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Little Mac Power Services

Jean D. Jewell
Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074

October 13, 2006

Re: Case No. IPC-E-06-17

Dear Ms. Jewell,

The commission approved the current Schedule 84 Customer Energy Production Net Metering policy for Idaho Power Company on February 13th, 2002. Recently Idaho Power has asked for a revision of schedule 84 and this is the subject matter of Case No. IPC-E-06-17.

It is my position that the passage of this change to schedule 84 will unfairly punish those individuals who have already developed generation projects under the terms of the current Schedule 84. It will also seriously curtail future net metering projects. This revision creates a penalty for those people who, in good faith and in compliance with all of Idaho Power's policies, developed small projects and deliver reliable energy from an environmentally friendly renewable natural resource.

For the record I do not own a net metering project. I have however assisted three individuals in the development of two separate plants. I have reviewed numerous proposed projects for other individuals and have advised the vast majority of them that their projects were infeasible.

- There are very few generation sites where a net metering project, meeting Idaho Powers requirements, can be built even at the current retail rates.
- There are fewer still, that can be built at the current rate offered under the schedule 86 contract from Idaho Power.
- There is not one generation site of 25 kW or less in the Idaho Power system area that can be built which could reasonably expect to recoup its cost of development at 85% of the mid Columbia index rate which is what Idaho Power is proposing.

According to Scott Gates of Idaho Power there is a population of people out there who will build net metering projects because they are conservationists anyway. I would assert that there are at least two projects that have been built by environmentally conscious individuals

who ask only that they be able to recoup their expenses for having built dependable and consistent power production facilities. Each of these projects, The Goodco project, and the Powercat project are a fine example of an appropriate use of an environmentally friendly renewable energy resource. Each of the projects uses industrial grade equipment that meets or exceeds any standard that Idaho Power has. These projects should be promoted and used as an example of Idaho Power's commitment to benefit the environment rather than having the financial rug pulled out from under them after the projects have been constructed.

According to the Idaho Power filing, only 26 sites to date have been built in the last four and one half years. Of these 26, only 4 generate in excess of their usage on an annual basis. In each of the two cases of which I am familiar, the Goodco Project and the Powercat Project, Idaho Power was aware that the plants were designed to produce more energy than what had been used at each site historically. In what might have been considered to be among Idaho Power's efforts to promote conservation and environmentally friendly renewable energy resources, Idaho Power allowed these plants to be built, exacted profits from the construction of the interconnection facilities, and then made payments for the energy delivered as agreed upon. I would assert that if Idaho Power is successful at receiving the changes it is asking for, that new projects will not be developed for the following reasons:

- Location of a generation site must be near an existing place of use.
- There must be an available fuel to produce the energy ie. Solar, hydro, wind.
- The cost of building a project is subject to the laws of economy of scale. A small project easily costs \$2,500 per kW or more to develop.
- Based on the new rate Idaho Power is requesting the payback on the investment is too low to interest any potential investor.
- The cost of connecting to the Idaho Power distribution system includes the cost of an Idaho Power approved system protection package, Idaho Power engineering costs, Idaho Power line extension or improvement, Idaho Power transformer purchase, and Idaho Power installation costs for all of these items. These are a significant portion of the total cost of the installation.
- The owners of the projects must have the financial wherewithal to build the projects.
- The owners of the project must have some assurance of a return on their investment to offset the initial capital investment.

My primary objection to the proposed revision to the current Schedule 84 is in regards to this last item. I was involved in the discussions with individuals at Idaho Power during their development of the current policy which is represented by Schedule 84. It was my understanding throughout the discussions that Idaho Power would put together a net metering policy. It was also understood that it was a new policy and that it might need to be revised at some point in the future. It was my understanding at the conclusion of the discussions that the policy would be revisited if and when the net metering generation exceeded one tenth of one percent of the company's retail peak demand (2.9 MW). Currently the net metering

generation of Schedule 1 and Schedule 7 customers is below .65 MW. My understanding of the policy, throughout the early discussions with Idaho Power, was documented in the second paragraph of the current Schedule 84.

