

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF NW)	
ENERGY COALITION AND RENEWABLE)	CASE NO. PAC-E-03-4
NORTHWEST PROJECT TO ESTABLISH NET)	
METERING SCHEDULES FOR PACIFICORP.)	ORDER NO. 29260
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On February 27, 2003, NW Energy Coalition and Renewable Northwest Project petitioned the Idaho Public Utilities Commission (Commission) to initiate proceedings for the establishment of new net metering schedules for PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) addressing 1) procedures, requirements and standards for the interconnection and operation of small renewable electric generation systems by electric customers of PacifiCorp; and 2) related provisions for billing such customers for the net of their electric consumption less their generation.

Petitioner NW Energy Coalition is a non-profit organization which promotes energy conservation, renewable energy resources, and consumer and low-income protection. In Idaho, the Coalition has 12 member organizations including Idaho Rural Council, Idaho Rivers United, and the Idaho Community Action Association.

Petitioner Renewable Northwest Project is a non-profit organization which promotes development of renewable energy sources, including wind, solar, and geothermal technologies in Idaho, Oregon, Washington and Montana.

The Petition seeks to correct an imbalance of opportunity between customers of Idaho's three major investor-owned utilities and their ability to install small electric generation systems on their property and generate all or a portion of their electric needs, while remaining interconnected with the electric grid. Petitioners note that the Commission has recently approved net metering schedules for Idaho Power Company (under Schedule 84) and Avista (under Schedule 62). Reference (Idaho Power) Order Nos. 28951 and 29094; (Avista) Order No. 28035. PacifiCorp has no approved schedule to accomodate net metering. While customers of PacifiCorp presumably could negotiate with the Company on a case-by-case basis to install small renewable generation systems and receive payment for the generation under PURPA, these customers, Petitioners contend, are at a disadvantage to similarly situated customers of Idaho

Power and Avista. Specifically, Petitioners contend that customers of PacifiCorp have no assurance of the type of systems they could install, the interconnection requirements required of them, and the rate that might be credited for electricity they generate.

Petitioners believe that the new Schedule 84 for Idaho Power Company represents a good model for PacifiCorp. In its Order approving Idaho Power's tariff, the Commission stated "all customers should be provided the opportunity to participate in net metering, including three-phase systems and demand metered customers." Order No. 28951 at 11; see also Order No. 29094 (approving 100 kW nameplate capacity limitation for large commercial and irrigation customers of Idaho Power).

Petitioners assert that the customer profile of PacifiCorp's service territory (with its high irrigation loads) demands that a higher capacity limit be provided to large commercial and irrigation customers as with Idaho Power's Schedule 84. However, as Petitioners discussed in commenting on Idaho Power's proposed amendment to Schedule 84 (Case No. IPC-E-02-4), they support a billing methodology that credits excess monthly generation at the customer's retail rate on a per kilowatt hour basis, and allows for a continuous carryover of such credits.

PacifiCorp Answer and Proposed Net Metering Tariff Schedule No. 135

On March 20, 2003, PacifiCorp filed its Answer to the Petition and a Request for Approval of Proposed Electric Service Schedule No. 135, Net Metering Service. PacifiCorp states that the Company was in the process of developing such a schedule in response to the perceived desire for net metering in Idaho.

PacifiCorp agrees that Idaho Power's Schedule 84 represents a good model for PacifiCorp and contends that its proposed Electric Service Schedule No. 135 is patterned after Idaho Power Company's Schedule 84.

Consistent with Idaho Power's Schedule 84, PacifiCorp's proposed Schedule No. 135 provides a capacity limit of 100 kW for large commercial and irrigation customers, and 25 kW for customers taking service on electric service schedules applicable to residential and small commercial customers (Schedules 1, 36, 23 and 23A).

While PacifiCorp proposes to credit residential and small commercial customers for excess generation at the customer's retail rate, PacifiCorp opposes such an approach for larger commercial irrigation customers and proposes that the larger customers be credited an amount

equal to 85% of the Dow Jones Mid-C Index Price for non-firm energy. Such an approach, the Company contends, is intended to avoid the subsidy that would exist by paying full retail rates.

The proposed Schedule No. 135 provides that the costs associated with interconnection of the customer's generating facility with the Company system, including the cost of any additional metering necessary for service under the schedule, will be paid by the customer. This requirement, the Company contends, will help avoid other customers subsidizing net metering customers.

