DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL

DATE: JANUARY 9, 2013

SUBJECT: IDAHO POWER'S APPLICATION TO MODIFY NET METERING SERVICE, CASE NO. IPC-E-12-27

On November 30, 2012, Idaho Power Company applied to the Commission for authority to modify its net metering service. The Company says its proposal will impact its 350 net metering customers to varying degrees, depending on how they use and generate energy. The Company asks the Commission to issue an Order by July 1, 2013.

THE APPLICATION

Idaho Power's Application asks the Commission to approve four changes to the net metering service.

First, the Company seeks to increase net metering service capacity limit from 2.9 megawatts (MW) to 5.8 MW. Application at 4. The Company says if the capacity limit is not increased, it will reach that limit within six months then have to refuse new net metering applications. *Id.* The Company asks the Commission to temporarily waive the current capacity limit if it is reached before this proceeding concludes. *Id.* at 5 and 11.

Second, the Company proposes to change the net metering service pricing structure for residential service and small general service customers. Under the current pricing structure, the Company pays net metering customers a full retail energy rate for the power they generate. But the full retail energy rate is higher than the generation-related revenue requirement embedded in rates; it includes cost recovery for all components of the Company's electrical system, including transmission, distribution, and customer-related costs. The Company says that paying the full retail energy rate to net metering customers enables net metering customers to unduly reduce what they pay the Company for its costs associated with the non-generation-related components of revenue requirement. The Company says this is unfair to standard service customers, who must then compensate the Company for any revenue shortfall. *Id.* at 5; Larkin Direct at 18. The Company proposes to reduce the potential inequity by removing recovery of all distribution-related fixed costs from the energy charge and changing the pricing structure by implementing two new tariffs: Schedule 6 for "Residential Net Metering Service," and Schedule 8 for "Small General Net Metering Service" customers. The proposed changes would (1) increase the monthly service charge from $5.00 to $20.92 for Residential Service and from $4.00 to $22.49 for Small General Service; (2) set up a Basic Load Capacity charge of $1.48 per kW for Residential and $1.37 per kW for Small General Service to reflect the full cost-of-service associated with their use of the distribution system; and (3) uniformly reduce the energy charges for Residential and Small General Service to target the same level of total revenue recovery that would exist under the standard service rate design. *Id.* at 6. The Company says the proposed rate design addresses many of the same fixed-cost recovery concerns as the Fixed Cost Adjustment (FCA); thus, Schedule 6 and Schedule 8 customers would not be subject to the FCA rates contained in Schedule 54. *Id.* at 7. The Company asks that the changes to the net metering rates for residential and small general service net metering customers, and the new Schedules 6 and 8, take effect on October 1, 2013. *Id.* at 11.

Third, the Company seeks to change how it bills excess net energy under Schedule 84. The Company presently pays customers who generate excess net energy (more energy than they use). The Company proposes to stop paying the customers and instead provide them with a kilowatt-hour credit for the excess energy they generate in a billing period. This credit then can be carried forward and applied against use in future billing periods; but any kilowatt-hour credits remaining after the December billing period will expire. *Id.* at 7-8. The Company says that customers who want to continue selling generation for payment can do so as a qualifying facility by procuring a sales agreement through Schedule 86. *Id.* at 8. The Company wants the excess net energy billing changes to take effect at the start of each customer's January 2014 billing period. *Id.* at 11.

Fourth, the Company proposes re-organizing the service provisions in Schedule 72, "Interconnections to Non-Utility Generation" to, among other things, define the net metering application process and add an unauthorized installation section. The Company also proposes changing the name of Schedule 84 from "Customer Energy Production Net Metering" to "Large Customer Net Metering," and limiting its applicability to net metering service for customers taking services under schedules besides Schedules 6 and 8. *Id.* at 9. The Company wants Schedule 72 and Schedule 84 changes to take effect on October 1, 2013. *Id.* at 11.

STAFF RECOMMENDATION

Staff recommends that the Commission temporarily waive the current net metering service capacity limit as requested by the Company.

Staff also recommends that the Commission issue a Notice of Application that sets a 14-day intervention deadline and orders a prehearing conference. After the prehearing conference occurs, an Order should be issued setting further procedure including a public hearing for customers. The Company concurs with this approach.

COMMISSION DECISION

1. Would the Commission like to temporarily waive the current capacity limit?
2. Would the Commission like to issue a Notice of Application that sets a 14-day intervention deadline and orders a prehearing conference?

Karl Klein
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