resulting model—which Staff recommends the Commission adopt—represents a long-term marginal cost approach, incorporating time- and location-specific inputs.

Overall, Idaho Power agrees with Staff's proposal. The Company believes that Mr. Olson's methodology is consistent with the Commission's policies, and will produce reasonable results. The model is flexible enough to accommodate data of different levels of granularity, and appropriately values only those elements that impact utility customer

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rates. That said, the Company urges the Commission to use caution when applying the methodology for any specific purpose, to ensure that it appropriately addresses the characteristics of the specific solar generation at issue and the specific application of the value developed. In particular, the Company believes that Staff's proposed methodology would need to be adjusted to accurately calculate costs that are shifted to utility customers as a result of net metered solar projects. In addition, Idaho Power suggests several specific refinements to Staff's proposal, and specific recommendations for applying the methodology to the Company's unique circumstances.

II. BACKGROUND

In 2009, the legislature enacted House Bill ("HB") 3039, codified as ORS 757.365, which directed the Commission to establish pilot solar generation programs for the three major investor-owned electric utilities in Oregon, and required that the utilities offer production-based rates and incentives (volumetric incentive rates, or "VIR") for electricity delivered from solar photovoltaic energy for eligible participants in the pilot program.[1]

The statute mentions the calculation of the RVOS in three separate contexts: (1) after 15 years of paying a customer with an eligible system at an incentive rate, the utility is directed to pay a rate equal to the RVOS; (2) if VIR rates "exceed the resource value," the systems participating in the program are not eligible for funding through the public purpose charge under ORS 757.612 or tax credits under ORS Chapter 469B; and (3) the Commission is required to file a report to the Legislative Assembly by January 1 of odd-numbered years to evaluate the effectiveness of the VIR Pilot Program and to estimate the

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[1] HB 3039 (2009). The legislature subsequently amended ORS 757.365 in 2010 to specify allocation of program capacity between small and medium sized systems, and again amended ORS 757.365 in 2013 to add a requirement to report to the Legislative Assembly regarding the effectiveness of the VIR program, the cost to customers, and the RVOS. HB 3690 (2010); HB 2893 (2013).

program cost to retail customers as well as the resource value of solar energy.[2] Accordingly, the Commission opened this docket to investigate the resource value of solar generation.

ALJ Rowe divided the proceeding into three parts: (1) investigation regarding the resource value of solar; (2) investigation regarding fixed costs and the extent of cost-shifting from net-metering, if any; and (3) investigation regarding reliability impacts of solar on the grid.[3] The current focus of UM 1716 is the appropriate methodology for determining the RVOS, and then the Commission will later consider the inputs to the RVOS model as applied by the individual utilities.[4]

In Staff's initial comments in this docket, Staff described specific elements that it recommended the Commission adopt for use in a methodology by which the RVOS would be calculated.[5] The Commission declined to prescribe particular elements, but did direct Staff to include only those elements that directly impact the cost of service to utility customers.[6]

III. STAFF'S PROPOSED RVOS METHODOLOGY AND MODEL

Staff's proposed RVOS methodology is designed to calculate the long-term marginal costs that utilities will avoid through the acquisition of mass market solar generation.[7] The model prescribes specific calculations to arrive at hourly values for each discrete element, and uses those values to produce an hourly avoided cost profile for each year of the economic life of the solar photovoltaic system, which is assumed to be 25 years.[8] The model

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[2] ORS 757.365.

[3] *In the Matter of Pub. Util. Comm'n of Or. Investigation to Determine the Resource Value of Solar*, Docket No. UM 1716, Prehearing Conference Memorandum at 1-2 (Nov. 9, 2015). The Commission subsequently closed the third investigation regarding reliability impacts of solar on the grid. Order No. 16-074 at 1 (Feb. 29, 2016).

[4] *In the Matter of Pub. Util. Comm'n of Or. Investigation to Determine the Resource Value of Solar*, Docket No. UM 1716, Order No. 15-296 at 2 (Sept. 28, 2015).

[5] *In the Matter of Pub. Util. Comm'n of Or. Investigation to Determine the Resource Value of Solar*, Docket No. UM 1716, Staff's Comments at 1 (July 15, 2015).

[6] Order No. 15-296 at 2.

[7] Staff/200, Olson/13.

[8] Staff/100, Dolezel/5.

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is flexible in that it can accommodate more or less granular data, which is important because not all utilities have hourly data available for all elements.

