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December 18, 2013

VIA ELECTRONIC FILING AND U.S. MAIL

Attention: Filing Center
Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket UM 1673

In the Matter of Idaho Power Company's Response to Staff's Questions
for Parties on the Solar Incentive Program Report under HB 2893 – Idaho
Power Company's Comments

Dear Filing Center:

Enclosed for filing in Docket UM 1673 are an original and three (3) copies of
Idaho Power Company's Comments. The Comments have been served on the parties
to this proceeding as indicated in the Certificate of Service.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Paynter", written over a horizontal line.

Elizabeth Paynter

Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1673

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In the Matter of
PUBLIC UTILITY COMMISSION OF
OREGON,
Report to the Legislature on
Effectiveness of Incentive Programs
for Solar Photovoltaic Energy.

IDAHO POWER COMPANY'S
COMMENTS

I. INTRODUCTION

Idaho Power Company ("Idaho Power" or "Company") respectfully submits these Comments to the Public Utility Commission of Oregon ("Commission"). These Comments respond to the questions posed by the Commission Staff ("Staff") regarding the Solar Incentive Report ("Report") the Commission is required to provide to the Oregon Legislative Assembly under House Bill 2893 ("HB 2893") related to the Oregon Solar Photovoltaic ("OSPV") pilot program.

II. DISCUSSION

Idaho Power believes that the language of HB 2893 and its legislative history provide clarity regarding preparation of the Report.¹

A. General Questions.

Staff poses the question of which solar incentive programs should be evaluated. Idaho Power believes that, when HB 2893 is read in its entirety, it indicates that the Report should focus on solar incentive programs in Oregon. House Bill 2893 discusses the OSPV pilot program in detail. Within the bill, it requires that the Report "must evaluate the effectiveness of the programs described" within the statute compared to the effectiveness

¹ Relating to Solar Photovoltaic Energy Systems; and Declaring an Emergency, H.B. 2893, 2013 Sess. (Or. 2013), <https://olis.leg.state.or.us/liz/2013R1/Measures/Analysis/HB2893>.

1 of the expenditures and tax credits for promoting the use of solar photovoltaic systems.
2 Section 3(13) instructs that the Report must also "estimate the cost of the program to retail
3 electricity consumers and the resource value of solar energy." Id. Following this
4 language, Section 4(1) of HB 2893 elaborates that "[t]he Public Utilities Commission shall
5 study the effectiveness of programs that provide incentives for the use of solar
6 photovoltaic energy systems." Idaho Power believes that the language of the bill, the
7 legislation's focus on the OSPV pilot program, and the context of Section 4 when read as
8 a whole with the remainder of the bill shows that the focus of the Report is intended to be
9 on solar incentive programs in Oregon.

10 Staff asks how solar incentive programs should be evaluated. Section 3(13) states
11 that the Report "must evaluate the effectiveness of the pilot programs described in
12 Subsection (1)... compared to the effectiveness of expenditures under ORS 757.612
13 (3)(b)(B) or tax credits under ORS 469B.100 to 469B.118 or 469B.130 to 469B.169."
14 Idaho Power believes that this language lends itself to a cost per kilowatt ("kW") or cost
15 per kilowatt-hour ("kWh") analysis and such a measurement of cost would allow for easier
16 comparison with other programs and resources. Idaho Power believes that an attempt to
17 measure the cost per unit of carbon displaced does not lend itself to comparison with other
18 programs and would be harder to quantify because it involves an additional step of
19 estimating how much carbon may be displaced by a solar photovoltaic system.

20 Idaho Power believes that the data necessary to calculate the value of the programs
21 is included in the definition of resource value. The definition of resource value set out in
22 the statute is the "(a) avoided cost of energy, including avoided fuel price volatility, minus
23 the costs of firming and shaping the electricity generated from the facility; and (b) avoided
24 distribution and transmission cost." ORS § 757.360(5).

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1 **B. Resource Value.**

2 Staff raises the question of whether to include additional inputs into its calculation of
3 resource value. The definition of resource value to be used in ORS 757.360 through
4 757.380 is set forth in 757.360(5). Because there is a clearly defined list of the elements
5 to be included in the use of resource value for HB 2893, Idaho Power believes that,
6 without an amendment to the definition, only the items listed in the definition of resource
7 value should be included. Resource value includes the "avoided cost of energy, including
8 fuel price volatility, minus the cost of firming and shaping the electricity" and the "avoided
9 distribution and transmission cost." ORS § 757.360(5). Idaho Power believes that the
10 calculation of resource value should be limited to the items set forth in the statutory
11 definition.

12 Idaho Power is currently working to determine the cost of firming and shaping the
13 electricity from solar PV resources. Because the transmission and distribution systems
14 must be designed to serve customers at their peak load, there likely are no distribution or
15 transmission costs avoided. The Company expects to complete its Solar Integration Study
16 by summer 2014 prior to starting the process of preparing the 2015 Integrated Resource
17 Plan ("IRP").

18 **C. Costs and Benefits of Programs Under HB 2893 (4)(1)(b).**

19 House Bill 2893, Section 4(1)(b) requires that the Commission "investigate the costs
20 and benefits of the programs for retail electricity consumers and how those costs and
21 benefits are distributed among retail electricity consumers." Staff questioned how cost
22 effectiveness aligns with a goal of promoting solar energy. Based on the results of Idaho
23 Power's 2013 IRP, solar PV resources are not cost effective or least cost when compared
24 to other available resource options, even with an assumed carbon adder or tax.
25 Therefore, the goals of promoting solar energy and cost effectiveness are not aligned and
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1 customers will have to pay a premium in order to promote the development of solar
2 energy. If the capital cost of solar PV continues to decline as it has for several years, this
3 may change at some point in the future.

