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IDAHO PUBLIC
UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF NW ENERGY COALITION AND RENEWABLE NORTHWEST PROJECT TO ESTABLISH NET METERING SCHEDULES FOR PACIFICORP.	**CASE NO. PAC-E-03-4** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Comment/Protest Deadline issued on April 14, 2003, submits the following comments.

The Petition

On February 27, 2003, NW Energy Coalition and Renewable Northwest Project (Petitioners) 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.

As represented, 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 regulate net metering in Idaho, but it does in every other state where it provides retail service. 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 what type of systems they could install, what interconnection requirements will be required of them, and what rate they might be credited for electricity they generate.

PacifiCorp Answer and Proposed Net Metering Schedule

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 with the Petitioners 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.

PacifiCorp is proposing that its net metering tariff be available to any customer who owns and/or operates a generation facility that uses energy that is derived from the sun, wind, water, biomass, or fuel cell technology, is rated at 25 kW of nameplate capacity or less for residential and small commercial customers and 100 kW or less for all other customers, and is interconnected to the customer's individual electric system on the customer's side of the meter. A single meter will be utilized whenever possible for the net metering service. All energy supplied by the Company to the customer will cause the meter to run forward; all energy delivered by the customer to the Company will cause the meter to run backward. If the energy supplied by the Company exceeds the energy generated by the customer during the billing period, the customer will be billed for the net amount of energy recorded on the meter at the standard service tariff rate, as applicable. If the energy generated by the customer exceeds the energy supplied by the Company during the billing period, residential and small commercial customers will be credited for the net amount of energy delivered to the Company at the standard tariff rate, as applicable. However, for customers other than residential and small commercial, when generation exceeds consumption, the excess generation will be valued at 85% of the Dow Jones Mid-C Index Price for non-firm energy and financially credited to the customer's account.

STAFF ANALYSIS

Staff notes that the net metering tariff proposed by PacifiCorp (Schedule 135) is virtually identical to the net metering rules already in place for Idaho Power (Schedule 84) and very similar to the net metering rules already in place for Avista (Schedule 62). Idaho Power's current net metering rules were approved by the Commission on February 13, 2002. (Reference Order Nos. 28951 and 29094). Avista's net metering rules were approved by the Commission on April 30, 1999. (Reference Order No. 28035).

The only significant difference between PacifiCorp's net metering proposal and Idaho Power's and Avista's is the cumulative cap on the total required amounts of purchases. The net metering rules for each of the utilities, including PacifiCorp's proposed rules, set a cap equal to $1/10^{th}$ of 1% of the utilities' retail peak demand. Because each utility has a different retail peak demand, the cap is different for each. One other significant difference is that for PacifiCorp and Idaho Power, the project capacity limit for customers other than residential and small commercial is 100 kW, but for Avista, the limit is 25 kW for all customers.

Value of Customer Generation

Staff believes the Company's proposal to credit customer generators at full retail rates will pay customers more than the actual value of the generation. Consider, for example, an instance in which a residential net metering customer completely offsets his entire usage during the month. The customer would pay only the monthly minimum ($9.57). PacifiCorp would collect no revenue from the sale of kWhs. With only the revenue from the monthly minimum, PacifiCorp may not recover its full cost of providing service. To provide service, PacifiCorp must still have distribution plant in place (poles, wires, transformers, etc.), they must still read meters and send bills, and they still have administrative costs. Moreover, PacifiCorp would likely be delivering power on-peak at times, but receiving customer generation at off-peak times. According to PacifiCorp's unbundling report for 2001, of the approximately 6.37 ¢/kWh total cost for residential customers, generation costs account for 3.16 ¢/kWh, transmission 0.52 ¢/kWh, distribution facilities 1.71 ¢/kWh, and the remaining 0.98¢/kWh is for meter reading, billing, and other general and administrative costs. Net metering allows PacifiCorp to avoid some generation costs and perhaps some transmission costs, but few, if any, other costs. Under the proposed new tariff, customer generation is not credited based on the avoided cost of generation and transmission, but at the full retail rate.