Based on the Commission's direction to limit the model elements to those that impact the cost of service to utility customers, Staff's model values the following ten elements:

- Energy;
- Generation Capacity;
- Line Losses;
- Transmission and Distribution ("T&D") Capacity;
- Renewable Portfolio Standard ("RPS") Compliance;
- Integration and Ancillary Services;
- Administration;
- Market Price Response;
- Hedge Value; and
- Environmental Compliance.[9]

IV. DISCUSSION

A. Idaho Power Generally Supports Staff's Proposed RVOS Methodology and Model.

Overall, Idaho Power supports Staff's proposal.[10] The methodology represents a reasonable response to the Commission's directive to establish a RVOS methodology applicable to small mass market solar generation. The Company agrees that, in the specific context of the Commission directives at issue in this docket, a time- and location-specific marginal cost approach is appropriate.[11] Moreover, the Company is comfortable with the

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[9] Staff/100, Dolezel/4-5.
[10] Idaho Power/100, Youngblood/9.
[11] Idaho Power/100, Youngblood/9.

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algebraic formulas that Staff and Mr. Olson have proposed to use in the model. In addition, Idaho Power supports the adoption of a model that is flexible and adaptable to the use of more or less granular data, and the proposed model accomplishes this objective.[12] Finally, Idaho Power agrees that Staff has correctly included only those elements that may impact the cost of service to customers, consistent with the Commission's direction.[13]

B. Idaho Power's Comments on Model Elements.

Idaho Power generally agrees that Staff has identified the appropriate elements to be valued based upon the Commission's stated objectives in this case. In this section, the Company proposes some refinements, suggestions for application of the elements to Idaho Power, and responds to arguments made by other parties regarding the elements.

1. Energy.

Staff defines the energy element as the hourly marginal cost of energy including fuel (and associated fuel transportation costs), variable operations and maintenance, labor, and all other variable costs.[14] To determine the marginal cost of energy for the Company, Idaho Power recommends that it use the Incremental Cost Integrated Resource Planning methodology ("ICIRP"), which has been approved by this Commission and the Idaho Public Utilities Commission for determining avoided costs rates for qualifying facilities that exceed the standard rate eligibility cap.[15] The ICIRP methodology compares the hourly generation profile of a solar resource to the utility's resource stack being used to serve load in each hour, and assigns the cost of the utility's highest cost displaceable resource operating during the hours the solar resource provides generation.[16] Idaho Power recommends using the

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[12] Idaho Power/100, Youngblood/9.
[13] Order No. 15-296 at 2.
[14] Staff/200, Olson/30.
[15] Idaho Power/100, Youngblood/10-11.
[16] Idaho Power/100, Youngblood/11.

ICIRP to value energy because it will provide a consistent determination of the value of a solar resource on an hourly basis for all such resources on the Company's system.[17]

CUB proposes that the model give extra consideration to the value of solar generation in those years when hydropower generation is extremely low.[18] The Company agrees that solar generation may provide extra value to utility customers in years of low hydropower generation.[19] However, it is also true that solar generation will provide less value to utility customers in years of abundant hydro generation.[20] For that reason, Idaho Power agrees with Staff that inputs to the model should reflect a full range of possible hydro conditions.[21] The Company recommends using either a median hydro condition, in a similar way as the Company would value potential resources through its long range integrated resource planning ("IRP") process, or alternatively, the RVOS could be evaluated over all available water years, as the Company does in determining the average net power supply costs included in base rates.[22] Either approach would take into account realistic operating scenarios, rather than focusing on a single extreme water year.[23]

2. Generation Capacity.

Staff defines the generation capacity element as the annual carrying cost of new generation capacity allocated to hours of the year using hourly normalized capacity value allocators.[24] To determine the value of generation capacity for the Company, Idaho Power proposes that it use the same methodology for estimating capacity contribution for its IRP,

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[17] Idaho Power/100, Youngblood/11.
[18] CUB/100, Jenks-Hanhan/5-6.
[19] Idaho Power/200, Youngblood/2.
[20] Idaho Power/200, Youngblood/2.
[21] Staff/400, Olson/16; Idaho Power/200, Youngblood/2.
[22] Idaho Power/200, Youngblood/3.
[23] Idaho Power/200, Youngblood/3.
[24] Staff/200, Olson/30.

and to use the methodology from UM 1719 to estimate distributed solar generation's contribution to peak.[25]

