Office of the Secretary
Service Date
July 28, 2006

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF 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	)	**CASE NO. GNR-E-06-02** **NOTICE OF INQUIRY** **NOTICE OF MODIFIED PROCEDURE** **NOTICE OF PUBLIC WORKSHOP** **ORDER NO. 30108**

On August 8, 2005, the President signed into law the Electricity Modernization Act of 2005 (the "Modernization Act") as Title XII of the Energy Policy Act of 2005, Pub. Law No. 109-58. Among other things, the Modernization Act amended Section 111 of the Public Utility Regulatory Policies Act of 1978 (PURPA)[1] by adding five new federal ratemaking standards for electric utilities. The Modernization Act further amended PURPA Sections 112 and 115 to require that state regulatory commissions determine whether they should adopt the five PURPA standards as requirements for regulated electric utilities. 16 U.S.C. § 2621(a). As described in greater detail below, the five new PURPA standards are: net metering; fuel source diversity; fossil fuel generation efficiency; time-based metering and communications ("Smart Metering"); and interconnection service to customers with on-site generating facilities.

The Commission initiates this proceeding to consider the five new PURPA standards contained in the Modernization Act. As set out in greater detail below, the Commission invites our three applicable utilities,[2] interested stakeholders, and the public to participate in this review process. After the utilities have initially responded to our inquiry, the Commission will convene a public workshop. Another comment period will follow the workshop.

[1] Codified at 16 U.S.C. § 2621.

[2] The three regulated utilities are Avista Utilities, Idaho Power Company and PacifiCorp dba Rocky Mountain Power. Atlanta Power does not meet PURPA's threshold requirement of retail sales of 500 million kilowatt hours in a calendar year. 16 U.S.C. § 2612(a).

BACKGROUND

This is not the first time that Congress has required state commissions to examine national regulatory standards. In 1978 Congress enacted PURPA to encourage: (1) the conservation of energy supplied by electric utilities; (2) the optimum efficiency of electric utility facilities and resources; and (3) equitable rates for electric consumers. PURPA § 101, 16 U.S.C. § 2611. The 1978 regulatory standards included: (1) cost of service; (2) declining block rates; (3) time-of-day rates; (4) seasonal rates; (5) interruptible rates; and (6) load management techniques. 16 U.S.C. § 2621; Order Nos. 17586, 16611. The Energy Policy Act of 1992 added four more standards: (7) integrated resource planning; (8) conservation and demand-side management; (9) cost-effective investments in efficient power generation and supply; and (10) wholesale power purchases, leverage capital structures and adequate fuel supplies. 16 U.S.C. § 2621; Order No. 24729, App. A. In response to both PURPA and the 1992 Energy Policy Act, this Commission initiated proceedings to review the federal standards. Order Nos. 17586, 16611, 24729.

The five new standards address energy efficiency, metering and customer generation. The Modernization Act generally requires the Commission to begin its review of the five standards by August 8, 2006 and decide whether to adopt the standards by August 8, 2007. 16 U.S.C. § 2622(b)(4) and (5).[3] If the Commission has not completed its review and made its determination regarding the five standards, then the standards shall be taken up in each regulated utility's next rate proceeding. 16 U.S.C. § 2622(c).

Although the Modernization Act requires the Commission to undertake a review of the new federal standards, the Act does not compel the Commission to adopt the standards. PURPA recognizes that nothing "prohibits any State regulatory authority . . . from making any determination that <u>it is not appropriate</u> to implement any such standard. . . ." 16 U.S.C. § 2621(a) (emphasis added). The Modernization Act also recognizes that a state regulatory commission may have already implemented the new federal standards or comparable standards in prior proceedings. 16 U.S.C. § 2622(d)-(f). If a state has already reviewed a new standard –

---

[3] For the net metering, fuel source and fossil fuel efficiency standards, the Commission must complete its review of these three standards no later than August 8, 2008. 16 U.S.C. § 2622(b)(3)(B). The timeline for consideration of the Smart Metering standard is ambiguous. Section 1252(a) of the Modernization Act sets February 8, 2007 (18 months) as the deadline for a decision, while another section sets the deadline at August 8, 2007 (24 months).

by implementing the standard/comparable standard or has considered the standard but declined implementation – then no further action is necessary. *Id.*; 16 U.S.C. § 2621(c)(1).