According to the second paragraph of the SCHEDULE 84 CUSTOMER ENERGY PRODUCTION NET METERING:

“Service under this schedule is available on a first come, first served basis until the cumulative generation nameplate capacity of net metering systems equals 2.9 MW, which represents one-tenth of one percent of the Company’s retail peak demand during 2000. No single seller may connect more than 20 percent of the cumulative generation nameplate capacity connected under this schedule.”

Nowhere in this paragraph or anywhere else in Schedule 84, does it state that this schedule will be revised prior to the point in time at which the net metering generation exceeded one tenth of one percent of the company’s retail peak demand. Nowhere is it noted that at any time prior to that event that Idaho Power will propose to reduce its payment to the seller. This paragraph clearly and specifically states that service under this schedule is available until a certain event takes place. I am perplexed that Idaho Power would offer one rate to developers of net metering projects and then propose to reduce the payment to current net metering customers prior to the date which was originally described as an event which would trigger the review.

I have reviewed this concern with Randy Allphin of the Idaho Power Company. He has related that that event does trigger the review however it doesn’t prevent anyone, including Idaho Power or an individual rate payer, to ask for a change to a tariff. That being understood, I then need to question the reasoning behind the request for a change to the tariff.

What change has taken place between the times of Idaho Power’s development of its original policy and its newly proposed policy? The original policy offers full retail rates and Idaho Power’s proposed change offers 85% of the Mid Columbia index rate. This proposed change accounts for approximately a 40% decrease in value for this firm power, provided by these two projects, at a time when energy rates in the United States are skyrocketing. Initially Idaho Power determined that the power was worth full retail rates. Idaho Power offered this rate; this was not a negotiated price. The net metering projects were built on the basis of Idaho Power’s representation of what the power was worth. Now Idaho Power is requesting a rate change with nebulous and unsupported claims that some costs are being passed on to the customers. What costs are the rate payers being burdened with? Idaho Power has no transmission cost, capital costs, or risk of investment in any of these small projects. The power generated is purchased on the distribution system and is transmitted only as far as the next utility customer for the same price at which it is purchased. The total gain to Idaho power on the purchase and sale of the net meter power is nearly zero. All systems for the net

metering customer/seller, existed prior to any net metering customer came on-line or were borne by the net meter customer. The net metering customer/seller paid all Idaho Power expenses for engineering, materials, and construction costs for interconnection and line improvements to the site.

Idaho Power makes the argument that it was not its intent to create a policy that was meant to be any more than a true net metering situation. However Idaho Power is aware that there are few if any sites where a site could be built that would exactly match the generation to the usage. It would be a poor use of any natural resource to under develop it, using the sole criteria that it had to match in size perfectly to the current usage at its location. Additionally the laws of economy of scale enter in to the equation and the cost of development escalates dramatically per kilo-Watt, as the size decreases. This is easily demonstrated by examining the cost of the Idaho power interconnection costs. The cost of the Idaho Power protection package and interconnection charges for a 4 kilo-watt project are comparable to the charges for a 25 kilo-Watt project.

The two projects I have been associated with were built at the location of the energy resource and as such the production is measured at the meter in that location. Each of these projects is owned by individuals who have multiple accounts with Idaho Power. In each case the total of the locations of their energy use exceeds their production. Obviously some of their energy usage is measured at the location other than the location of the energy resource. It occurs to me that giving credit for power produced against the total of the various electric bills of the net meter customer would provide a much fairer method of calculating a true net meter value. As all power is metered it would be a simple bookkeeping task to give proper credit to their accounts.

On a separate issue, Idaho Power is proposing to cut back payments to producers on this tariff, while simultaneously claiming to promote green power. The two net metering projects I have been involved with are producing what the environmental community would consider to be the greenest of power. The people who are most damaged by this proposal are those who went to the expense to design and construct power production facilities that utilize top of the line equipment and meet or exceed Idaho Power specifications, in an effort to provide highly dependable schedulable power.

Most utilities only have a paper portfolio to show for their green or other environmentally friendly power generation. Some allow for their customers to voluntarily pay extra to show support for green power. Idaho Power can currently, if they choose, demonstrate that they have taken the lead in promoting actual, "cast in concrete", net metering projects, which are environmentally beneficial and help to reduce dependence on foreign oil. Idaho Power can show it is doing this to promote the idea that each individual can do their part to conserve and even promote the appropriate use of renewable energy resources. It is conceivable that Idaho Power could use the voluntary green power donations the company receives to offset any impact that Idaho Power is claiming might be shifted to the rate payer. The PUC can act to

promote this source of environmentally friendly renewable energy resource by denying Idaho Power's request.

