

Avista Corp.  
1411 East Mission PO Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170

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Corp.

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August 25, 2006

IDAHO PUBLIC  
UTILITIES COMMISSION

Jean Jewell, Secretary  
Idaho Public Utilities Commission  
Statehouse Mail  
W. 472 Washington Street  
Boise, Idaho 83720

Re: Avista Comments in Case No. GNR-E-06-02

Dear Ms. Jewell:

Avista Corp hereby submits for filing an original and seven copies of its comments regarding the Commission's Consideration of the Five Amendments to Section 111 of the Public Utility Regulatory Policies Act of 1978 (PURPA) Contained in the Energy Policy Act of 2005 in Case No. GNR-E-06-02. Avista's comments are responsive to the questions, italicized below, contained in the Commission's June 29, 2006 Notice of Inquiry, Notice of Modified Procedure, and Notice of Public Workshop in Order No. 30108.

**Net Metering**

- 1. Briefly describe your net metering program.*

Net metering is available to all customers of Avista Utilities subject to the terms and conditions of the Company's Schedule 63, Net Metering Option. As described in Schedule 63, to be eligible for the net metering option, a customer-generator must own a facility for the production of electrical energy that 1) uses as its fuel either solar, wind,

biomass or hydropower, or represents fuel cell technology; 2) has a generating capacity of not more than twenty-five kilowatts; 3) is located on the customer-generator's premises; operates in parallel with the electric utility's transmission and distribution facilities; and 4) is intended primarily to offset part or all of the customer-generator's requirements for electricity.

The Company's Schedule 63 describes the cost to the customer-generator of metering and interconnection, standards (e.g., equipment necessary to meet applicable safety, power quality, and interconnection requirements established by the National Electrical Code, National Electrical Safety Code, the Institute of Electrical and Electronics Engineers, and Underwriters Laboratories), treatment of balances of generation and usage by the customer-generator, remaining unused kwh credits, and reversion to previous service.

2. *Are all customers eligible to participate in your net metering program? If not, why not? Are there limitations on the number of participating customers or the amount of net metering generation? Are there restrictions regarding the type of net metering generation?*

Net metering is available to all eligible customers (as described above) of Avista Utilities on a first-come, first-served basis until the cumulative generating capacity of net metering systems equals 1.52 MW which is 0.1% (one-tenth of one percent) of the Company's retail peak demand during 1996. The intent of this cap is to allow for a revisiting of system impacts and rate design in the event that the amount of customer subscription places burdens on non-participating customers. Under existing net-metering protocol, the meter "runs backward" from a practical perspective. This means that

customers receive credit for the total retail rate per kilowatt-hour for net-metered generation. However, the total retail rate includes a component for distribution and other costs. That these costs are not recovered from net-metered customers is not problematic when customer participation is low. The caps in Avista's tariffs provides for review should customer subscription significantly increase.

3. *State the number of net metering customers by customer class.*

Avista is aware of eight net-metered customers on its system: four residential (Schedule 1) customers in Idaho, three residential (Schedule 1) customers in Washington and one Schedule 11 customer in Washington.

4. *State the amount of net metering generation by customer class.*

The total generation of Avista's eight net-metered customers was 51,061 kilowatt-hours (kwh) in 2005. Of this total, Idaho Schedule 1 is 16,060 kwh; Washington Schedule 1 is 12,573 kwh; and Washington Schedule 11 is 22,428 kwh.

5. *Does your current or proposed net metering tariff/schedule meet the federal net metering standard set out above? If not, should the Commission adopt this standard or a comparable standard?*

Avista believes that its current net metering tariff meets the federal net metering standard.

**Fuel Sources**

Avista concurs with the Commission's statement at page 5 of Order No. 30108, that the the Fuel Source standard has already been implemented by the Commission as part of the

IRP process. Avista's Integrated Resource Plan (IRP) describes the Company's plan for resource diversity including renewable technologies. The Company's 2005 IRP shows that its 2016 preferred resource strategy includes the addition of DSM (69 MW), wind (400 MW), biomass (80 MW), plant upgrades (52 MW), and coal (250 MW). The IPUC IRP process assures that resource diversity is and will be considered pursuant to EPACT 2005.