In undertaking our consideration and determination of the five federal standards, PURPA outlines the procedural requirements that the Commission must follow. The Commission shall issue a public notice of its review proceeding and make its determination regarding each of the five standards for each regulated utility: (1) in writing; (2) based upon findings and evidence presented in the proceeding; and (3) make its findings available to the public. 16 U.S.C. § 2621(b).

THE FIVE FEDERAL STANDARDS

We initiate this inquiry by noting that many of the basic concepts embodied in the five "new" federal standards are not new to this Commission. The Commission, the three regulated utilities and other interested parties have previously addressed the efficiency and energy resource enhancements encompassed in the new standards. Indeed, Congress recognizes that states may have already considered implementation of the five standards.

The five standards are listed below as set forth in the Modernization Act. After each standard we include a brief discussion of the standard and set out a list of initial questions for each utility to answer. The answers to our questions and input from other participants will be the subject of the subsequent public workshop.

Net Metering

> (11) Net Metering. Each electric utility shall make available upon request net metering service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "net metering service" means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.

Commission Discussion: Net metering generally refers to customers generating their own electricity with any excess being delivered to the utility's distribution system. In essence, the customer's utility meter records the flow of electricity to and from the customer.

In 1997 the Commission approved its first net metering tariff for Idaho Power (Schedule 84). Order No. 26750. This net metering tariff applied only to residential and small commercial customers with renewable generating facilities of less than 25 kilowatts. In August 2002, the Commission issued Order No. 29094 expanding net metering to all Idaho Power customers and increasing the size of the permissible generating facilities. Avista and Rocky Mountain also have net metering tariffs (Schedules 62 and 135, respectively).[4]

We direct each utility to file comments regarding this standard. In particular, each utility should answer the following questions:

1. Briefly describe your net metering program.

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?

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

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

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?

Fuel Sources

> (12) Fuel Sources. Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

Commission Discussion: This standard may have already been implemented in Idaho. In Order No. 22299, we required Avista, Idaho Power, and PacifiCorp (or their predecessors) to bi-annually prepare and file an integrated resource plan (IRP). Each IRP describes the Company's expectation for load growth and provides an overview of available resource options, including "conservation resources, demand-side resources and other potentially low life-cycle-cost resources." Order No. 22299.

---

[4] On June 19, 2006, Avista filed a revised Application seeking authority to amend its net metering provisions and move the net metering provisions to Schedule 63. Case No. AVU-E-06-4. In Order No. 30093, the Commission issued a Notice of Modified Procedure seeking comments on Avista's Application no later than July 28, 2006.

A review of the current IRPs reveals that each utility employs a diverse range of generating resources including renewables. For example, Rocky Mountain's current 2004 IRP reflects the addition of demand-side management (DSM) resources, coal and natural gas thermal generation, combined heat and power generation, wind, geothermal, distributed generation, etc. Notice of Filing, Case No. PAC-E-05-2 (June 30, 2005); *see also* Order Nos. 29614 (Idaho Power) and 29887 (Avista). Thus, it appears that the IRP process minimizes dependence on a single fuel source and our utilities employ a diverse array of fuels and technologies, including renewables. We direct the utilities to comment on whether this standard has already been implemented by the Commission as part of the IRP process.

Fossil Fuel Generation Efficiency

> (13) Fossil Fuel Generation Efficiency. Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

Commission Discussion: This standard promotes the efficiency of fossil fuel generating facilities. All three utilities have fossil fuel (coal and natural gas) generation facilities. Increasing the efficiency of existing generating resources may already be a part of the integrated resource plan (IRP) process.[5] We solicit the utilities to comment on whether increasing fuel efficiency is already a part of their respective IRPs. If not, should the Commission require that the issue of fossil fuel efficiency be included in the bi-annual IRPs?