4 Staff raised issues of how benefits are quantified and how they are distributed
5 among non-participating retail customers. Staff also questions whether volumetric
6 incentive rate ("VIR") and net metering customers pay their "full share" of fixed costs of
7 maintaining the grid. Idaho Power recently filed for changes to its net metering program in
8 Idaho because the Company believes net metering customers may not pay their full share
9 of the costs associated with maintaining the electrical system. Because these fixed costs
10 are recovered through each kWh sold to customers, any customer that self-generates to
11 offset or reduce the electricity purchased from the utility can shift these fixed costs to other
12 customers that do not self-generate.

13 Staff also questioned what other studies may be available and applicable to Oregon,
14 and how "results would be adjusted so that the dollar value of the benefits is realistic for
15 Oregon." Idaho Power believes that other studies may be illustrative for methods of study
16 and types of data gathered, but that results from other studies should not be adjusted.

17 Idaho Power believes that incentives, by their nature, create cross-subsidies. In
18 Idaho Power's case, the costs are distributed equally across all Oregon customers. The
19 costs are currently recovered through the Solar Photovoltaic Pilot Program Rider as a
20 monthly charge, which is 1.5 percent of the base revenue component of each customer's
21 monthly bill. All customers, regardless of class, pay the same percentage times their
22 monthly billed charges, which means that customers with high usage and higher bills pay
23 more of the costs of the program.

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1 **D. Costs of Photovoltaic Systems.**

2 Staff requests information about installation and other system costs. Interconnection
3 costs to participants in the OSPV program are described in Idaho Power's Oregon tariff
4 Schedule 88. As it pertains to the OSPV program, Idaho Power requires a \$500 capacity
5 reservation application deposit, which is fully refundable if the project comes online. There
6 is also a \$10 monthly meter charge for a second meter included on each participant's
7 monthly statement. Each capacity reservation application undergoes an interconnection
8 review. If interconnection or transmission system upgrades are identified during that
9 review, it is the responsibility of the project to pay for all upgrades.

10 To determine costs of solar PV systems in its 2013 IRP, Idaho Power relied on a
11 National Renewable Energy Laboratory ("NREL") report published in February 2012.² The
12 accuracy of the NREL cost data for distributed solar installations was confirmed by the
13 Public Utility Commission of Oregon's January 2013 legislative report on the Oregon Solar
14 Photovoltaic Volumetric Incentive Program.³ Summary statistics for Idaho Power
15 customers for 25 small systems installed in 2010-11 show average costs of \$5.65 per watt
16 (DC), which aligns with the IRP and NREL cost estimate of \$5,610 per kW.

17 **E. Barriers to Incentives in HB 2893 (4)(1)(d).**

18 Staff inquires about perceived barriers within the programs in Oregon, including
19 barriers unrelated to incentive programs. Section 4(1)(d) requires identification of "barriers
20 within the programs to providing incentives for the development of solar photovoltaic
21 energy systems." Based upon this statutory language, Idaho Power believes the barriers
22 that are to be identified in the Report are those that are barriers to providing incentives.
23 The main limitation to providing incentives is that incentives create cross-subsidies which

24 ² *Cost and Performance Data for Power Generation Technologies*, prepared for NREL by
25 Black and Veatch (February 2012), <http://bv.com/docs/reports-studies/nrel-cost-report.pdf>.

26 ³ Oregon Solar Photovoltaic Volumetric Incentive Program. Public Utility Commission of
Oregon (Jan. 1, 2013), <http://www.puc.state.or.us/docs/010213SolarPilotProgramReport.pdf>.

1 negatively impact other customers. Idaho Power is concerned with any cross-subsidy
2 because it impacts the fair and equitable treatment of all customers.

3 **F. Future Development of Solar Energy.**

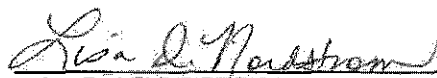
4 Staff poses several questions about initiatives that may be considered in the future.
5 Idaho Power believes that the development of solar resources should be evaluated in the
6 same manner as other resources to determine which resource makes the most sense to
7 pursue. Idaho Power's IRP process uses four primary goals in making this determination:
8 (1) to identify sufficient resources to reliably serve the growing demand for energy within
9 the Idaho Power service area throughout the 20-year planning period; (2) to ensure the
10 selected resource portfolio balances cost, risk, and environmental concerns; (3) to give
11 equal and balanced treatment to supply-side resources, demand-side measures, and
12 transmission resources; and (4) to involve the public in the planning process in a
13 meaningful way. These four goals would also be useful in assessing the future
14 development of solar resources and can be accomplished by determining future
15 development of solar resources through the IRP process.

16 **III. CONCLUSION**

17 Idaho Power appreciates the opportunity to file these Comments on Staff's
18 questions. In general, Idaho Power believes that the contents of the Report should be
19 limited to the information set out in the statute.

20 Respectfully submitted this 18th day of December 2013.

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Attorney for Idaho Power Company

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CERTIFICATE OF SERVICE
UM 1673

I hereby certify that on December 18, 2013, I served a true and correct copy of IDAHO POWER COMPANY'S COMMENTS upon the following named parties by e-mail, as all parties have waived paper service.

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DATED this 18th day of December, 2013



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