### **Fossil Fuel Generation Efficiency**

At page 5 of Order No. 30108, the Commission states: "Increasing the efficiency of existing generating resources may already be a part of the integrated resource planning process (IRP)." Avista concurs with this statement and notes the Company's current IRP specifically analyzes hydro efficiency upgrades. Thermal efficiency improvements are reviewed on an ongoing basis. For example, the Colstrip owners committee has reviewed and implemented improvements subject to cost-effectiveness and agreement from all owners. Other company-owned thermal facilities, by their nature, may not have much potential for technological or cost-effective improvements. Coyote Springs 2 is a new plant and employs contemporary technology. The Company peaking facilities (Rathdrum, Boulder, etc.) generally do not have potential for cost-effective improvements. The potential for modifying a peaking facility (re Rathdrum) into a combined cycle combustion turbine has been reviewed in past IRPs and remains on the table as an option, again subject to cost-effectiveness. Companies' IRPs are the appropriate place to analyze fossil fuel generation efficiency and Avista believes that the Commission is currently in compliance with this standard.

**“Smart Metering”**

- 1. Briefly describe your Smart Metering programs previously implemented. For each program indicate the number of customers by class eligible to participate in the program and the number of customers actually participating in each program. What are the differences between your programs and the federal standard, including costs and benefits?*

Avista is currently in year two of a four year plan to deploy Advanced Meter Reading (AMR) in our Idaho service territory as proposed in the Company's 2004 general rate case (Case Nos. AVU-E-04-01 and AVU-G-04-01). In 2005, Avista deployed over 112,000 gas and electric meters with AMR capability in the urban areas of Sandpoint, Post Falls, Coeur d'Alene, and Lewiston. Of these 112,000 meters, approximately 59,000 were electric meters and 53,000 were gas meters. The equipment installed in 2005 was Itron's ERT radio frequency technology. As deployment progressed, these meters were moved from on-the-ground meter reading to drive-by routes to collect the monthly reading used for billing. The majority of the meters deployed were for residential customers. The development of the technology for commercial (three phase) electric and some commercial gas meters has become available in 2006 and deployment is proceeding for commercial customers in these areas as shipments arrive.

In 2006, Avista began its deployment of DCSI's TWACS system based on Power Line Carrier (PLC) technology in the more rural areas of Oldtown, Priest River, Clark Fork, Grangeville, Orofino, and areas surrounding these communities. Approximately 22,000 Itron meters with the TWACS PLC module will be installed in 2006. This will include

both residential and commercial electric customers. Further, in 2006 the first deployment of Itron's Fixed Network in Sandpoint began. Both the TWACS and Fixed Network systems will be providing monthly billing reads. However, both systems are capable of collecting interval data that would allow the system to be Time-of-Use (TOU) capable as was indicated with Avista's filing to the IPUC.

Avista will continue its AMR deployment in Idaho in 2007 and 2008 to complete the remaining areas of its Idaho service territory. This deployment will include the outstanding commercial meters, the remaining areas for Itron ERT deployment, the remaining areas for TWACS deployment, and the Fixed Network in areas where Itron ERTs have already been installed. This equates to approximately 50,000 meters yet to receive AMR meters in Idaho.

2. *Should the Commission adopt the Smart Metering standard by requiring each utility to offer by February 8, 2007, a time-based rate to each customer class and the necessary time-based metering to individual customers upon request? Why, or why not?*

The Commission should not require by rule that, by February 8, 2007, each utility to offer a time-based rate to each customer class and the necessary time-based metering to individual customers upon request. Two components of such a requirement are problematic for Avista. First, it would be difficult to finish installation of time-based metering and associated data storage and billing system upgrades by February 8, 2007. Second, the time-based metering "upon request" option by customers would only be feasible if the Company had in place time-of-use tariffs. This would necessitate

appropriate associated data storage and billing system updates as discussed below. If offered in a rate tariff, TOU could be by individual election, but from the utility perspective this is an “all or nothing” proposition.

