

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR AN )  
ORDER REVISING THE RATES, TERMS )  
AND CONDITIONS UNDER WHICH IDAHO )  
POWER PURCHASES NON-FIRM ENERGY )  
FROM QUALIFYING FACILITIES. . . . )  
 )  
 )  
 )  
 )

**CASE NO. IPC-E-95-15**

ipce9515.crt

IPC-E-95-15  
IDAHO POWER COMPANY

**PARTIES OF RECORD**

BARTON L KLINE  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070

LARRY D RIPLEY  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070

**INTERESTED PARTIES**

PETER J RICHARDSON  
DAVIS WRIGHT TREMAINE  
999 MAIN ST STE 911  
BOISE ID 83702

RONALD C BARR  
EARTH POWER ENERGY  
& MINERALS INC  
2534 E 53RD ST  
TULSA OK 74105

MARCUS G THEODORE  
COGEN POWER II INC  
466 SOUTH 500 EAST  
SALT LAKE CTY UT 84102

JOHN CROCKETT  
DEPT OF WATER RESOURCES  
PO BOX 83720  
BOISE ID 83720-0098  
STATEHOUSE MAIL

LES NELSON  
CAL SEIA  
2391 ARDEN WAY STE 212  
SACRAMENTO CA 95825

GENER R BERTSCHE  
13810 N 11TH ST  
PHOENIX AZ 85022

DAVID VAN HERSETT  
FOREST FUELS INC  
N 9 POST ST STE 241  
SPOKANE WA 99201

OWEN H ORNDORFF  
ORNDORFF PETERSON  
STE 230  
1087 W RIVER ST  
BOISE ID 83702-7035  
CONLEY WARD  
GIVENS PURSLEY ET AL  
PO BOX 2720  
BOISE ID 83701-2720

BILL BROWN  
AW BROWN CO INC  
3416 VIA LIDO STE F  
NEWPORT BEACH CA 92663

MARY G MCGOWEN PHD  
IDAHO RIVERS UNITED  
PO BOX 633  
BOISE ID 83701-0633

MARJORIE G HAYES  
7440 MANORWOOD DR  
BOISE ID 83704

JOHN R SMITH  
SMITH ASSOCIATES PA  
PO BOX 2029  
KETCHUM ID 83340

MIKE LEONARD  
AURORA POWER & DESIGN  
3412 N 36TH ST  
BOISE ID 83703

DON A OLOWINSKI  
RICHARD B BURLEIGH  
HAWLEY TROXELL ET AL  
PO BOX 1617  
BOISE ID 83701-1617  
TERRY E COFFIN  
ATTORNEY AT LAW  
PO BOX 1758  
BOISE ID 83701-1758

FISHERIES DEVELOPMENT  
COMPANY  
1301 VISTA AVE  
BOISE ID 83705

PETER CHAFFEY  
109 VICTOR DR  
HAILEY ID 83333

MARK A MOSER  
RESOURCE CONSERVATION  
MANAGEMENT INC  
PO BOX 4715  
BERKELEY CA 94704  
CHARLES WOODWARD  
NATURAL RESOURCE CO  
PO BOX 91  
VICTOR ID 83455

DALE O HALL OWNER  
DALE HALL & ASSOC  
410 PARKWAY DR  
BOISE ID 83706

**MISCELLANEOUS MAILING  
LIST (RUN 46)**

**LIST "B - 1"**

**WILLIAM J NICHOLSON  
POTLATCH CORPORATION  
SUITE 610  
244 CALIFORNIA ST  
SAN FRANCISCO CA 94111  
STAFF JUDGE ADVOCATE  
366 CSG-JA  
MOUNTAIN HOME AFB ID  
83648-5131**

**JOHN CROCKETT  
DEPT OF WATER RESOURCES  
STATEHOUSE MAIL**

**BILL DRUMOND  
PUBLIC POWER COUNCIL  
1500 NE IRVING STE 200  
PORTLAND OR 97232**

**R ROACH /C LEONE  
OFF OF GEN COUNSEL APR  
BPA  
PO BOX 3621  
PORTLAND OR 97208  
LINDEN SWENSEN  
KIEWIT COMPANY  
1000 KIEWIT PLAZA  
OMAHA NE 68131**

**MARK FLESCHER  
SR RATE ANALYST  
NATIONAL UTILITY SER  
PO BOX 712  
PK RIDGE NJ 07656-0712  
GERRY GALINATO  
DEPT OF WATER RESOURCES  
STATEHOUSE MAIL**

