

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** DON HOWELL

**DATE:** SEPTEMBER 20, 2006

**SUBJECT:** THE COMMISSION'S REVIEW OF THE FIVE NEW PURPA  
STANDARDS CONTAINED IN THE ENERGY POLICY ACT OF 2005,  
CASE NO. GNR-E-06-2

On July 28, 2006, the Commission issued a Notice of Inquiry to consider the five "new" PURPA standards contained in the Energy Policy Act of 2005. The five new PURPA standards are: net metering; fuel source diversity; fossil fuel generation efficiency; time-based metering and communications ("Smart Metering"); and interconnection services to customers with on-sight generating facilities. Order No. 30108. The Commission directed that the three large electric utilities (Avista, Idaho Power and Rocky Mountain Power) initially respond to several questions set out in the Commission's Notice. The Notice required that the utilities serve their comments on a service list of interested persons. The three utilities filed their written comments on August 25, 2006.

The Notice also scheduled a public workshop for September 13, 2006. The purpose of the workshop was to review the utilities' responses to the questions set out in the Commission's Notice. In addition, the Commission sought to determine whether there was consensus about adopting the five federal standards, adopting comparable standards, whether the Commission had already adopted the standards, or whether the Commission should not implement the federal standards. The following parties attended and participated in the public workshop: Avista, Idaho Power, Rocky Mountain Power, Hunt Technologies, the Industrial Customers of Idaho Power, Distribution Control Systems, John Weber, Jay Blackhurst, and the Commission Staff.

## THE FIVE STANDARDS

### 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.

1. Utilities' Responses. At the public workshop, Staff summarized the comments provided by each utility. The utilities responded that they each have a net metering program in place that is available to all customers. The framework of each utility's net metering program is similar in that they: (1) offer net metering to customers using solar, wind, hydropower, biomass or fuel cells; (2) limit the program to .10% of their retail peak generation; (3) limit residential customers to facilities no greater than 25 kW; and (4) restrict any one customer from generating more than 20% of such peak generation. Avista has four residential net metering customers in Idaho producing 16,000 kW during 2005. The Company's net metering Schedule 63 was most recently approved August 1, 2006.

Rocky Mountain currently has one residential net metering customer but has several potential projects pending. The Company's net metering generation ceiling is 714 kW. The Company's net metering Schedule is 135.

Idaho Power has 20 residential customer, 4 small business customers, and 2 large business customers. The 24 smaller customers generated 397,255 kW in 2005. The Company has an application pending to modify its net metering Schedule 84. In Case No. IPC-E-06-17, Idaho Power is proposing to change the net credit for net metering generation to 85% of the avoided cost contained in Schedule 84. Comments are due October 13, 2006.

2. Workshop Comments. The utilities and the participants generally agreed that the utilities' net metering programs meet the federal net metering standard set out above. One participant did express a concern that existing net metering customers may be detrimentally affected if they installed generating facilities based upon existing net metering rate structures, and the utility subsequently changes the program. The participant was encouraged to file comments in Idaho Power's pending case.

## **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.

1. Utilities' Responses. The utilities observed that the Commission's Order No. 30108 asked whether this standard may already have been implemented as part of the Integrated Resource Plan (IRP) process. In their comments, each utility indicated that fuel source diversity is part of their respective IRPs. The utilities concluded that this new PURPA standard has already been implemented by the Commission as part of the IRP process.

2. Workshop Comments. The participants agreed that diversifying generating fuel sources was evident by each utility's resource stack in their IRPs. Consequently, the participants agreed that the Commission has already implemented this federal standard.

## **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.

1. Utilities' Responses. In Order No. 30108, the Commission also asked whether increasing fuel efficiency is already part of the utility IRP process. Order No. 30108 at 5. All of the utilities responded in the affirmative that fossil fuel efficiency is a part of their IRPs. For example, Avista noted that examining fossil fuel efficiency is a part of the ongoing review process performed by the Colstrip owners committee. Idaho Power noted that since 1995 it has implemented 18 MW of generation efficiency upgrades. The utilities all indicated that the Commission need not take further action on this standard because it has already been implemented.

2. Workshop Comments. The participants did not disagree with the utility's assessment that generation efficiency is part of their respective IRPs. The Industrial Customers of Idaho Power did note that the Commission may want to require future IRPs to explicitly address this issue instead of being subsumed in the IRP.

## “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.

(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 . . . ;

(ii) critical peak pricing . . . ;

(iii) real-time pricing . . . ; 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.