Recent and past analyses of TOU by Avista show it is likely not cost-effective for Avista to implement TOU rates for all customer classes. The potential savings created by customers shifting their daytime demand into the night does not outweigh the cost of meter installation, software upgrades, and associated operational costs. TOU, however, could be cost-effective for our large industrial customers. These customers consume large quantities of power and already have sophisticated TOU-ready meters, making them potentially “low-hanging fruit.”

A high-level study recently performed by Avista shows the value of Avista’s on-peak/off-peak differential, combined with avoided capacity charges, to be under 1.5 cents per kilowatt hour. This value needs to be compared to the cost of metering, software, and operating costs for TOU implementation in our residential and small commercial customer classes, which represent over 50% of our customer usage. The Company’s preliminary cost estimate for associated data storage and billing system updates is \$22 million. We would expect that with a 1.5-cent cost differential this would not be cost-effective. As mentioned earlier, however, there may be an opportunity for large industrial customers to provide load reduction through TOU programs with significantly less cost than through a total Company approach. The Company is examining this as part of its 2007 Integrated Resource Plan.

*3. Should the Commission adopt the time-based metering and communications standard by applying the same requirements to all utilities?*

The Commission should examine and determine whether to adopt time-based metering and communication on a generic basis for the policy and principles underlying the consideration of TOU adoption. However, the Commission should consider the specific application of implementation of TOU in separate proceedings.

For the overall policy aspects in considering TOU adoption, issues common to all stakeholders will likely be discussed. Participation and perspectives of each utility should help inform others. Yet, there will likely be issues unique to each utility for implementation. The details for implementation may involve different metering equipment and architectural design of data collection. The power supply cost profiles (e.g., the value of on-peak versus off-peak costs) may also be different. If the Commission adopts TOU pricing, the same type of rate schedule should not be required of all utilities and for all rate classes.

*4. Which, if any, of the four listed types of time-based rate schedules should the Commission require? Should the same types of rate schedule be required of all utilities and for all rate classes?*

If the Commission adopts a time-based metering and communications standard, of the four listed types of time-based rate schedules, Avista suggests that only time of use pricing be required, based on cost-effectiveness. The second and third categories, critical peak pricing and real-time pricing, respectively, should be considered at a later time

based, in part, on customer response to time of use pricing, if implemented. The fourth category, credits for consumers with large loads who enter into pre-established peak load reduction agreements, has been implemented by Avista on several occasions. In late 2000, the Company instituted a large-customer buy-back program. More recently, on July 24, 2006, Avista implemented bi-lateral agreements with three customers at a time of near-record temperatures.

5. *Are there other issues the Commission should consider in reviewing this standard?*

Yes. The Company notes that time-of-use metering and pricing has been considered by utilities periodically. Avista reviews the cost-effectiveness of TOU on an ongoing basis. This is also included in its IRP analyses.

### **Interconnection**

1. *Should the Commission adopt this standard for interconnecting a customer's on-site generating facility to local distribution facilities?*

Yes, Avista recommends adopting the interconnection standard for customers with on-site generating facilities pursuant to Section 1254(a) of the National Energy Policy Act of 2005.

2. *Do the utilities currently have tariffs, agreements, procedures or schedules delineating interconnection standards of customer-owned generating facilities? If yes, where are they located (e.g., tariffs, schedules, websites, etc.)? Are there limitations on the per customer capacity or total system capacity of customer-owned generation facilities? What are the limits?*

Avista currently has in place a tariff (Schedule 70, Part 28) that states the general conditions and requirements and technical specifications for the safe and reliable operation of interconnected customer-owned generating facilities. The per-customer capacity of customer-owned generation facilities for interconnection is limited to 25 kW or less in capacity. However, the Company contemplates increasing this capacity based on the outcome of this Inquiry and a similar case before the Washington Utilities and Transportation Commission as discussed below.

