

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
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**FROM:** SCOTT WOODBURY

**DATE:** FEBRUARY 1, 2002

**RE:** CASE NO. IPC-E-01-39 (Idaho Power)  
SCHEDULE 84—NET METERING

On November 9, 2001, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a new tariff Schedule 84—Customer Energy Production—Net Metering. Concurrent with this filing the Company has requested the deletion of net metering option language in Schedule 86. Reference Case No. IPC-E-01-40.

### BACKGROUND

On January 22, 1997, the Commission issued Order No. 26750 authorizing Idaho Power to implement net metering as a pricing option in the Company's Tariff Schedule 86—Cogeneration and Small Power Production—Non-Firm Energy. Net metering was identified as Option B in the purchase price section of Schedule 86 and described as "offset to retail sales." In recent months, the Company states it has received input from potential net metering customers indicating that the current net metering provision of Schedule 86—Option B—is difficult to understand and cumbersome to implement. In response to those comments and in an effort to

On November 23, 2001, the Commission issued Notices of Application and Modified Procedure in Case No. IPC-E-01-39. The deadline for filing written comments was December 21, 2001. Joint comments were filed by Renewable Northwest Project, Idaho Rivers United, the Northwest Energy Coalition, Northwest Sustainable Energy for Economic Development, Climate Solutions and American Wind Energy Association ("Renewable Energy Advocates"). Comments were also filed by Commission Staff, the Idaho Farm Bureau, the Idaho Department of Water Resources, the Idaho Rural Council and a number of the Company's customers. The comments can be summarized as follows:

**Renewable Energy Advocates**

The Renewable Energy Advocates request approval of the Company's Application with the following changes:

1. All customers should be eligible for net metering, not just residential and small commercial customers.
2. The single-system generating capacity limitation should be maintained at the existing 100 kW size, in order to provide all customers opportunity to meaningfully offset their demand for utility-provided electricity.
3. The cumulative capacity for net metering, if any, should be set at 1% of the previous year's peak demand, and after such limit is reached, any restriction on net metering be imposed only after the Commission's consideration of economic, environmental, and other benefits of net metering.

In this time of relatively high electric prices, the Renewable Energy Advocates contend that customers should be given as many options as possible to reduce demand by generating some of their own electricity, while providing some energy to the grid. Successful implementation of a net metering program for Idaho Power, they maintain, would help to achieve many of the same benefits as increased demand side management programs—including reduced demand, increased grid reliability and efficiency, and environmental and economic benefits—all through private investment.

The Company's simplified proposed billing system for net metering, with the opportunity for customers to carry over financial credits from month to month for excess kilowatt hours generated, is commended as a significant improvement from the complex billing formula now in place.

100 kW or larger. These include: Arkansas (25 kW residential, 100 kW commercial and agricultural); Georgia (10 kW residential, 100 kW commercial); Montana (50 kW); Maryland (80 kW); North Dakota (100 kW); Maine (100 kW); Arizona (100 kW); California (1 MW); Indiana (1 MW); and Iowa (no limit).

Idaho Power's existing Schedule 86 allows for net metered systems up to 100 kW in size. Renewable Energy Advocates request that the Commission retain the existing 100 kW capacity limit in order to provide meaningful options for high demand customers to offset some of their electricity purchases. It is also requested that the Commission provide for further review of this 100 kW limitation one year from issuing its final Order, so that customer response and market availability of renewable energy systems can be evaluated in deciding whether such limitation is appropriate.

Idaho Power in its Application seeks to restrict net metering after a cumulative generating capacity of 2.9 MW (0.1%) of peak demand has been reached, and cites this 0.1% figure as an "industry standard." While Avista's net metering tariffs in Northern Idaho and Washington provide for a 0.1% cumulative capacity limit, consistent with R.C.W. Section 80.60, the Renewable Energy Advocates contend that other neighboring states differ. For example, Oregon places a cumulative capacity limit of 0.5% of the utility single-hour peak load, and further provides that net metering may be restricted by regulatory authorities once that limit is reached. ORS § 757.300. Arizona, California, Colorado, Montana, and Wyoming each impose no cumulative capacity limitation on net metering availability.