**J R GALE  
MGR-RATES  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070**

**G N MYERS  
POTLATCH CORP  
PO BOX 1016  
LEWISTON ID 83501**

**JOAN SIPPLE  
ENERGY ECONOMIST  
DEPT OF WATER RESOURCES  
STATEHOUSE MAIL**

**MYRA B ADELMAN  
BURT ASSOCIATES  
PO BOX 719  
WESTFORD MA 01886**

**ROBERT L MILLS  
FMC CORPORATION  
PO BOX 4111  
POCATELLO ID 83205-4111**

**BENT MOURISTEN  
366 CES-CEO  
1030 LIBERATOR ST  
MTN HOME AFB ID 83648**

**ROY L EIGUREN  
GIVENS PURSLEY & HUNTLEY  
PO BOX 2720  
BOISE ID 83701-2720**

**CONLEY WARD ESQ  
GIVENS PURSLEY & HUNTLEY  
PO BOX 2720  
BOISE ID 83701-2720**

**BART KLINE ESQ  
EVANS KEANE ET AL  
PO BOX 959  
BOISE ID 83701-0959**

**LISA LOGIE  
POLICY ANALYST  
PNUCC  
101 SW MAIN SUITE 810  
PORTLAND OR 97204**

**LOIS D CASHELL SECRETARY  
FERC  
825 N CAPITOL ST NE  
WASHINGTON DC 20426**

**OFFICE OF CHIEF COUNSEL  
IDAHO OPERATION OFFICE  
DEPT OF ENERGY  
785 DOE PLACE  
IDAHO FALLS ID 83401  
BOB HOPPIE  
DEPT OF WATER RESOURCES  
STATEHOUSE MAIL**

**LESLIE STITH  
ENGINEERING CONSULTANTS  
600 N CURTIS SUITE 201  
BOISE ID 83706-1443**

**LYNN N HEMINGWAY  
NORTHWEST PIPELINE CORP  
PO BOX 8900  
SALT LAKE CITY UT 84108**

**GARY MAY  
DOMINION POWER SERVICE  
STE 220  
699 EAST SOUTH TEMPLE  
SALT LAKE CITY UT 84102  
DONALD A HAAGENSEN  
HILL HUSTON CABLE ET AL  
SUITE 2000  
1001 SW FIFTH AVE  
PORTLAND OR 97204-1136  
LIBRARIAN  
PRESTON THORGRIMSON  
5400 COLUMBIA CENTER  
701 5TH AVE  
SEATTLE WA 98104-7011  
MARIE MALONE  
PACIFICROP-UTAH POWER  
201 S MAIN ST STE 800  
SALT LAKE CITY UT 84140**

**ASSOC. OF IDAHO CITIES  
3314 GRACE STREET  
BOISE ID 83703-5896**

MISCELLANEOUS MAILING  
LIST "B - 1" CONT'D"

FRANK BRYANT  
ENERGY USER NEWS  
900 FRONT ST  
SAN FRANCISCO CA 94111

FRANKIE HICKMAN EX VP  
BLDG CONTRACTORS ASSOC  
OF SOUTHWESTERN IDAHO  
11120 EXECUTIVE DRIVE  
BOISE ID 83704-9844  
BCA WOOD RIVER VALLEY  
PO BOX 2723  
KETCHUM ID 83340-2723

DAVID HAWK  
JR SIMPLOT COMPANY  
PO BOX 27  
BOISE ID 83707-0027

WARD SINSEL  
9477 APPLING DR  
BOISE ID 83704

LOCAL UNION 232  
IBEW  
225 N 16TH ST RM 210  
BOISE ID 83702

RONALD L WILLIAMS ESQ  
ATTORNEY AT LAW  
PO BOX 2128  
BOISE ID 83701-2128

JIM CLARK  
8561 N CLAKVIEW PL  
HAYDEN LAKE ID 83835

JOE DAVIS  
LB INDUSTRIES INC  
PO BOX 2797  
BOISE ID 83701

JAMES GOLDMANN  
PO BOX 827  
KETCHUM ID 83340-0827

TOM FLEMING  
IDAHO CONSUMER AFFAIRS  
5056 HARBORVIEW DR  
BOISE ID 83703

STEVE STRASSER  
NW POWER ENTERPRISES INC  
10500 NE 8TH ST STE 1100  
BELLEVUE WA 98004

IDAHO BUILDING  
CONTRACTORS ASSOC  
SUITE 303  
802 W BANNOCK ST  
BOISE ID 83702-5840  
HOUSEL CONSTRUCTION  
PO BOX 445  
KETCHUM ID 83340