3. *Should the Commission adopt or consider separate interconnection standards for smaller and larger generating facilities (e.g., <25 kW up to 100 kW, <1MW, >1MW, or some other limitation)?*

Avista recommends that interconnection standards be adopted, at the state level, for projects <300 kW. The Company supports this level for interconnection standards based on a series of technical workshops over the past the year with Washington-load serving entities to collaboratively develop a consistent set of standards. Avista filed joint comments with Puget Sound Energy and several public utilities in the WUTC's similar inquiry stating that the following guidelines should govern interconnection of facilities greater than 300 kW:<sup>1</sup>

1. All interconnection customers shall be treated in a non-discriminatory and non-preferential manner.
2. The utility shall review all interconnection to maintain safe, adequate and reliable electric service to its retail electric customers.
3. The utility shall evaluate the cumulative effect on circuits and load pockets.

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<sup>1</sup> Joint Comments of the Washington Load-serving Utilities, Washington Utilities and Transportation Commission, Docket No. UE-060649, Re: Public Utility Regulatory Policies Act Standards, August 11, 2006

4. Interconnection customers shall bear the costs of interconnection, operation and maintenance.
5. Interconnection service does not include retail electric or other services.
6. The electric utility shall establish, and amend as necessary to maintain the safe and reliable operation of its system, operating, system design, and maintenance requirements.
7. Any requirements should not restrict utilities from developing timelines that allow the utility and interconnection customer to engage in discussions regarding study results and design options.
8. Technical requirements for all interconnections shall comply with applicable IEEE, NESC, NEC and other safety and reliability standards.

Given the complexity of interconnecting generation in excess of 300 kW to utility distribution systems, the Avista recommends that each utility develop standards that take into account each utility's unique circumstances. These interconnection standards are intended to insure the safe and reliable operation of the distribution system.

*4. Should the Commission adopt the IEEE Standard 1547?*

Yes, Avista recommends that the Commission adopt the IEEE Standard 1547.

*5. Should the Commission adopt the NARUC Model Interconnection Procedures and Agreement?*

Avista recommends that the Commission adopt the NARUC Model Interconnection Procedures and Agreement (Procedures) as a guideline. The Company notes that there are requirements that, if made mandatory, may be difficult to implement. For example, the Procedures state:

“Subject to any State regulatory authority rule for routine maintenance and repairs on Interconnection Provider's system, the Interconnection Provider shall provide the Interconnection Customer with seven days' notice of service interruption.”

This may be difficult to accomplish because jobs are assigned the same day and, under current procedures, are not necessarily scheduled a week in advance.

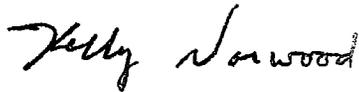
The Company would like to emphasize that it supports the spirit of the Procedures and is not opposed to its adoption in principle. Should the Commission adopt the Model Interconnection Procedures in entirety, Avista will adjust its operations accordingly.

*6. Are there other issues the Commission should consider regarding this standard?*

No, there are no other issues the Company suggests for consideration by the Commission regarding this standard.

Thank you for the opportunity to comment on this inquiry. Please direct any questions on this matter to Bruce Folsom at (509) 495-8706.

Sincerely,

A handwritten signature in black ink that reads "Kelly Norwood". The signature is written in a cursive style with a large initial "K".

Kelly Norwood,  
Vice-President, State and Federal Regulation

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that I have served, via electronic mail, Avista Corporation's comments regarding the Commission's Consideration of the Five Amendments to Section 111 of the Public Utility Regulatory Policies Act of 1978 (PURPA) Contained in the Energy Policy Act of 2005 in Case No. GNR-E-06-02 to the following:

**COMMISSION:**

Jean D Jewell, Secretary  
Idaho Public Utilities Commission  
Statehouse  
Boise, ID 83720-5983  
Email: [jean.jewell@puc.idaho.gov](mailto:jean.jewell@puc.idaho.gov)

**AVISTA CORPORATION:**

Kelly Norwood  
Vice President State Regulation  
Bruce Folsom, Manager  
Avista Utilities  
PO Box 3727  
Spokane, WA 99220-3727  
Email: [kelly.norwood@avistacorp.com](mailto:kelly.norwood@avistacorp.com)  
[bruce.folsom@avistacorp.com](mailto:bruce.folsom@avistacorp.com)

David Meyer  
V.P. & Chief Counsel  
Avista Corporation  
PO Box 3727  
Spokane, WA 99220-3727  
Email: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)