Staff's opening testimony stated that the capacity value would be zero in years of resource sufficiency. However, Mr. Olson later stated that he had made a mistake and that in the year(s) before capacity deficiency, the capacity value should not be zero as previously stated, but instead should be equal to fixed operations and maintenance expense.[26] Idaho Power previously stated that it supported Staff's zero value for capacity in near term years and continues to support that position. The Company believes that there is no value for additional capacity during times when the Company is already capacity sufficient, and therefore there would be no deferrable capacity investments.[27]

The Alliance for Solar Choice ("TASC") expresses concern that including demand side resources may impact the determination of the first year of resource deficiency.[28] Mr. Olson testifies that he agrees that inclusion or exclusion of demand side resources, specifically, behind the meter solar, in the load forecast can have a significant impact on determining the first year resource deficiency—or what he calls the resource balance year.[29] Mr. Olson states: "If solar resources are included in the load forecast, this will push the resource balance year further into the future which will in turn decrease the generation capacity element of the RVOS."[30] To avoid the circularity issue, Mr. Olson recommends that "any solar resources whose compensation is tied to the RVOS should be excluded from the utility's forecast of the resource balance year."[31] While Idaho Power recognizes it may be inappropriate to create a methodology that does not account for capacity contribution in the

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[25] Idaho Power/100, Youngblood/11.
[26] Staff/400, Olson/5.
[27] Idaho Power/100, Youngblood/11.
[28] TASC/100, Gilfenbaum/7.
[29] Staff/400, Olson/15.
[30] Staff/400, Olson/15.
[31] Staff/400, Olson/15.

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resource value, Idaho Power's position is that these behind the meter solar resources should not be excluded from the resource sufficiency determination precisely because they are resources which would in fact impact and push out the Company's resource deficiency. Other adjustments to the resource value, or compensation, may be necessary to assure that solar generation projects receive compensation for needed and provided capacity, while also recognizing their impact to the Company's resource sufficiency determination.

3. Line Losses.

This element considers the loss of energy in the transmission and distribution process that are avoided through distributed solar generation.[32] Idaho Power recommends that the system loss input in the model may need to be modified to increase the number of seasons and time periods to represent a utility's seasonal loss variability over a year.[33]

4. T&D Capacity.

This element measures the benefit solar generation can provide in allowing the utility to defer upgrades to its transmission and/or distribution systems.[34] Idaho Power agrees that this element should be considered, but points out that the value may vary significantly among the utilities, ***and*** may vary within a particular utility's system.[35] For example, investments caused by high growth in one part of the utility's system may not suggest that investments may be deferred in low-growth areas.[36] For example, because Idaho Power's system is primarily rural, adding solar in many areas may not result in deferred T&D investments.[37] Additionally, a utility may not have a growth-related T&D deferral for several

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[32] Staff/200, Olson/31.
[33] Idaho Power/100, Youngblood/11.
[34] Staff/200, Olson/31.
[35] Idaho Power/100, Youngblood/12.
[36] Idaho Power/100, Youngblood/12.
[37] Idaho Power/100, Youngblood/12.

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years into the future.[38] To account for the potential lack of growth-related T&D investment in some areas of a utility's system or delays in T&D investment, Idaho Power recommends including a "T&D deficiency year," which would identify the year in which an investment value accruing to solar output would begin to accrue, similar to the resource deficiency year for generation capacity.[39] In sum, Idaho Power cautions that no single approach to valuing T&D capacity should be adopted for all utilities.[40]

5. RPS Compliance.

The RPS Compliance element is intended to capture the quantity of RPS purchases that are avoided for every unit of solar generation.[41] Idaho Power recommends that the RPS compliance value allow for utilities to account for their RPS compliance position, and in Idaho Power's case, the RPS compliance element should be valued at zero.[42] Idaho Power has no RPS compliance obligation until 2025, and the Company already has developed or procured more than sufficient resources to satisfy its forthcoming RPS compliance obligation.[43]

In response to PGE's comments regarding the RPS element, TASC points out that solar may contribute to meeting a utility's RPS obligation by reducing the utility's overall retail load.[44] For Idaho Power, reducing overall retail load would not provide a quantifiable RPS benefit because, as stated previously, Idaho Power can already meet its RPS

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[38] Idaho Power/100, Youngblood/12.
[39] Idaho Power/100, Youngblood/12.
[40] Idaho Power/100, Youngblood/12.
[41] Staff/200, Olson/32.
[42] Idaho Power/100, Youngblood/12.
[43] Idaho Power/100, Youngblood/12; Idaho Power/200, Youngblood/4. Mr. Olson disagrees with the Company's conclusion that it should assign a zero value to the RPS compliance element, and instead recommends that the Company should assess the RPS compliance obligation beginning in 2025. Staff/400, Olson/13. Mr. Olson appears to misapprehend the Company's position. Because Idaho Power has already satisfied its needs for RPS compliance, the contribution of mass market solar adds no value.
[44] TASC/200, Gilfenbaum/14.