PacifiCorp proposes that Schedule 135 be available on a first come, first serve basis, until the total rated generation capacity of net metering systems connected under the Schedule equals 714 kW, which is 1/10th of 1% of the Company's Idaho retail peak demand in 2002. Further, in order to make these schedules available to a wider range of customers, the Company proposes that no single customer may connect more than 20% of the total nameplate capacity connected under the schedule.

PacifiCorp proposes that credits for excess generation be provided each month, rather than allowing for carryover or "banking." Providing a credit each month, the Company contends, appropriately recognizes the different values of energy during the different months of the year.

On April 14, 2003, the Commission issued Notices of Application and Modified Procedure in Case No. PAC-E-03-4. The deadline for filing written comments or protests was May 2, 2003. Timely comments were filed by the Northwest Energy Coalition, Renewable Northwest Project and Northwest Sustainable Energy for Economic Development, collectively the Renewable Energy Advocates or Advocates, the Idaho Farm Bureau, Commission Staff and one of the Company's irrigation customers. On May 12 a letter was filed by PacifiCorp, declining further reply comment and recommending approval of its proposed tariff Schedule 135.

The filed comments in this case can be summarized as follows:

Renewable Energy Advocates

The Renewable Energy Advocates are generally supportive of PacifiCorp's net metering proposal. Specifically, the Advocates support the following features of the Company's proposed net metering tariff:

1. The relative system size limitations of 25 kW and 100 kW (although acknowledging that the upper limit will exclude some large customers);
2. The proposal to credit excess generation for smaller customers at the customers retail rate; and
3. The incorporation of established standards for interconnection of net metered generation systems.

The Advocates contend that the Company's net metering proposal can be modified to better encourage the installation of clean, distributed generation. The benefit to be realized by net metering, the Advocates contend, include (a) increased system reliability, (b) better diversification of generation resources, and (c) the environmental benefits of clean energy. Also cited by the Advocates are the Department of Energy identified consumer-side and grid-side benefits of distributed generation. To improve the net metering tariff the Advocates recommend the following changes:

1. Implementation of an annual rather than a monthly "true-up" of excess generation; or provide an indefinite carryover without opportunity for cash payment.
2. All systems under 25 kW should be credited at retail rate, regardless of customer class.
3. Net metering availability should not be limited to the proposed cumulative cap (714 kW), however, the Company could petition the Commission to end or modify its availability after that limit is reached.
4. Credit for excess generation should be carried over to the next billing cycle, or paid at the customer's request.

Idaho Farm Bureau Federation

The Farm Bureau contends that the Company's net metering proposal must be significantly improved to be of any practical value to agricultural customers. The Farm Bureau recommends the following changes:

1. Pay large generators full Dow Jones Mid-C prices for non-firm energy for excess generation, not 85%.
2. Carry forward at full retail price all power generated under the net metering program until it is offset by consumption. Monthly netting, the Farm Bureau contends, unfairly penalizes the generator.

3. Do not restrict nameplate capacity of generating equipment to 100 kW. Instead, only allow generation up to a certain percentage over consumption at each meter, say 3-5%, on an annualized basis. This change, the Farm Bureau contends, would enable farmers to put in larger more cost-effective equipment and take advantage of economies of scale.
4. Increase the proposed cap of 714 kW of cumulative nameplate capacity (1/10th of 1% of retail peak demand) to 7.14 MW.

Commission Staff

Staff recommends that the Commission approve PacifiCorp's proposed new Schedule 135 net metering tariff as filed.

The Company's tariff proposal, Staff notes, is virtually identical to the Schedule 84 Net Metering Rules already in place for Idaho Power Company. Reference Case No. IPC-E-01-39, Order Nos. 28951, 29094. Staff notes that crediting residential and small commercial customer generators at full retail rates will pay customers more than the actual value of the generation. Staff contends that the utility cost of service is not fully recovered in the fixed monthly minimum charge.

Staff supports the excess generation credit value approach for larger customers (85% of the Dow Jones Mid-C Index price for non-firm energy) and believes that the Company's proposal to provide financial credits for excess generation each month rather than allowing for carry over or "banking" of excess kW hours appropriately recognizes the different values of energy during the different months of the year. Staff agrees that all additional costs of interconnection and metering related to net metering service should be paid by the net metering customer. Staff also agrees with the proposed capacity limits for Schedule 135 eligibility (100 kW for large commercial and irrigation customers; 25 kW for residential and small commercial customers) and with the proposed Schedule 135 cumulative generation capacity limit (714 kW, which is 1/10th of 1% of the Company's Idaho retail peak demand in 2002). Should the cap be increased, Staff believes that a more accurate cost-based rate may need to be established.