1. Utilities’ Responses. This standard generated the greatest amount of comments from both the utilities and the participants at the public workshop. All of the utilities indicated that they have started “Smart Metering” program and have partially implemented the standards. In particular, Avista noted that it is in the second year of a four-year deployment of AMR meters for all of their Idaho customers. In answer to the Commission’s second question, Avista indicated that it could not offer time-based rates by either February or August 2007.<sup>1</sup> Avista recommended that the Commission not adopt this standard for several reasons. First, Avista

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<sup>1</sup> The workshop participants recognized that there was confusion in the industry of exactly when Congress required this standard to be reviewed and/or implemented. One portion of the Energy Policy Act indicates a deadline for this standard of February 8, 2007 while another section indicates August 8, 2007. The participants generally concluded that the implementation date for this standard be August 8, 2007.

indicated that it would not have all of its meters installed by August 2007. Second, the Company stated that it did not have implementing tariffs, data storage and necessary billing changes to support time-based rates. The Company estimated that the billing and data storage costs alone would be approximately \$22 million. Finally, the Company asserted that it was not cost effective to offer time-based rates to all classes of customers, but that it might be effective for large customers.

Rocky Mountain currently offers optional time-of-day to all residential and distribution voltage customers. It maintained that its time-of-day service complies with the spirit of the standard. The Company indicated that it was neither achievable nor reasonable to adopt this standard by February 2007. Rocky Mountain did agree with the Commission that all Smart Metering programs should “be prudent and cost effective.” Rocky Mountain Comments at 7; Order No. 30108 at 7.

Idaho Power commented that it is steadily deploying smart meters so that the cost of deployment are commensurate with the benefits. The Company reported that it has 123 industrial customers (Schedule 19) on time-of-use; 130 large business customers (Schedule 9) on time-of-use; and 117 irrigation customers on time-of-use (but not ARM meters). The Company has approximately 25,500 AMR meters currently installed. It too noted that it would not be able to implement this standard for all customers by February 2007. All three utilities indicated that adoption of Smart Metering policies should be based on a company-by-company basis and implemented in situations where the cost and benefits are reasonable.

2. Workshop Comments. Representatives of Hunt Technology agreed with the utilities that there should be specific Smart Metering policies for each utility based upon their distinct territories and customer base. The participants recognized that Idaho ranks fifth nationally in the percentage of customers with “advanced meters.” See Order No. 30108 at 7. If the Commission were to consider greater deployments of smart meters, Hunt suggested that the policy should be guided by: (1) what is in the best operational interest of the utility; (2) what is in the best interest of ratepayers; and (3) what functionalities work for each utility.

### **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.

1. Utilities’ Responses. The utilities indicated that for the most part they have already implemented this federal standard. Avista indicated that its interconnection requirements are contained in its Schedule 70, Part 28 and on its website. It also indicated that it recently amended its tariff to include the adoption of IEEE Standard 1547. In response to the question about whether the Commission should adopt the NARUC Model Interconnection Procedures and Agreement (the “Model”), the Company suggested that the Commission adopt it as a guideline recognizing that utilities may have particular problems with certain elements of the Model Agreement. In particular, Avista said that it may have difficulty providing notice of interruptions seven days in advance.

Rocky Mountain indicated it did not need to adopt IEEE Standard 1547 because the Company already uses the standard and noted that it is not applicable to every situation. The Company’s interconnection standards are set out in its net metering Schedule 135 and its Open Access Transmission Tariff (OATT) posted on its website. If the Commission wishes to adopt thresholds for interconnection, then a reasonable breaking point would be 100 kW and less for net metering and at 100 kW and larger generators may need additional protections. Rocky Mountain also recommended that the Commission consider not adopting the NARUC Model because: its timelines are too restrictive; it may inadvertently limit due diligence for each plant; and Idaho is only one of six PacifiCorp.

Idaho Power indicates that it is in compliance with the federal interconnection standard except it has not explicitly adopted IEEE Standard 1547. However, it intends to due so

this month. Idaho Power's interconnection policies and practices are contained in its Schedules 72 and 84; in its Best Practices (website); and in its OATT. Rather than adopting standards for certain sized facilities, Idaho Power currently divides facilities into small, medium, and large interconnecting facilities. While Idaho Power did not object to adoption of IEEE Standard 1547, it asserted that the IEEE standard is not applicable to all situations because it applies to facilities of 10 MVA or less. Turning to the NARUC Model, Idaho Power supports the model in principle but recognizes that "one size does not fit all." It indicated it will file a new Schedule 72 (and Schedule 84 for QF) as part of a proposed uniform interconnection agreement this month in response to FERC's Standards of Conduct.

2. Workshop Comments. The participants did not voice any disagreement with the utilities' comments.

### **STAFF RECOMMENDATION**

In the Commission's initial Notice of Inquiry, it indicated that it would seek another round of comments after the public workshop. Given the general consensus on four out of the five standards, Staff believes that a 21-day comment period would be sufficient. This will allow the non-utility participants, Staff and the public to comment upon the five federal standards.

### **COMMISSION DECISION**

Does the Commission wish to issue another Notice of Modified Procedure inviting comments from the non-utility workshop participants, and other interested persons regarding the five federal standards?

Does the Commission wish to set a 21-day comment period?

Does the Commission wish to set a 14-day reply comment for the utilities?



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Don Howell

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