SCOTT PASLEY  
JR SIMPLOT COMPANY  
PO BOX 27  
BOISE ID 83707-0027

JOHN J McFADDEN  
MOORE & McFADDEN  
999 MAIN ST STE 910  
BOISE ID 83702

DOCUMENT CENTER  
PACIFICORP  
825 NE MULTNOMAH STE 625  
PORTLAND OR 97232

WENDY TOBIASSON  
XENERGY  
492 9TH ST STE 220  
OAKLAND CA 94607

MISCELLANEOUS MAILING  
LIST "B - 2"

MARGIE JONES  
SUPV OF PURCHASING  
BOISE PUBLIC SCHOOLS  
1207 W FORT STREET  
BOISE ID 83702-5399

JOHN WILLIAMS  
BPA  
1101 W RIVER ST STE 250  
BOISE ID 83702

**MISCELLANEOUS MAILING**

**LIST "B - 3" - - - -**

**DAN MEEK  
935 NE CLACKIMAS  
PORTLAND OR 97232**

**STEVE O'BRIEN  
BASIC AMERICAN FOODS  
PO BOX 592  
BLACKFOOT ID 83221-0592**

**PHILLIP J HARRISON  
BASIC AMERICAN FOODS  
PO BOX 592  
BLACKFOOT ID 83221-0592**

**JOE MARSHALL  
PRES & CEO  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070  
JOHN WILLIAMS  
BPA  
1101 W RIVER ST STE 250  
BOISE ID 83702**

**LINDA WYRATHER - DREF  
BPA  
PO BOX 3621  
PORTLAND OR 97208**

**R A PERALTA  
CHIEF COUNSEL  
ARGONNE NAT LAB - WEST  
PO BOX 2528  
IDAHO FALLS ID 83403**

**(IDAHO POWER ONLY)**

**RONALD C BARR  
EARTH POWER ENERGY &  
MINERALS  
2534 EAST 53RD ST  
TULSA OK 74105  
REBECCA FORESEE  
MICRON  
MAIL STOP 902  
2805 E COLUMBIA RD  
BOISE ID 83706-9698  
MIKE BOYDSTUN  
TRAFFIC SECTION  
DIVISION OF HIGHWAYS  
STATEHOUSE MAIL**

**MIKE LEONARD  
AURORA POWER & DESIGN  
3412 N 36TH ST  
BOISE ID 83703**

MISCELLANEOUS MAILING  
LIST (run 18)

LIST "F - 1"