Should the Commission approve a cumulative capacity limit on net metering availability, it is recommended that the Commission provide that net metering may be restricted after the limit is reached. As with Oregon's net metering system, the Commission would review the environmental, economic, and other public policy benefits of net metering in evaluating whether to restrict its availability. ORS § 757.300(6). The Renewable Energy Advocates recommend that the cumulative capacity limit for net metering, if any, be set at 1% of the previous year's peak demand, and that once such limit is reached, any restriction on net metering be imposed only after a consideration of economic, environmental, and other benefits of net metering. The Renewable Energy Advocates urge the Commission to avoid placing artificial barriers to the growth of net metering, and add a minimum to provide for later procedures to evaluate the public benefits of net metering before limiting its availability.

months and less productive months to be accounted on a yearly basis. The results for Idaho Power, the Farm Bureau contends, would be the same, but the end result to the generator would eliminate the fluctuations of winter non-use, summer high level of irrigation demand and windy versus non-windy fluctuations. Many states, it contends, have net yearly metering as a part of their regulated industry and the Farm Bureau would recommend that Idaho adopt such a program.

### **Commission Staff**

The Staff recommends that the Commission approve Idaho Power's proposed new Schedule 84 with the following changes:

1. Staff recommends that net metering be made available to all customer classes.
2. Staff recommends that demand metered customers desiring to participate in net metering (irrigation, large commercial and industrial) be required to pay any additional costs associated with installing additional metering equipment necessary for net metering.
3. Staff recommends that demand metered customers, if allowed to participate in net metering, be credited for the energy they produce at the energy rate applicable to the tariff under which the customer is currently served.

Staff contends that the Company's proposal to credit customer generators at full retail rates will pay customers more than the actual value of the generation. Consider, for example, an instance in which a residential net metering customer completely offsets his entire usage during the month. The customer would pay only a basic customer charge (\$2.51). Idaho Power would collect no revenue from the sale of kilowatt hours. With only the revenue from the customer charge, Idaho Power cannot recover its full cost of providing service. To provide service, Idaho Power must still have distribution plant in place (poles, wires, transformers, etc.), they must still read meters and send bills, and they still have administrative costs. According to Idaho Power's unbundling report for 1999, of the approximately 4.9¢/kWh (exclusive of PCA surcharge) total cost for residential and small customers, generation costs account for 2.47¢/kWh, transmission 0.29¢/kWh, distribution facilities 1.38¢/kWh, and the remaining 0.8¢/kWh is for meter reading, billing, and other general and administrative costs. Net metering allows Idaho Power to avoid some generation costs and perhaps some transmission costs, but few, if any, other costs. Under

Under Idaho Power's proposal, net metering will be restricted to Schedule 1 and Schedule 7 customers only (residential and small commercial). While it is true, Staff concedes, that a second meter or a more sophisticated meter may be required for demand metered customers, Staff believes that demand metered customers should be allowed to participate in net metering. Staff contends that it would be reasonable to require such customers to pay additional costs to cover necessary meter modifications or additions. Staff proposes that demand meter customers be only credited for generation at the energy rate of the schedule under which the customer is served.

While critical of some aspects of the Company's proposal, Staff generally supports net metering. Net metering, it states, helps support the continuing development of renewable energy resources. It also helps to advance energy generation technology and may offer environmental benefits.

### **Department of Energy Resources**

The Department of Energy Resources recommends modification of the proposed net metering tariff in three areas: 1) Eligible customer classes, 2) individual project size limit and 3) total Idaho Power system limit.

#### 1. **Eligible Customers**

Idaho Power's net metering tariff proposal is only available to Schedule 1 (residential) and Schedule 7 (small general service) customers. The Department of Water Resources notes that net metering also has potential application for the agricultural sector. Dairy operations with an aerobic digestion system can potentially produce power from methane. There are also wind power opportunities. Typically, these agricultural users, the Department notes, fall under Idaho Power's Schedule 9 (large general service) and Schedule 24 (irrigation service). The net metering proposal excludes these classes. The Department recommends inclusion of these customer classes for Schedule 84 tariff eligibility.