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obligations without reducing retail load or adding new RPS-compliant resources.[45] As a result, the model should operate to allow Idaho Power to account for its anticipated RPS compliance position, which would reflect a zero value for RPS compliance.

6. Integration and Ancillary Services.

Staff defines the integration and ancillary services elements as the value ***provided by the utility*** of the net incremental cost of providing additional operating reserves, balancing services, and system operations required to integrate the solar resource.[46] Renewable Northwest, Oregon Solar Energy Industries Association, NW Energy Coalition, and Northwest Sustainable Energy for Economic Development (collectively, "Joint Parties"), TASC, and the Oregon Department of Energy ("ODOE") recommend splitting the integration and ancillary services element into two separate elements to account for the possibility that solar may provide ancillary services benefits.[47] Idaho Power disagrees. It is true that solar generators ***may*** be able to provide ancillary services under some circumstances. However, as noted by Staff, the distribution systems of Oregon utilities are not capable of extracting ancillary services such as frequency response, voltage support, or peak shaving from distributed generation solar photovoltaic systems.[48] Moreover, as explained by Mr. Olson, a system capable of providing ancillary services would likely have a different production profile than the mass market solar for which the model is intended that therefore would need to be valued using a separate methodology.[49] For the foregoing reasons, there is no reason

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[45] Idaho Power/100, Youngblood/12; Idaho Power/200, Youngblood/4.
[46] Staff/200, Olson/32.
[47] RNW, OSEIA, NWEC, NW SEED/100, O'Brien/7-8; TASC/200, Gilfenbaum/16-17; ODOE/200, Broad and DelMar/7.
[48] Staff/300, Dolezel/5.
[49] Staff/400, Olson/6.

to disaggregate integration and ancillary services for mass market solar at this time, and ancillary services should be viewed as a cost rather than a benefit.[50]

7. Administration.

Staff defines the administration element as the value provided by the utility that represents the cost of interconnecting solar generators and any ongoing administrative costs such as billing, which is a uniform value across all hours of the year.[51] The Company has not yet developed a recommendation for determining administration expense, and expects that this issue will be discussed further during the second phase determining the utility-specific inputs to the model.[52]

8. Market Price Response.

Staff defines the market price response element as the estimated impact on Mid-Columbia price under a specified solar penetration ($/MWh) multiplied by utility net market purchases or sales (MWh).[53] Idaho Power does not currently evaluate the impact of new solar generation on market price response, and is unclear as to how this market price response will be quantified. It is also important to note that the quantification and consideration of a market price response element for Idaho Power may produce a result of increased net costs as lower market energy prices would generally lead to decreased surplus sales values. Idaho Power expects that this issue will be further refined during the discussion of utility-specific inputs to the model.[54]

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[50] Idaho Power/100, Youngblood/13.
[51] Staff/200, Olson/33.
[52] Idaho Power/100, Youngblood/13.
[53] Staff/200, Olson/33.
[54] Idaho Power/100, Youngblood/13.

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9. Hedge Value.

Staff defines the hedge value element as the fixed percentage multiplied by the avoided cost of energy that represents the cost of utility hedging that is not already included in the estimate for the energy value element.[55] Idaho Power's hedging strategy is prescribed in its Risk Management Policy Manual, and does not vary with the addition of new distributed solar generation resources.[56] Accordingly, the hedging value for Idaho Power should be zero.[57]

10. Environmental Compliance.

This element represents the value that solar generation provides the utility through the avoidance of costs incurred to comply with laws designed to curb, limit or prohibit carbon emissions.[58] Idaho Power's customers are not currently bearing any costs related to carbon emissions.[59] Moreover, the Company cannot determine any future compliance costs with any degree of accuracy at this time.[60] For these reasons, the Company recommends setting the value for environmental compliance at zero.[61] That said, while Idaho Power is concerned that addressing the environmental compliance value would be speculative at this point, the Company is open to Staff's recommended approach of revisiting this issue in the second phase of this proceeding.[62]

C. The Elements in the Proposed RVOS Methodology are Appropriate, and the Commission Should Reject the Recommendations to Include Additional Elements.