JOHN BRADEN  
HYDRO CONSULTANTS  
410 ARCHIBALD STREET  
KANSAS CITY MO 64111

MITCH ARKOOSH  
714 3RD AVE EAST  
GOODING ID 83330

JEFF ANTISDEL  
NEVADA ENERGY COMPANY  
989 BIBLE WAY  
RENO NV 89502

DON BIDDISON  
4068 DUTHIE BLVD  
LEWISTON ID 83501-9679

DAN HUDSON  
21876 SW REGAL CT  
ALOHA OR 97006-1316

NVH INC  
GLEN R STOCKWELL  
306 S JEFFERSON  
RITZVILLE WA 99169

MELVIN TAGGART PE & LS  
TAGGART ENGINEERING  
RR 2 BOX 22  
POTLATCH ID 83855-9603

PAUL E LEVY ESQ  
LEVY LAW OFFICES  
380 PARKCENTER BLVD #320  
BOISE ID 83706

GEORGE SMITH  
2905 W 33RD S  
IDAHO FALLS ID 83402-5630

BARRY SHEINGOLD  
CITIZENS POWER & LIGHT  
530 ATLANTIC AVE  
BOSTON MA 02210

TOM MCLAUGHLIN  
PO BOX 1066  
HAILEY ID 83333-1066

DICK GRAVES  
2082 SOUTH 2000 EAST  
GOODING ID 83330-5309

ANNA FAY WILLIAMS  
EDITOR-IN-CHIEF  
THE COGENERATION LETTER  
1750 ALBANS ST  
HOUSTON TX 77005-1704

A W BROWN  
A W BROWN CO INC  
3416 VIA LIDO SUITE F  
NEWPORT BEACH CA 92663

MAHER F WISSA PRESIDENT  
COMMERCIAL ENERGY MGMT  
PO BOX 4518  
POCATELLO ID 83205-4518

DAVE VAN HERSETT  
STE 241  
N 9 POST STREET  
SPOKANE WA 99201

TOM NELSON  
STOEL RIVES BOLEY ET AL  
STE 2300  
900 SW 5TH ST  
PORTLAND OR 97204

PAT WINDES  
BLIND CANYON HYDRO  
1424 BOB BARTON RD  
WENDELL ID 83355

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION OF )</b>	
<b>IDAHO POWER COMPANY FOR AN ORDER )</b>	<b>CASE NO. IPC-E-95-15</b>
<b>REVISING THE RATES, TERMS AND )</b>	
<b>CONDITIONS UNDER WHICH IDAHO POWER )</b>	
<b>PURCHASES NON-FIRM ENERGY FROM )</b>	<b>ORDER NO. 26750</b>
<b>QUALIFYING FACILITIES )</b>	
<b>_____ )</b>	

In October 1995, the Idaho Power Company (Idaho Power; Company) filed an Application for an Order (1) approving revisions to the Company's current Schedule 86 entitled "Cogeneration and Small Power Production – Nonfirm Energy;" (2) approving revisions to the rates to be paid for nonfirm energy sold to Idaho Power under Schedule 86, and (3) authorizing the Company to file documentation supporting the computation of purchase rates under Schedule 86 on a semi-annual rather than a monthly basis. Sellers under Schedule 86 are typically QF generators ("qualifying facilities") of small amounts of nonfirm power utilizing a variety of sources including, among others, cogeneration, photovoltaic and small hydro. On September 18, 1996, Idaho Power amended its application. By this Order, we approve, with modifications, the Company's Amended Application.

**HISTORY**

In 1980, the Commission directed Idaho Power, in Order No. 16025, Case No. P-300-12, to purchase nonfirm energy from cogenerators and small power producers based on the Company's system avoided energy cost, plus a small amount in consideration of system capacity benefits. In compliance with the Commission's directive, Idaho Power files, each month, a schedule showing nonfirm energy prices based on the Company's monthly incremental variable cost of energy used to serve its marginal 175 MW increment of system load. The filed schedule is based on data for average fuel cost, operating and maintenance expenses (which vary with the output of thermal plants), firm power purchases and spot market purchases. In addition to its monthly variable energy cost, Idaho Power adds a 3 mill per kWh "aggregate capacity" amount to represent the "system capacity benefits" provided by Schedule 86 suppliers, as required by Order No. 16025.



## **IDAHO POWER'S PROPOSAL**

The Company contends that in 1980 when the Commission was considering implementing Schedule 86, a number of parties argued that in the future there would be a sufficient number of QFS selling nonfirm energy at all times to justify a capacity payment based on an aggregation of nonfirm energy resources. The Commission accepted the argument at that time and required the Company to include the 3 mill aggregate capacity adder to nonfirm rates. Idaho Power contends that actual experience has shown that an aggregation of nonfirm resources has not materialized.

According to the Company, nonfirm sales under Schedule 86 to Idaho Power are generally of short duration and occur on an intermittent basis. The Company states that only one large QF has received regular payments under Schedule 86 for more than a few months and that particular QF has now converted its sale to a long term, firm sale. Furthermore, Idaho Power notes that only two QF projects are currently selling nonfirm energy on a regular basis under Schedule 86. Those two projects have capacities of 110 kW and 261 kW, respectively. The Company argues that nonfirm energy purchases under Schedule 86 have never provided any actual capacity to Idaho Power's system. Because it does not avoid any capacity purchases as a result of nonfirm energy purchases from QFS under Schedule 86, Idaho Power asserts that it would be appropriate to eliminate the 3 mill aggregate capacity adder.

Idaho Power further proposes to reduce the number of compliance filings it makes with the Commission under Schedule 86. The Company will still compute the incremental variable cost of energy on a monthly basis but proposes to file the rate computation data with the Commission semi-annually as opposed to monthly. Idaho Power suggests that this is reasonable considering the small number of QFS selling to the Company under the schedule.