#### 2. **System Size Limitation**

For residential (Schedule 1) and small commercial sectors (Schedule 7) the Department believes the 25 kW nameplate capacity size limitation to be appropriate.

For other tariffs (e.g., irrigation), the Department believes it should be set higher than 25 kW. For example, it states, some aggregated irrigation loads could be as high as 8,000 kW.

other benefits are not lost to the people of Idaho. The IRC notes that one of the areas of rural economy that would benefit the most from a viable net metering program would be the irrigators.

### **Other Customer Comments**

Other comments received from Idaho Power customers address areas reflected by the following excerpts:

- I would like to net meter and install a solar system from my private house and the hoops one has to jump through are silly.
- I think that the cap of 2.9 MW is way too low, and that the reconciliation should take place on an annual basis rather than monthly so that irrigators may benefit from the program.
- Please do not let Idaho Power put these kinds of limits on the amount of electricity that can be produced by alternative energy sources.
- I strongly object to the “.1%” rule of thumb. I believe we as Idahoans need to set the standard to which others can look. Idaho has a vast natural resource of wind, water, and solar energy just wasting away because of restrictions. My humble little wind farm is a classic example. The utility company (Idaho Power) wants so much to hook up that I am forced to “dump” my excess, or “shut down”, rather than offer it to the other power users in our area. Perhaps the powers that be could consider reaching out to us, the private and/or remote power providers to help each other to live more economically and powerful.

### **Idaho Power Reply Comments**

Idaho Power contends that its Schedule 84 Application should be approved without modification. The Company opposes (1) expansion of eligible customer classes, (2) increasing the size of eligible generating facilities and (3) increasing the cumulative generating capacity limit. The Company offers the following arguments.

#### 1. Eligible Customer Classes.

Idaho Power prefaces its remarks by noting that the Company is currently purchasing approximately 100 aMW of energy from 67 small QF generating facilities. Developers of renewable generation resources have the present ability to obtain firm or non-firm energy purchase contracts. No customer is precluded for offsetting its load with its own generation, even if net metering is not involved.

to be modified and/or replaced to record any excess generation delivered to Idaho Power. It makes no sense, the Company contends, to increase the net metering subsidy and pay full retail rates for what clearly is separately metered and can be paid at Schedule 86 or negotiated contract rates. Including customers with demand meters and with facilities greater than 25 kW in net metering programs, the Company contends, would require modification of the Company's billing system and the expenditure of additional programming costs to allow the Company to bill for the energy consumed, the energy generated and delivered to Idaho Power, and the computed difference. Requiring these additional expenditures, the Company maintains, is inconsistent with the idea of net metering as a simple, cost-effective program that directly and immediately compensates customers for their generation but does not impose additional costs on customers that do not choose to develop generation facilities.

In addition to the potential for increasing non-generating customer costs, the Company contends that expanding eligibility for net metering to generating facilities greater than 25 kW will require that net metering projects be subject to individual analysis of interconnection requirements to avoid adverse impacts on system safety and service quality.

### 3. Cumulative Generation Capacity Limit

Idaho Power proposed a generation capacity limit of 2.9 MW. Recognizing that the magnitude of cost shifting will increase with the increase in the level of net metering generation purchases, Idaho Power urges the Commission to retain its proposed 2.9 MW limit.

#### **Commission Decision**

Idaho Power proposes a net metering tariff available to customers taking service under tariff Schedules 1 and 7 who own and/or operate a generation facility that is fueled by solar, wind, biomass, or hydropower, or represents fuel cell technology, is rated at 25 kW of nameplate capacity or less, and is interconnected to the customer's individual electric system on the customer's side of the meter. The Company proposes limiting the cumulative generation nameplate capacity of net metering systems to 2.9 MW.

Commentors recommend (1) that tariff eligibility be extended to all customers, (2) that the proposed nameplate capacity of the customer-owned generation facility be increased beyond the proposed 25 kW (to capture, for example, economies of scale for wind power generation), (3) that the cumulative generation nameplate capacity be increased beyond 2.9 MW (for example, 1% of the previous year's peak demand), (4) that the cumulative capacity limit (if