Idaho Power agrees with Staff that the ten elements identified in Staff's proposed model are appropriate, and that the Commission should not include elements in the model

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[55] Staff/200, Olson/33.
[56] Idaho Power/100, Youngblood/13-14.
[57] Idaho Power/100, Youngblood/14.
[58] Staff/200, Olson/33.
[59] Idaho Power/100, Youngblood/14.
[60] Idaho Power/100, Youngblood/14.
[61] Idaho Power/100, Youngblood/14.
[62] Staff/300, Dolezel/7.

that are not applicable to existing utility systems in Oregon or which are not directly linked to the cost of service to utility customers. Accordingly, the Commission should reject the recommendations to include an element for reliability, resiliency, and security and to create a placeholder element for societal benefits.

1. It is Unnecessary to Include an Element for Reliability, Resiliency, and Security.

Joint Parties, TASC, and ODOE all urge the Commission to include an element to account for the reliability, resiliency, and security benefits provided by solar.[63] This recommendation is primarily based on the potential application of solar generation coupled with energy storage or advanced inverters, or in potential microgrid applications of solar.[64] Yet, at this time, most mass market solar resources in Oregon are not installed with these capabilities, and there are no known customer microgrid systems in Oregon.[65] Because the analysis of mass market systems is the intended application of the RVOS model, it would be inappropriate to include an element to reflect potential benefits not actually provided by those systems.[66]

Additionally, ODOE argues that solar generation ***could*** provide resiliency benefits during emergencies, such as solar energy at an emergency shelter or critical utility operations center.[67] Mr. Olson correctly points out that the value provided by solar during an outage accrues to the solar owner, not to utility customers.[68] Accordingly, this potential value is appropriately excluded based on the Commission's direction to only include values

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[63] RNW, OSEIA, NWEC, NW SEED/100, O'Brien/4-5; TASC/200, Gilfenbaum/1; ODOE/200, Broad and DelMar/5-7.
[64] RNW, OSEIA, NWEC, NW SEED/100, O'Brien/5-6; ODOE/200, Broad and DelMar/6-7.
[65] PGE/200, Brown-Murtaugh/2.
[66] Staff/300, Dolezel/5.
[67] ODOE/200, Broad and DelMar/6.
[68] Staff/400, Olson/12.

that impact the cost of service to utility customers.[69] Therefore, Idaho Power agrees with Mr. Olson's conclusion that it would be inappropriate to include an element for reliability, resiliency, and security in the RVOS model for mass market solar.[70]

2. It is Unnecessary to Create a Placeholder Element for Societal Benefits.

TASC recommends creating a placeholder for valuation of certain societal benefits, despite the fact that such benefits do not directly impact the cost of service for utility customers.[71] TASC suggests that ORS 757.300 requires the Commission to consider societal benefits if the model is to be applied to net metering.[72] Idaho Power agrees with Staff that the statutory provision upon which TASC relies allows the Commission to consider environmental and public policy benefits of net metering systems, but has no direct bearing on the Commission's direction in Order No. 15-296 to exclude such considerations from the RVOS methodology.[73] Furthermore, adopting placeholders at this time may generate unnecessary controversy and create confusion as to whether the Commission intended to consider non-cost of service based elements. Accordingly, Idaho Power urges the Commission to reject TASC's recommendation.

D. The Model is Appropriately Flexible to Accommodate Varying Levels of Granularity of Utility Data.

The RVOS model contemplates using hourly and location-specific data for individual elements to generate an hourly avoided cost profile.[74] However, not all utilities will have access to such granular data for all avoided cost elements.[75] In such circumstances, Staff

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[69] Staff/400, Olson/12.
[70] Staff/400, Olson/11.
[71] TASC/100, Gilfenbaum/4.
[72] TASC/100, Gilfenbaum/4-5.
[73] Staff/300, Dolezel/6.
[74] Staff/100, Dolezel/5.
[75] Idaho Power/200, Youngblood/3-4.

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proposes that proxy information be used. For instance, Mr. Olson proposes that if a utility does not have location-specific distribution deferral estimates, the utility should instead use a system-wide average based on the utility's marginal cost of service study.[76] Similarly, Olson proposes that if a utility does not have available an estimate of the potentially deferrable distribution system investments, it should use an average of all growth-related distribution system investments.[77] Idaho Power agrees with Mr. Olson's recommendations, and concurs that use of a system average in lieu of more granular data should be a reasonable proxy. However, it will be necessary to consider whether the use of proxy data will produce reasonably accurate results.