In its current form, Schedule 86 contains three rate options for suppliers. Option "A" is a fixed rate. Option "B" is a variable rate based on the Company's system avoided energy cost. Option "C", known as "running the meter backward" allows suppliers to utilize the power they generate to actually reduce the amount of energy they take from Idaho Power. Idaho Power proposes to eliminate the existing Rate Option A. Only two small QFS are currently being paid under this option. The Company notes that nonfirm energy purchases from these two smaller projects could continue at the variable energy rate proposal (Option B) under the revised Schedule 86. Idaho Power



asserts that the variable energy rate more accurately reflects the actual costs the Company can avoid by purchasing nonfirm energy from QFS and, therefore, elimination of the Option A would benefit Idaho Power's customers.

Finally, the Company originally proposed to eliminate the existing Option C titled "Offset Against Retail Rates." This option essentially allows a QF developer to be paid the retail rate for nonfirm energy by using its own generation to run the meter backwards. The option was designed to be available only to very small facilities (under 100 kilowatts) and only one QF has ever elected to utilize the option.

On July 17, 1996, the Commission conducted a decision meeting to resolve the issues presented by the Company's proposal. The Commission decided three of the issues and deferred making a decision on a fourth pending a subsequent proposal by the Company. In summary, the Commission made the following decisions:

1. Eliminate the 3 mil capacity adder.
2. Reduce the number of compliance filings made with the Commission under Schedule 86 from monthly to semi-annually.
3. Eliminate Option "A", the fixed rate supplier option.
4. Maintain rate Option "C", generally known as running the meter backward, with certain modifications. These modifications entailed calculating a rate structure that reflects the following requirements:
  - A. Allows the Company to use its existing billing system.
  - B. Allows customer to use a conventional "single meter" metering system.
  - C. Charges customers the rate consistent with their class of service while the meter is running "forward".
  - D. Pays customers the avoided cost rate when the meter is running "backward."
  - E. Charges customers a minimum fee consistent with the amount of backup supply and capacity they are being provided.

Item Number 4 was referred back to Idaho Power to develop a proposal that would fulfill these requirements. Idaho Power subsequently filed an amended proposal reflecting the initial conclusions

expressed by the Commission. The Company also made additional changes to Schedule 86; most notably, limiting the availability of Option C to rate Schedules 1 (residential) and 7 (small commercial). Following the submission by Idaho Power of its amended proposal, the Commission issued a Notice soliciting comments in response to that proposal. Comments were received by the Commission Staff, the Department of Water Resources, Idaho Rivers United, Idaho Consumer Affairs, Inc., Resource Conservation Management, Inc., Aurora Power Design and Mr. Peter Chaffey. All of the comments made in opposition to the Company's proposal pertain to Option C.

#### **Commission Staff**

##### **Option A.**

As indicated, Idaho Power proposes eliminating Option A from Schedule 86. In the amended proposal, each of the remaining two options have been moved up one position in the lettering order; i.e., the former Option B is now Option A and the former C is now B. To avoid confusion, the Options will be referred to by their "old", i.e., still current, designation.

##### **Option B.**

This is the variable rate option. Staff has no comments on Option B other than to say that the Company's proposal appears to be consistent with the Commission's July 17, 1996 decision.

##### **Option C.**

This is the "running the meter backward" option. (Also known as "net metering"). This is the Option that the Commission deferred decision on until such time as the Company could suggest a mechanism for recovering distribution and reserve capacity costs. The Company has developed a methodology that calculates a monthly charge (net photovoltaic charge) that depends on a number of variables including class of service rate, avoided energy costs, hours of sunlight and rated photovoltaic (PV) output. As suggested by its name, this monthly charge is unique to PV producers. It is Staff's conclusion that, for PV producers, Idaho Power's proposal for calculating the monthly charge is consistent with the Commission's requirements to (a) allow the Company to use its existing billing system, (b) allow customers to use a conventional single metering system, (c) charge the customer the rate consistent with its class of service while the meter is running forward, (d) pay the customer the avoided cost rate when the meter is running backward and, (e) charge the customer a minimum fee that is consistent with the amount of backup supply and capacity the customer is being provided.

Staff notes that while Option C is not limited to PV suppliers, this particular monthly charge is. Consequently, the Company will have to revisit this issue each time a customer with a different type of generation technology requests access to Option C. Given the current and expected workload associated with processing Schedule 86 applicants, however, Staff does not consider the case specific nature of this monthly charge to be a significant problem. Staff believes that it is possible to develop a monthly charge that is consistent and broad enough to work with all forms of qualifying generation. The development and use of such a monthly charge in this tariff would be of benefit to the public, the Company and the Commission, Staff contends.

