IDAHO FARM BUREAU FEDERATION

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IDAHO PUBLIC
UTILITIES COMMISSION

April 29, 2003

Ms. Jean D. Jewell
Idaho Public Utilities Commission
472 West Washington
P.O. Box 83720
Boise, ID 83720-0074

RE: Case No. PAC-E-03-4, PacifiCorp's Net Metering Proposal.

Dear Ms. Jewell:

On behalf of the Idaho Farm Bureau, which represents more than 57,800 Idaho families, I am pleased to offer the following comments with regard to PacifiCorp's proposed net-metering program.

PacifiCorp's net-metering proposal, schedule 135, must be significantly improved if it is to be of any practical value to the agricultural customers it will serve. It appears to simply copy Idaho Power's recently accepted net metering program, which also inadequately addressed agricultural use issues, rather than a good faith effort to work with business, industry and agriculture to propose a viable program that would benefit all involved.

Several items in the proposal appear to be aimed at preventing, rather than fostering participation in the program. For example, paying generators only 85% of the Dow Jones Mid-Columbia Electricity Price Index (Dow Jones Mid-C Index) prices for any excess generation is indefensible. PacifiCorp attempts to justify this based on comments made by PUC staff in the Idaho Power net metering case.

PUC staff suggest that the discount is reasonable since the utility may not need the power and would therefore sell it on the open market and would probably incur transmission loss. That is a lot of assumptions. Granted, that may be the case some of the time, however, it is also just as reasonable to assume that the utility will need the power and will actually save money by purchasing it locally and not incur any line loss. Furthermore, all benefits under the current scenario accrue to the utility rather than being split equally between the utility and the generator. This inequity would easily be solved by paying full Dow Jones Mid-C prices.

In addition, monthly netting unjustly awards all benefits of the program in favor of the utility and penalizes the generator. Most agricultural customers (irrigation pumpers) will be generating the bulk of their power in months when their electricity consumption is low. For instance, an irrigator using wind turbines will primarily generate power in the winter and spring, while most consumption will be in the summer months. Therefore, considering the differential between the price they will receive when generating (85% of the Dow Jones Mid-C Index), and the price they will pay when consuming (full retail), they will have to generate more than 2.5 times the amount of electricity they consume over the course of a year just to come out even at the end of the year. Therefore, the utility is receiving an unfair subsidy on the back of the generator.

This should be addressed in two ways. First, excess generation should be credited at full Dow Jones Mid-C Index prices as previously discussed. Secondly, all power generated under the net metering program should be carried over for a one year period so it can offset consumption at other times of the year.

Notwithstanding PacifiCorp's argument that power is worth different amounts depending on when it is generated or consumed, for net metering to truly serve its stated purpose of allowing customers to offset all or part of their electrical consumption, annualized billing is a necessity. This could easily be done by carrying forward all generation at full retail price until it is offset by consumption during the year. At the end of the year a check could be cut for any excess generation over consumption at the wholesale rate.

In fact, we would not object to all excess generation being given to PacifiCorp at the end of the year, as many other states currently require, as long as all generation were carried forward for a year and credited against consumption. Net Metering is not supposed to be a money making project for generators, it is supposed to be a way to offset their consumption. Unfortunately, PacifiCorp's proposal makes them offset their consumption by a factor of 2.5 to one.

As a side note, it is our understanding that avoided energy cost as used in the Public Utilities Regulatory Policy Act means the cost avoided if the utility does not build its next power plant. The cost of power from that next plant is what is considered avoided cost. This cost reflects capital as well as variable costs where as the Dow Jones Mid-C essentially reflects only variable costs. Therefore, at the least, the avoided cost definition in the proposed schedule 135 should be changed to allow for actual avoided cost rates.

Restricting generating equipment to 100 kW of nameplate capacity is far too restrictive. This requirement, in and of itself, will severely reduce the number of people interested in participating in this program since many operators will be unable to come close to offsetting their consumption with the proposed size limitations.

For example, to offset the power consumption for six months use of a 100 horsepower irrigation pump, a farmer would have to install a 150 kW wind turbine once you factor in that wind only produces about 20 - 30% of the time over the course of a year. If you then factor in that during those months when he is not consuming enough to offset his production, he will only get paid 85% of the Dow Jones Mid-C Index price, which is currently less than half of the retail rates he is paying, he has to double again the size of the turbine to hope to break even over the course of a year. Now he is up to around a 300 kW turbine just to cover the cost of the electricity of one 100 hp pump.

This is just a small example. What about those larger farmers who have several pumps? There is no way they can hope to participate with these unrealistic size restrictions. A better approach would be to not restrict the nameplate capacity of the generation equipment, but to only allow generation up to a certain percentage over consumption at each meter, say three to five percent, on an annualized basis. That way, farmers could take advantage of economies of scale and put in larger equipment that is more cost effective, yet they will be restricted from generating excess power.

The interconnection agreement could cover all the details of the feasibility of interconnecting the proposed equipment. If the proposed installation were too large for the existing transmission lines, it would be up to the customer to pay for any upgrades necessary. However, under the current proposal, or any modifications, it is extremely important that any interconnection fees that are charged be limited to the actual costs to PacifiCorp. This should not be a windfall for the utility, nor should it be a subsidy to the customer.

We are also troubled by the proposed cap of 714 kW of cumulative nameplate capacity. PacifiCorp has indicated that this one tenth of one percent of the company's retail peak demand is an "industry standard" and it must be in place to protect their system from any equipment overloads should all net metering generation cease functioning at one time. This event seems highly unlikely, especially when you consider the current normal load demand fluctuation system-wide varies far more than that on a daily basis. We believe a far more reasonable cap would be one percent or 7.14 MW. This would allow for far wider participation in the program. The current proposal would only allow seven participants if all of them installed 100 kW equipment.

It is our contention that the above-mentioned restrictions regarding monthly netting, discounting wholesale prices, the 100 kW nameplate capacity, and the 714 kW cap will severely restrict the number of people willing and able to participate in this program. The whole purpose of this petition, as we understand it, was to encourage and promote participation. We believe that there are equitable solutions to all of these impediments that will allow PacifiCorp to continue to supply reliable, consistent power while allowing consumers to offset loads and generate clean, renewable power in a safe and effective way.

Furthermore, we believe that PacifiCorp is missing a golden opportunity for self-promotion. It could position itself as a company that is environmentally friendly and is doing all that it can to distribute and diversify generation and support clean, renewable energy technologies. It could also capitalize on the image of working with agriculture and business in this time of economic setback to bolster rural economies and strengthen our electrical energy supply for the future.

We appreciate the opportunity to comment on this important issue. Please keep us informed of any decisions, discussions or hearings regarding this matter. Thank you for your consideration.

Sincerely,

Frank Priestley

Frank Priestley, President
Idaho Farm Bureau Federation

CC: IFBF Officers, Directors & Staff
Idaho Dept. of Water Resources, Energy Division
NW Energy Coalition
PacifiCorp