"Smart Metering"

> (14) Time-based metering and communications.
>
> (A) Not later than 18 months after the date of enactment of this paragraph, each electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's cost of generating and purchasing electricity at the wholesale level. The time-based rate schedule shall enable the electric consumer to manage electric use and cost through advanced metering and communications technology.

[5] For example, the Washington Utilities and Transportation Commission has determined that this standard is included in Washington's IRP process. *Notice of Public Utility Regulatory Policies Act Standards*, Docket UE-060649 (June 9, 2006).

(B) The type of time-based rate schedules that may be offered under the schedule referred in subparagraph (A) include, among others –

(i) time-of-use pricing whereby electricity prices are set for a specific time period on an advanced or forward basis, typically not changing more often than twice a year, based on the utility's cost of generating and/or purchasing such electricity at the wholesale level for the benefit of the consumer. Prices paid for energy consumed during these periods shall be pre-established and known to consumers in advance of such consumption, allowing them to vary their demand and usage in response to such prices and manage their energy costs by shifting usage to a lower cost period or reducing their consumption overall;

(ii) critical peak pricing whereby time-of-use prices are in effect except for certain peak days, when prices may reflect the costs of generating and/or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption;

(iii) real-time pricing whereby electricity prices are set for a specific time period on an advanced or forward basis, reflecting the utility's cost of generating and/or purchasing electricity at the wholesale level, and may change as often as hourly; and

(iv) credits for consumers with large loads who enter into pre-established peak load reduction agreements that reduce a utility's planned capacity obligations.

(C) Each electric utility subject to subparagraph (A) shall provide each customer requesting a time-based rate with a time-based meter capable of enabling the utility and customer to offer and receive such rate, respectively.

(D) . . .[6]

(E) . . .[7]

---

[6] Subparagraph (D) addresses PURPA's date of enactment.

[7] Subparagraph (E) pertains to third-party marketers of electricity. The Idaho Electric Suppliers Stabilization Act prohibits third-party marketers. *Idaho Code* §§ 61-332(2) and 61-332(B).

> (F) Notwithstanding subsections (b) and (c) of [16 U.S.C. § 2621], each State regulatory authority shall, not later than 18 months after the date of enactment of this paragraph conduct an investigation in accordance with section [2625(i)] of this title and issue a decision whether it is appropriate to implement the standards set out in subparagraphs (A) and (C).

Commission Discussion: As was the case with net metering, this Commission and the utilities have previously addressed Smart Metering (time-based metering and communications). For example, Avista began installing Advanced Meter Reading (AMR) devices on all of its Idaho electric and gas meters in 2005. Order No. 24602 at 51. Rocky Mountain has offered its residential customers time-of-day service (Schedule 36) for many years. For its part, Idaho Power has implemented an AMR pilot program for more than 23,000 residential customers that provides two optional services – time-variant pricing and air conditioner cycling. Order No. 29959. In authorizing these Smart Metering programs, the Commission has stated that the implementation of the programs should be prudent and cost-effective.

A recent Federal Energy Regulatory Commission Staff Report indicated that Idaho ranks fifth (at 16.2%) in the percentage of customers with "advanced metering."[8] Given this brief background information, the Commission directs the utilities to address the following issues:

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?

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?

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

---

[8] Slide 7 at http://www.ferc.gov/whats-new/headlines/2006/2006-3/07-20-06-demand-response.pdf.

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

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

Interconnection

Section 1254(a) establishes an interconnection standard for customers with on-site generating facilities. This standard states:

> (15) Interconnection. Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "interconnection service" means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute Of Electrical And Electronics Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services are offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

Commission Discussion: This standard encourages state commissions to adopt "best practices" to promote the interconnection of distributed generation facilities. Distributed generation generally refers to a customer's on-site generating facility that may provide generation (i.e., interconnects) to the local distribution system as opposed to serving the utility's transmission system. *See* Order No. 29260 at 6-7 (comparing net metering and distributed generation); 42 U.S.C. § 16197(g)(3). The federal standard adopts interconnection standards published by the Institute of Electrical and Electronics Engineers (IEEE) and references other model codes adopted by state regulatory agencies.[9]