Staff believes that the proposed monthly charge under this Option calculated by the Company performs as desired but is overly complicated. Staff points out that potential customers cannot immediately discern what their monthly charge will be by looking at the tariff sheet. Staff suggests that customer understanding of the tariff could be improved by listing a table of monthly charges associated with discrete ranges of installed capacity. The table could be developed with the same methodology and formulas and would carry the understanding that actual monthly charges will vary depending on the specifics of each customer's installation.

In its original filing, the Company titled Option C as "offset against retail sales—facilities under 100 kW only." In the amended filing, the phrase "rate schedules 1 and 7 only" has been inserted. While Staff recognizes that this Option has a limited following, it believes that its appeal will be further diminished if limited to classes 1 and 7 as proposed by the Company. Staff sees no reason to add this further limitation of applicability.

In the existing tariff, Item 8 of the "Conditions of Purchase and Sale" reads as follows: "Except under rates, Option C, metering will be provided for recording net output for this facility and will be separate from metering of the seller's load." In the proposed tariff, the qualifying section "Except under rates, Option C" has been removed; an omission that would have the effect of requiring Rate Option C customers to install additional metering equipment. Staff believes that to the extent that this action is clearly at odds with the Commission's decision regarding the maintenance of Rate Option C, the phrase exempting Rate Option C customers should be revised to say "except under rates, Option C. . . ." in recognition of the new listing of rates and reinserted into Item 8 of the conditions of Purchase and Sale. Aside from the foregoing modifications, Staff concurs with the Company's revised Application.

## **State of Idaho, Department of Water Resources (IDWR)**

IDWR objects to the Company's proposal to limit net metering (Option C) to rate schedules 1 and 7. According to IDWR, other customer classes using net metering will not require a second meter or hand processing of monthly bills; which is Idaho Power's justification for the limitation. IDWR believes that net metering offers the greatest promise to customer classes other than schedules 1 and 7. For instance, integrating PV systems into the architecture of commercial buildings and utilizing the by-products of waste treatment at dairy and livestock operations are just two of the ways net metering can be applied but that would be needlessly eliminated by this restriction.

IDWR also objects to the monthly charge under Option C which purports to recover nongeneration-related costs contending that such costs are already recovered through the line extension fees, monthly service charges and other direct service charges assessed by the Company. According to IDWR, the fact that the service charge calculation is based on the size of the generating system indicates that it is an assessment for net revenue lost due to reduced sales. IDWR contends that the monthly charge is analogous to imposing a service charge for the installation of energy efficient light bulbs and that the Commission should encourage rather than penalize the use of alternative energy technologies.

IDWR agrees, in concept, with the Company and Staff proposal that if a customer produces more electricity than is used in a month, the excess energy will be paid for by Idaho Power at avoided cost rates. IDWR believes, however, that the customer should be given the option to apply net metering on either a monthly or an annual basis. IDWR contends that some renewable energy sources are cyclical by nature and recommends an annualized net energy measurement similar to Idaho Power's power cost adjustment (PCA). Other states, such as California, have set up a similar type of adjustment with their net metering customers, IDWR states.

Finally, IDWR contends that the "Conditions of Purchase and Sale" have been inappropriately applied to the net metering option. The requirement of installing two meters (Condition No. 8) for instance, should not be applicable to this option, IDWR contends.

## **Idaho Rivers United (IRU)**

IRU believes that the Commission should support the concept of net metering which it contends is one of the simplest ways to encourage renewable energy applications by small scale

generators. IRU contends that Idaho Power's proposal is unduly complicated and should not be limited to only schedules 1 and 7 because a greater potential for the development of renewable energy lies with other customer classes.

IRU notes that the comprehensive review of the Northwest Energy System is currently considering the role of renewable energy resources in the restructured utility market. IRU states that a steering committee recommendation may include requiring a small percentage of a utility's portfolio to be from renewable energy resources. IRU urges the Commission, therefore, to defer taking any action on Idaho Power's request until there is more clarity on how renewables will be treated in the region's restructured system.

IRU made a number of comments with regard to the specifics of the Company's amended Application. First, IRU questions the vagueness of the nongeneration-related costs the Company proposes to recover through the monthly charge. Second, IRU believes that net metering should not be limited to only schedules 1 and 7 and questions why the Company will require a second meter. IRU also questions the Company's requirement that QFS under schedule 86 hire an engineer to certify the project given the protections already built into the various conditions in the schedule assuring the safety and design of the system. Similarly, IRU questions the \$1,000,000 insurance requirement which it contends is excessive for residential and small commercial customers.