Customer Comments – Dean Turnblom

The comment filed by Mr. Turnblom, an irrigation customer of PacifiCorp, strongly supports net metering. The customer contends that the net metering credit for excess generation for large customers should be set at full retail rate, that the credit amount should be carried

forward on a monthly basis and that at the end of the year the account should be squared. The customer contends that the overall proposed limit of 714 kW is too low and that it should be increased to at least 2 MW.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. PAC-E-02-4 including the Company's proposed Schedule 135—Net Metering Tariff and the related comments of the Renewable Energy Advocates, the Idaho Farm Bureau Federation, Commission Staff and Dean Turnblom. The Commission continues to find it reasonable to process this case pursuant to Modified Procedure. Reference IDAPA 31.01.01.204.

The Commission notes that the net metering proposal submitted by PacifiCorp is closely modeled on the tariff we approved for Idaho Power in Case No. IPC-E-01-39. The comments submitted in this case, while presenting some additional arguments and factual variations, raise similar issues and recommend similar changes. All commentors support increased opportunities for distributed/alternative and renewable electric energy production.

The net metering filing of PacifiCorp, we find, corrects what Petitioners characterized as an imbalance of opportunity among customers of Idaho's three major electric utilities. Although changes to the tariff are recommended, we find it reasonable to approve the tariff as filed. To the extent that the alternative proposals submitted by commentors have administrative merit we expect the Company to consider the recommendations and propose changes to its tariff if a change would result in greater efficiency and cost savings. The tariff can be modified as we gain experience.

The net metering tariff proposed by the Company provides its customers with the opportunity to offset their electric loads and energy requirements. This opportunity to run the meter backwards and offset usage is the primary purpose of net metering. Under the Company's proposal, a customer's monthly kilowatt-hour consumption is offset kilowatt for kilowatt at the customer's retail energy price. Excess generation for the small customers under the net metering tariff is credited at the retail rate; for larger customers the credit is 85% of the non-firm market index price. The Company's net metering proposal regarding excess generation and related pricing, we find, recognizes differences in size and properly recognizes the time and seasonal value of energy. The purpose of net metering is not to encourage excess generation. Developers

of qualifying renewable generation resources who wish to get into the business of selling energy to the Company should, under PURPA, request firm or non-firm energy purchase contracts.

The Farm Bureau contends that the proposed cumulative cap on net metering is too low. The proposed cap is 1/10 of 1% of historic load. The Commission finds that the proposed 714 kW cap is a reasonable initial cap for PacifiCorp's net metering program. We also find it reasonable, however, that the cumulative capacity limit be reviewed after that limit is reached. As part of that review, we expect a report from the Company regarding the required level of subsidization by non-participants. The Commission recognizes that the full cost of the program we approve today may not be borne only by participants. Raising the cap as recommended by the Farm Bureau would only increase the level of subsidization. As part of its report to the Commission, the Company should provide the differential between the net metering purchase price it pays at retail sales rates and the wholesale cost of alternative power supplies. We also expect further information from the Company regarding cost shifting and the Company's ability to recover customer costs from program participants.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over this Petition, and the Company's proposed net metering tariff schedule pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

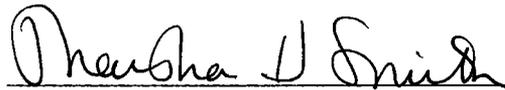
In consideration of the foregoing and as more particularly described and directed above, IT IS HEREBY ORDERED and the Commission does hereby approve the Company-proposed electric tariff Schedule No. 135, Net Metering Service, as proposed and without modification. The effective date we approve is the date of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) 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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

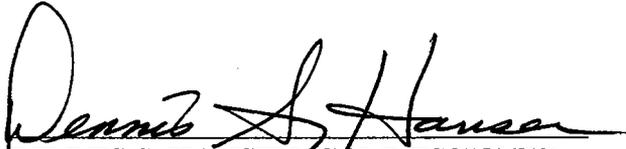
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20th
day of June 2003.



PAUL KJELLANDER, PRESIDENT

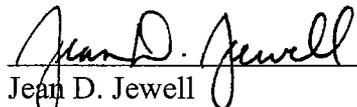


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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