I chose to assist only two individuals to develop their projects because the projects met certain criteria. In determining the economic feasibility of the projects I was involved in, I had to look at the price per kWh that Idaho Power was willing to pay for the power produced. At the then current rate under Schedule 86 the projects were not regarded as great investments. They were however regarded as manageable investments by these two individuals given the current retail rates. These two projects were developed at no risk to Idaho Power. The capital for development was provided by the individuals themselves at no cost, or risk of investment, to Idaho Power.

The Goodco project and the Powercat project produce a good product for a fair price. Idaho Power has profited from these projects in a number of ways and will continue to. The current Idaho Power net metering policy may have some flaws. There may be some substandard projects or intermittent power producers, such as wind power producers, that have taken advantage of the policy. I do not believe that the current course that Idaho Power is on is fair to the developers who built reliable power projects capable of producing schedulable power. The developers acted in good faith. They developed their projects based on Idaho Power's initial representation that the value of the power they produced was equal to the current retail cost of power at their sites.

Idaho Power has benefited from these projects in the following areas:

- Idaho Power was paid construction and engineering fees by the developers for interconnection.
- Idaho Power is receiving valuable, reliable power on the portions of the distribution grid which is most susceptible to power shortages.
- Idaho Power has no additional costs for this power such as transmission, wheeling, administrative, or construction of new generation facilities, associated with an alternative source of power.
- Idaho Power can currently demonstrate credibility to claims that they promote development of environmentally friendly renewable resources and possibly use these projects for their green power check off program.
- Idaho Power can possibly include this power source in their conservation program and demonstrate that they are participating in an appropriate utilization of a renewable energy resource.
- Idaho Power resells this power for the same price it purchases it for and therefore realizes a nearly negligible cost.

Idaho Power should be embracing the development of the type of power projects similar to the Goodco and Powercat projects, rather than attempting to penalize them and consequently curtail the development of the infinitesimally small number of viable power producing sites remaining. Idaho Power has the opportunity to demonstrate their support of the appropriate development of a natural renewable energy resource. Idaho Power can continue to reap the Public Relations benefits it has earned by demonstrating its support. Or Idaho Power can continue down this new path and seek a reduction in the amount it is willing to pay for this valuable product and eliminate all future net metering projects other than small Photovoltaic or wind power.

The current net metering policy demonstrated Idaho Power's promotion of development of environmentally friendly, natural and renewable energy resources. The PUC should support their promotion of the development of these resources by denying their request to revise Schedule 84.

I would appreciate the opportunity to intervene in this proceeding if this case goes to hearing before the commission.

Sincerely,

Tom McCauley

Jeff Comer
Co-Owner – Goodco Power
A Partnership of Jeff Comer and Jack Goodman
4186 North 1100 East
Buhl, Idaho 83316

October 12, 2006

Jean D. Jewell
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702-0074

Dear Ms. Jewell:

I am a co-owner in a net metering hydro facility in Buhl. The decision to build the plant on existing numbers from schedule 84 was critical to the feasibility of the project. The economy of scale for a 25 kw plant, as you know, is inversely proportionate to the cost. Ours is triple per kw than that of larger plants.

Our plant has been built at no cost but a profit to Idaho Power. Application fees, engineering fees, line and transformer costs were all at a profit to Idaho Power.

The idea that some plants are producing consistently more power than they consume sounds like firm power and therefore should be compensated accordingly.

In a larger picture, some net metering customers have more than one meter, as is our case. Therefore, our production is substantially less than our total consumption, as indicated below.

Jack Goodman	
Commercial Building	12,830 kw/month
Irrigation	6,300 kw/month
Residence	837 kw/month
Retail Business	2,570 kw/month
Jeff Comer	
Residence	2,880 kw/month
Shop	280 kw/month
Shop w/net meter	<u>(9000) kw/month</u>
	13,993 kw/month

Obviously our consumption exceeds our production.

I think the revision of schedule 84 is not in the best interest of customer generators or Idaho Power customers but only to Ida Corp stockholders.

Respectfully,

Jeff Comer