#### **Idaho Consumer Affairs, Inc. (ICA)**

ICA opposes Idaho Power's Application contending that the Company has made the use of net metering impractical and even punitive. ICA contends that net metering is used nationwide and that its development should be encouraged in this state as well.

#### **Resource Conservation Management, Inc. (RCM)**

RCM contends that the Company's proposal is anti-competitive because it removes renewable energy options to the detriment of citizens and customers and to the benefit of Idaho Power. RCM contends that the lack of participation in net metering is most likely due to Idaho Power's deliberate failure to publicize the option. RCM also questions the Company's proposal to limit net metering to customers on rate schedules 1 and 7, which would exclude commercial and industrial customers. RCM argues that it is important to retain net metering as a viable option because of the environmental benefits of renewable energy.

**Peter Chaffey**

Mr. Chaffey argues that the Company's monthly charge under Option B cannot be justified. He suggests that it is tantamount to charging people for using energy efficient appliances considering that it makes little difference in how a person reduces his/her energy consumption. Nonetheless, Idaho Power actively promotes these latter measures as do many other electric utilities because it reduces the load demand on existing facilities. Mr. Chaffey proposes to keep the net metering option in place and structure it so that the power produced by a QF is offset against retail rates until there is parity. Then, any excesses should be paid at the avoided cost rate or a credit should be issued whichever is easiest to calculate for accounting purposes.

#### **Idaho Power Response**

On December 19, Idaho Power filed a response to the comments submitted by Staff and IDWR. First, Idaho Power concedes that a monthly charge universal to all types of generation, and not just PV, could be calculated. The Company states that unless Staff makes a proposal, however, it will continue to calculate technology-specific charges on an as needed basis.

Idaho Power agrees that it could prepare a chart, as suggested by Staff, to make the monthly charge more comprehensible. The Company contends, however, that site specific analysis is necessary anyway and that customers will have to provide the Company with basic information, obtained from the vendor of the generation equipment used, in order to calculate the charges.

Regarding Staff's objection that Option C should not be limited to schedules 1 and 7, the Company states that the reason for limitation is that schedules 1 and 7 are the only schedules that do not have a demand component associated with the retail rate. They do not utilize meters that measure both demand and energy. The electricity purchased by Idaho Power under Option C is limited to non-firm energy. The Company asserts that retail rates designed to recover system costs allocated to both demand and energy make it impossible for Idaho Power to compute an appropriate monthly charge utilizing a single meter that measures net energy and net demand when only non-firm energy is being supplied by the customer. In other words, running the meter backward for a customer with a demand as well as energy meter could reduce that customer's demand. The Company contends that this is inappropriate because the energy supplied by the customer is non-firm and, therefore, Idaho Power must still have generation facilities available to serve that customer. The Company concludes that it would not be feasible to attempt to develop a monthly charge that takes into consideration the actual coincidence of generation and demand.

## FINDINGS

We hereby formalize the initial decision reached in our July 17, 1996 decision meeting regarding the Company's Application. Specifically, Idaho Power is authorized to eliminate the 3mil capacity adder included in Schedule 86. It appears that due to the lack of participation in this Schedule, very little is being provided to the Company in terms of a reduction in capacity needs. Consequently, it is reasonable to allow the Company to eliminate compensation to energy providers under Schedule 86 for the capacity value of their energy.

We also agree that it is reasonable to allow the Company to reduce the number of compliance filings made with the Commission under Schedule 86 from monthly to semi-annually. The filing of this information on a semi-annual basis is sufficient to provide Staff and all concerned with necessary data in a timely manner.

We find that it is reasonable to allow Idaho Power to eliminate the fixed rate option (Option A). At the time of filing, only two small suppliers were being served under Option A. The Company represents that purchases from these two smaller projects could continue at the variable energy cost proposal (formerly Option B; now Option A). Furthermore, it appears that the variable energy cost more accurately reflects the actual costs Idaho Power can avoid by purchasing non-firm energy from QFS. Consequently, elimination of Option A will benefit Idaho Power's customers.