Both TASC and the Joint Parties advocate for the use of granular data as inputs to the model, and TASC has suggested that if no data is available for particular avoided cost elements, the Commission should find that the assessment of RVOS is incomplete and inadequate.[78] TASC and Mr. Olson have also stated that utilities should not assume a zero value for inputs for which no data is available.[79] Idaho Power does not disagree. However, there are circumstances in which use of a zero value may be appropriate. Specifically, the use of a zero value is justified when the evidence suggests that the value to the utility *is actually zero*. This view is consistent with Mr. Olson's recommendation that a utility should use a zero value for distribution system deferral value only if it presents evidence based on a detailed study that there are no distribution system investments that could be deferred with sufficient customer owned solar.[80]

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[76] Staff/400, Olson/9.
[77] Staff/400, Olson/9.
[78] RNW, OSEIA, NWEC, NW SEED/100, O'Brien/4; TASC/100, Gilfenbaum/4.
[79] TASC/100, Gilfenbaum/4; Staff/400, Olson/9.
[80] Staff/400, Olson/9.

E. The Model Was Designed for a Limited Purpose, and Should be Reevaluated before it is Applied in Other Contexts.

As Mr. Olson explains, the model was developed to produce a "*25-year marginal, levelized value for a generic, small-scale solar resource installed in 2016*."[81] Staff contemplates using the model to determine the RVOS for distributed generation,[82] but also recognizes that the Commission has not pre-judged the circumstances to which the model will be applied.[83] The Company agrees with Mr. Olson that the model was developed for a specific application—determining the RVOS for small-scale, mass market resources.[84] If the Commission is to apply the RVOS model to a different set of resources, such as utility scale solar or community solar,[85] different inputs to the model may need to be considered.[86] As a result, the parties will need to reevaluate the model if it is to be applied in a new context to ensure that the inputs accurately reflect attributes of the resource to be evaluated.

F. The RVOS Model Should Not Be Applied to Net Metering Without Reevaluation of the Elements and Data Inputs.

The Company is concerned about the potential application of the RVOS model to net metering.[87] In a future phase of this docket, the parties will use the RVOS to evaluate the level of cost shifting, if any, resulting from solar installations under each utility's net metering service.[88] In the Company's response testimony, Idaho Power clarified that the RVOS

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[81] Staff/400, Olson/4 (emphasis in original).
[82] Staff/100, Dolezel/8.
[83] Staff/300, Dolezel/2-3.
[84] Staff/400, Olson/4.
[85] For example, PGE suggests that the RVOS methodology may be used to determine the value of utility scale solar or community solar. PGE also acknowledges that the RVOS may need to be adjusted to account for the specific attributes of each project, including possibly omitting certain inapplicable elements. PGE/100, Brown-Murtaugh/12.
[86] Staff/400, Olson/4-5; RNW, OSEIA, NWEC, NW SEED/200, O'Brien/6.
[87] Idaho Power/100, Youngblood/14.
[88] Prehearing Conference Memorandum at 1 (Nov. 9, 2015); Idaho Power/100, Youngblood/14.

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should not be used in the quantification of net metering cost shifting.[89] The model may be appropriate for modeling a long term levelized cost, but not embedded costs.[90]

Mr. Olson clarified that the RVOS is intended to apply to marginal customer owned solar installed in 2016.[91] Accordingly, not all elements are appropriate for estimating the average value of all solar installations, as would be required for estimating the cost shift associated with existing systems.[92]

Mr. Olson explains that for application to net metering, the same elements would be included in the model, but that the inputs would need to be developed specifically for that purpose.[93] Idaho Power reiterates its concern about using this approach in a net metering cost shifting analysis. Customer rates are designed to collect embedded costs of providing service, and the RVOS model evaluates marginal costs, and in some instances future costs that may not yet exist. The application of the RVOS methodology in combination with cost shift evaluations of net metering may lead to an inequitable and/or inappropriate assignment of costs and benefits among customers. This issue will be more fully addressed in the next phase.

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[89] Idaho Power/100, Youngblood/14-15.
[90] Idaho Power/100, Youngblood/15.
[91] Staff/400, Olson/19.
[92] Staff/400, Olson/19.
[93] Staff/400, Olson/19.

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V. CONCLUSION

Idaho Power respectfully requests that the Commission approve Staff's proposed model subject to the modifications to the elements proposed herein.

DATED: August 26, 2016.

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