[9] In 2003 the National Association of Regulatory Utility Commissioners (NARUC) published a model code entitled "Model Interconnection Procedures and Agreement for Small Distribution Generation Resources." The Model Procedures and Agreement are available via NARUC's website at: http://naruc.org/goto.cfm?returnto=displayindustrynews.cfm&industrytopicnbr=380&page=http://www.naruc.org/associations/1773/files/dgiaip_oct03.pdf

IEEE Standard No. 1547-2003 (July 2003) is intended to provide uniform standards for interconnecting a customer's on-site "distribution resource" with the local electric power system. It provides requirements for the performance, operation, testing, maintenance and safety considerations of the interconnection. Standard 1547-2003 at ¶ 1.2. The IEEE Standard is further intended to apply to all distributed generation technologies with aggregate capacity of 10 MVA or less at interconnection. The standard does not define the maximum distributed generation capacity for a particular installation. *Id.* at ¶ 1.3.

This interconnection standard may go hand-in-hand with net metering practices or established procedures for interconnecting qualifying facilities under PURPA. For example, Avista recently filed an Application to amend its Schedule 62 for PURPA qualifying facilities and adopt a new Schedule 63 for net metering. Both schedules propose to adopt the IEEE 1547 standard for interconnection. *See* Case No. AVU-E-06-4.

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

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?

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)?

4. Should the Commission adopt IEEE Standard 1547?

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

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

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has preliminarily determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204.

YOU ARE FURTHER NOTIFIED that the utility shall address the questions set out in the body of this Order by written comment. The utility's written responses to these questions shall be filed with the Commission **within twenty-eight (28) days from the date of this Order**. The utilities' written comments shall contain the case caption and case number shown on the first page of this Order. Each utility shall also serve interested persons on the Commission Secretary's service list.

YOU ARE FURTHER NOTIFIED that following receipt of the written comments by the utilities, the Commission shall convene a public workshop as set out in greater detail below.

DEADLINE TO BE PLACED ON COMMISSION SERVICE LIST

YOU ARE FURTHER NOTIFIED that persons desiring to receive copies of the utilities' initial written comments must notify the Commission Secretary by letter **no later than fourteen (14) days from the date of this Order**. Persons seeking to be served with copies of the utilities' comments shall provide the Commission Secretary with their postal address and e-mail address (if available) to facilitate service in this matter. The letter to the Commission Secretary should also specify to the extent practical whether the interested person requests the written comments from all utilities or just specific utilities. After the deadline has passed the Commission Secretary shall issue the service list in this case.

NOTICE OF PUBLIC WORKSHOP

YOU ARE FURTHER NOTIFIED that the Commission will convene a public workshop for the purpose of reviewing the utilities' written comments and to allow other interested persons to present written/oral comments. The purpose of the workshop is to determine if there is consensus about: adopting the federal standards; adopting comparable standards; whether the Commission has already adopted the standard/comparable standard; or whether the Commission should not implement the federal standards. Following the workshop, the Commission anticipates that it will issue another Notice seeking written comments. The public workshop will commence at **9:30 A.M. ON SEPTEMBER 13, 2006 IN THE COMMISSION'S HEARING ROOM, 472 WEST WASHINGTON STREET, BOISE, IDAHO (208) 334-0300**.

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: secretary@puc.idaho.gov

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under the Modernization Act of 2005; Title 61 of the Idaho Code; and specifically *Idaho Code* §§ 61-302, 61-307, 61-336, and 61-507. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

O R D E R

IT IS HEREBY ORDERED that Avista, Idaho Power and Rocky Mountain Power file their written comments to the questions set out above and supply all supporting documents within 28 days of the service date of this Order.

IT IS FURTHER ORDERED that persons interested in being served with the utilities' comments notify the Commission Secretary by letter no later than 14 days from the service date of this Order. Persons desiring to be placed on the Commission's service list shall provide their postal mailing address, electronic mailing address (if available), and indicate whether they desire to receive comments from just specified utilities or all three utilities.

IT IS FURTHER ORDERED that Avista, Idaho Power and Rocky Mountain Power serve their comments on the interested persons listed in the Commission's service list.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of July 2006.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

bls/GNR-E-06-02_dh