The aspect of the Company's Application that created controversy was the proposed changes to Option C. We confirm our initial conclusion that this Option should, in some form, remain available to those customers interested in eliminating some or all of their loads through their own generation. We find that a reasonable net metering option is one that (a) allows the Company to use its existing billing system, (b) allows the customer to use a conventional single meter metering system, (c) charges the customer the rate consistent with its class of service while the meter is running forward, (d) pays the customer the five year rolling average Avoided Energy Cost (see Option A) rate when the meter is running backward, and (e) charges the customer a minimum fee that is consistent with the amount of back-up supply and capacity being provided to the Company. We find that, for the most part, the Company's revised proposal accomplishes the foregoing objectives. We now turn to the specific issues raised by the parties.



First, we can find no reason to defer taking any action regarding Option C until there is more clarity on the role of renewable energy technologies in the restructured electric industry as proposed by IRU. We agree that the future of such technologies, along with every other aspect of the electric industry, is uncertain. We do not believe, however, that this is sufficient reason to defer making constructive changes to Schedule 86 so that it comports as closely as possible with the current state of the industry.

We do not find that it is reasonable to require Idaho Power to calculate a monthly charge under Option C that is applicable to all forms of generation as proposed by Staff. The only customers currently selling power to the Company under Option C are generating using photo voltaic systems. In the event that suppliers using alternative forms of generation wish to sell to the Company in the future under this Option, then Idaho Power can and will calculate a monthly charge compatible with that form of generation. Until that time, we find that it is not necessary to require the Company to calculate a charge for suppliers who do not yet exist.

Similarly, we find that it is not necessary to require the Company to list examples of minimum monthly charges associated with alternative generators as proposed by Staff. The Company is directed to cooperate with and assist potential Option C customers in understanding the mechanisms of every aspect of the Option including the monthly charge.

Regarding the veracity of the monthly charge itself, we do not find that sufficient evidence was presented to convince us that the non-generation related costs proposed to be recovered by the charge are already being covered through other charges such as line extension fees as suggested by IDWR. Until we are presented with such evidence, we will assume that the charges are necessary to make the Company whole.

We agree with Staff that Item 8 of the "conditions of purchase and sale" found in Option C should be revised to more clearly exempt Option C customers from installing a second meter. To do otherwise would defeat the very purpose of a net metering option.

IDWR proposes that Option C customers be allowed the choice of being billed on an annual as opposed to a monthly basis. This would mean that the customer could generate more power than it consumes in one month and use that to reduce the amount of electrical consumption that it would otherwise be billed for in another month. The Commission finds that this proposal would be unfair to other customers and the Company. Staff notes that to allow such a procedure could require

substantial changes in the company's billing system; a result that conflicts with one of the Commission's specifications for continuing Option C.

One of the more controversial aspects of the Company's proposal was to limit the availability of Option C to only those customers being served under Rate Schedules 1 (residential) and 7 (small commercial). We agree with the Company that because the energy purchased under Option C is limited to non-firm energy, retail rates that are designed to recover system costs allocated both to demand and energy make it impossible for the Company to compute an appropriate monthly charge utilizing a single meter that measures net energy and net demand when only non-firm energy is being supplied by the customer. In other words, running the meter backward for a customer with a demand as well as an energy meter could potentially reduce that customer's demand and its subsequent bill which is inappropriate because the energy supplied by that customer is non-firm.

Regarding IRU's objection to the engineering certification requirements of Schedule 86, we believe that it is reasonable and necessary for the safety and integrity of Idaho Power's system to have such a requirement any time a supplier is generating onto the system. We do find, however, that the Company's one million dollar liability insurance requirement seems excessive particularly with respect to small projects and given the other safeguards built into Schedule 86. It also appears to be the Company's policy to waive this requirement in some cases. We find, therefore, that it would be reasonable to eliminate this requirement from Option C.

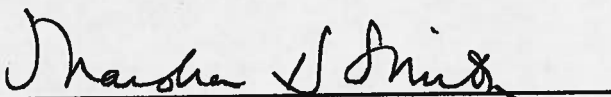
### **ORDER**

IT IS HEREBY ORDERED that Idaho Power's Application to revise its Schedule 86 is approved consistent with the modifications, terms and conditions set forth here. The Company is directed to file a tariff conforming with this Order and which will be effective three (3) business days from the date it is filed with the Commission.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. IPC-E-95-15 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. IPC-E-95-15. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

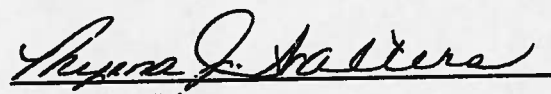
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27<sup>th</sup>  
day of January 1997.

  
RALPH NELSON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Myrna J. Walters  
Commission Secretary

cm/O:ipce9515.bp