**IDAHO POWER COMPANY:**

Barton L. Kline, Senior Attorney  
Monica B. Moen, Attorney  
Lisa Nordstrom, Attorney  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
Email: [bkline@idahopower.com](mailto:bkline@idahopower.com)  
[mmon@idahopower.com](mailto:mmon@idahopower.com)  
[lnordstrom@idahopower.com](mailto:lnordstrom@idahopower.com)

John R. Gale, VP- Regulatory Affairs  
Maggie Brilz, Director, Pricing  
Greg Said, Manager, Revenue Requirement  
Idaho Power Company  
PO Box 70  
Boise, ID 83707-0070  
Email: [rgale@idahopower.com](mailto:rgale@idahopower.com)  
[mbrilz@idahopower.com](mailto:mbrilz@idahopower.com)  
[gsaid@idahopower.com](mailto:gsaid@idahopower.com)

**PACIFICORP, dba ROCKY  
MOUNTAIN POWER:**

Dean Brockbank, Attorney  
PacifiCorp/ dba Rocky Mountain Power  
201 S. Main St., Suite 2200  
Salt Lake City, UT 84111  
Email: [dean.brockbank@pacificorp.com](mailto:dean.brockbank@pacificorp.com)

Brian Dickman, Manager  
PacifiCorp/ dba Rocky Mountain Power  
201 S. Main St., Suite 2300  
Salt Lake City, UT 84111  
Email: [brian.dickman@pacificorp.com](mailto:brian.dickman@pacificorp.com)

**COMMISSION STAFF:**

Donald L. Howell, II  
Deputy Attorney General  
Idaho Public Utilities  
Commission  
472 W. Washington (83702)  
PO Box 83720  
Boise, ID 83720-0074  
Email: [don.howell@puc.idaho.gov](mailto:don.howell@puc.idaho.gov)

Harry Hall, Staff Engineer  
Idaho Public Utilities  
Commission  
472 W. Washington (83702)  
PO Box 83720  
Boise, ID 83720-0074  
Email: [harry.hall@puc.idaho.gov](mailto:harry.hall@puc.idaho.gov)

**SORENSEN ENGINEERING:**

Ted S. Sorenson, P.E.  
Sorenson Engineering  
5203 South 11<sup>th</sup> East  
Idaho Falls, ID 83404  
Email: [ted@tsorenson.net](mailto:ted@tsorenson.net)

**PAM CONLEY:**

Pam Conley  
PO Box 2526  
Boise, ID 83701  
Email: [pgconley@cablone.net](mailto:pgconley@cablone.net)

**HUNT TECHNOLOGIES:**

Scott H. DeBroff, Esq.  
Smigel, Anderson & Sacks  
4431 N. Front Street  
Harrisburg, PA 17110  
Email: [sdebroff@sasllp.com](mailto:sdebroff@sasllp.com)

**NW ENERGY COALITION:**

Ken Miller  
Idaho Energy Advocate  
NW Energy Coalition  
5400 W. Franklin, Suite G  
Boise, ID 83705  
Email: [ken@nwenergy.org](mailto:ken@nwenergy.org)

**J. R. SIMPLOT COMPANY:**

David Hawk  
Director, Energy Natural Resources  
J.R. Simplot Company  
PO Box 27 (83707)  
999 Main Street  
Boise, ID 83702  
Email: [dhawk@simplot.com](mailto:dhawk@simplot.com)

**ITRON, INC:**

Ben Boyd  
Director, Regulatory Affairs  
Itron, Inc.  
5430 Hickory Village Dr.  
Kingwood, TX 77345  
Email: [ben.boyd@itron.com](mailto:ben.boyd@itron.com)

**INDUSTRIAL CUSTOMERS  
OF IDAHO POWER:**

Peter Richardson  
Richardson & O'Leary PLLC  
515 N. 27<sup>th</sup> Street  
Boise, ID 83702  
Email: [peter@richardsonandoleary.com](mailto:peter@richardsonandoleary.com)

Dated at Spokane, Washington this 25th day of August 2006.

  
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Patty Olsness  
Rates Coordinator