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DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
IDAHO BAR NO. 6864

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Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)
CORPORATION'S PROPOSED REVISION) **CASE NO. AVU-E-10-02**
OF TARIFF I.P.U.C. NO. 28 FOR)
SCHEDULE 63.) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Neil Price, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure, issued on May 20, 2010, Order No. 31090, submits the following comments.

BACKGROUND

On April 20, 2010, Avista Corporation (Avista; Company) filed electronically its First Revision of Tariff Sheet No. 63 canceling Original Sheet No. 63 of Tariff I.P.U.C. No. 28 (Filing). The Company proposed an effective date for the revised tariff sheet of May 20, 2010.

Avista's Filing proposes to increase the maximum generating capacity that Schedule No. 63 (Net Metering) customers may connect to the system, from the current 25 kilowatt (kW) limit per customer to 100 kW per customer. The Company proposes to increase the limit to 100 kW for all customer classes. Currently, Avista allows customers to enroll as net metering customers on a "first come, first serve" basis until the cumulative generating capacity of all net metering customers equals 1.52 MW (0.1% of Avista's retail peak demand in 1996). To be eligible for net metering,

customers must own a facility, located on the customer's premises, that generates electricity and uses as its fuel either solar, wind, biomass or hydropower, or represents fuel cell technology.

STAFF ANALYSIS

Avista's primary reason for proposing to increase the individual customer limit for net metering from 25 kW to 100 kW is to accommodate customers who wish to install larger systems than are currently permitted under Schedule 63. Avista reports that it has received requests from one residential customer who wishes to install a 55kW photovoltaic system and from one commercial customer to install a 63kW photovoltaic system. A secondary reason for proposing the change is to align Avista's net metering rules in Idaho with the net metering standard that was established for Avista in Washington in 2008.

Although net metering seems to generate much interest among customers, the program has historically attracted few participants. Avista reports that there are currently 14 participants in Idaho, with a collective generation capacity of only 37 kW. Most net metering customers are residential, and most systems have generation capacities of only a few kilowatts.

Avista states that the current average monthly demand of customers using net metering is in the range of 5-10 kW. Net metering systems are often sized to have peak generation capacities that are greater than the customer's average monthly demand so that when generation exceeds the customer's usage, credit for the excess generation can in effect be "banked" for use when the net metering systems are unable to produce. Nevertheless, even the current 25 kW limit would accommodate nearly all residential customers' net metering systems. By comparison, the net metering tariffs of both Idaho Power and Rocky Mountain Power limit individual net metering systems to 25kW for the residential class and 100kW for all other customer classes.

Residential customers who wish to install net metering systems larger than 25 kW would be highly unusual. Indeed, the Avista residential customer who wishes to install a 55 kW residential net metering system states that he has already invested \$200,000 in photovoltaic equipment. This atypical customer reports that he has a 7,000 square foot home, a large shop, four meters, four transformers, and an average usage of about 6,000 kWh per month. The customer maintains that a 55 kW net metering system is necessary in order to fully offset his usage over the course of the year, and that a larger system is necessary in northern Idaho than in other areas of the state due to the low number of solar days at the northern latitudes. Nevertheless, Staff believes that the vast majority of net metering customers will continue to install systems with capacities below 25 kW.

Limits on the size of systems eligible for net metering were originally adopted to restrict net metering to those customers who wished to offset their energy usage. Customers who wish to generate significantly more than their usage are treated as small generators under PURPA, and are required to sell their generation under non-firm tariffs or enter into long-term fixed rate contracts. Regardless of whether the Commission approves Avista's request to increase the net metering size limit, all customers, irrespective of the size of their system, will still be able to choose to be compensated as a small generator under PURPA if the customer believes that PURPA avoided cost rates will be more attractive than net metering.

Historically, one of the primary reasons for restricting net metering to customers who offset their usage has been to minimize subsidization of net metering customers by the general body of ratepayers. Under net metering, customers are credited for the full retail value of every kilowatt-hour produced. Retail rates, however, include cost components for transmission, distribution, metering, billing, and administrative and general costs, in addition to the cost of the generation itself. For many years, retail rates far exceeded the cost of generation alone, thus creating a subsidy. That situation is no longer true today. Avista's residential retail rate is approximately 7.4 ¢/kWh. By comparison, the 20-year levelized PURPA rate, a fair proxy for the cost of new generation, is 7.9 ¢/kWh. New peaking resources and some renewable generation is even more expensive. Because net metering customers are no longer subsidized by other ratepayers, Staff believes there is much less reason to limit the size of net metering systems.

Under the provisions of Schedule 63, net metering customers can accumulate and carry excess generation credits from one month to the next, and utilize those credits as needed throughout the course of the year. However, all unused credits are forfeited at the end of each calendar year and Avista provides no compensation to customers for unused credits. These provisions help to preserve the intent of the net metering program by encouraging customers to install systems designed only to offset their usage. Thus, even if the Commission agrees to increase the net metering limit to 100 kW, customers will have no incentive to oversize their systems.

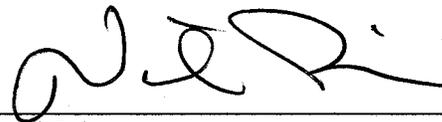
Avista states that it does not believe that increasing the generation limit to 100kW will significantly increase the number of net metering participants for a variety of reasons, most notably the high cost of developing small power generation facilities. As stated earlier, the Company's Schedule 63 limits the cumulative enrollment in the net metering program to 1,520 kW. With a current enrollment of only 37 kW, it should be many years before the enrollment limit presents any barrier to additional participation.

Avista asserts that the proposed revision would not impact the distribution system or other customers' service. The Company requires that each potential net metering customer file an application prior to participating in the program. Upon submittal of the application for net metering, Avista evaluates the existing capacity of the applicant's service to address any potential capacity issues that may be encountered by the customer. If the applicant's service capacity is deemed insufficient to accommodate the applicant's proposed generation capacity, Avista provides the applicant with a detailed cost estimate for upgrading the service. The cost to upgrade the service facilities, including the transformer, if required, is the sole responsibility of the applicant. This process is currently in place and will continue as a standard procedure if the net metering standard is increased from 25kW to 100kW.

RECOMMENDATIONS

Staff recommends that the Commission approve Avista's request to increase the net metering size limitation to 100kW for all customer classes. Adoption of the proposed net metering standard for Avista will accommodate customers who wish to install larger systems, still preserve the intent of net metering to offset usage, and recognize the lower number of solar days in northern Idaho. The proposed change should not cause net metering customers to be subsidized by other ratepayers, nor will it change net metering customers' responsibility for paying for service upgrades when required.

Respectfully submitted this 17th day of June 2010.



Neil Price
Deputy Attorney General

Technical Staff: Rick Sterling
Doug Cox

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17TH DAY OF JUNE 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-10-02, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

PAUL KIMBALL
AVISTA CORPORATION
PO BOX 3727
SPOKANE WA 99220-3727
E-MAIL: paul.kimball@avistacorp.com



SECRETARY

CERTIFICATE OF SERVICE