For the Commission to accept a net metering tariff where customer generation is credited at full retail rates, it must be willing to accept the fact that PacifiCorp may not recover its full costs of providing service from net metering customers. Those costs that are uncollected must either come from PacifiCorp through its shareholders or from other customers collectively. Initially, the subsidy for net metering customers is paid by PacifiCorp through shareholders. After a general rate case, the subsidy of net metering customers would presumably be shifted to the general body of ratepayers.

Because the Commission has already agreed to similar tariff provisions for Idaho Power and Avista, however, Staff believes it is also appropriate to approve these provisions for PacifiCorp. The subsidy provided to net metering customers will be small, especially if customer participation is limited as discussed later in these comments. For example, if 50 customers participated in net metering, if each generated 2000 kWhs per month, then the monthly cost to PacifiCorp would be approximately $8,700. If this cost is then netted against the generation and transmission costs avoided by PacifiCorp, the overall costs are cut in half. Less conservative estimates, obviously, would result in even lower costs.

Value of <u>Excess</u> Generation

PacifiCorp proposes to credit residential and small commercial customers for <u>excess</u> generation (i.e., that generation that exceeds a customer's usage) at the customer's retail rate. However, for larger commercial irrigation customers, PacifiCorp opposes such an approach 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. Staff supports this approach and notes that it is the same as has been previously approved for Idaho Power.

"Banking" of Excess Kilowatt-hours

PacifiCorp proposes that financial credits for excess generation be provided each month, rather than allowing for carryover or "banking" of kilowatt-hours. Providing a financial credit each month based on market prices, Staff believes, appropriately recognizes the different values of energy during the different months of the year, therefore mitigating subsidization of large commercial and irrigation net metering customers.

Petitioners however, as discussed in comments on Idaho Power's proposed amendment to Schedule 84 (Case No. IPC-E-02-04), 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. Staff does not support such an approach because it ignores the fact that energy has different values at different times during the year.

Staff believes it is also worth pointing out the difference between energy provided to customers by PacifiCorp and energy provided to PacifiCorp by customers. Energy offered to customers by PacifiCorp is firm, meaning that it is available at all times whenever customers desire to make use of it. Net generation, on the other hand, is provided by customers to PacifiCorp on a non-firm basis, or on an "if and when available" basis. While there has always been a difference in the value of firm versus non-firm energy, that difference is not recognized under PacifiCorp's Schedule 135 proposal, thus providing a benefit to net metering customers.

Costs of Interconnection and Additional Metering

The proposed Schedule 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.

For most customers, Staff believes there will be no need for additional metering. However, for larger customers who utilize meters capable of measuring both demand and energy, current technology utilized in electronic demand meters does not allow the meter to "run backwards." In order to capture any energy delivered to the utility's system, the energy and demand must be metered separately. This will require either the installation of an additional meter and/or installation of an electronic meter with the capability of measuring multiple inputs and outputs. Either of these installations would require that the customer's meter base be replaced or modified to accommodate the new meter.

Under a dual meter approach for large customers, the demand component of a customer's bill will not be reduced. Staff believes it would be inappropriate for non-firm energy delivered by the customer to be given credit for capacity by offsetting a demand charge, unless of course, the reduction in demand endures for the entire month. In that case, the customer would be billed for a lower demand anyway. Staff believes this circumstance would be unlikely in most cases for most customers. Staff agrees with the Company's proposal that demand metered customers only be credited for generation at the energy rate of the schedule under which the customer is served.

Capacity Limits for Eligibility

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).

Under PacifiCorp's proposal, net metering will be made available to all of its customer classes. Consistent with Idaho Power's Schedule 84, PacifiCorp's proposed Schedule 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). Staff believes that the higher capacity limit for large commercial and irrigation customers is appropriate and agrees with the Petitioners' assertion that the customer profile of PacifiCorp's service territory (with its high irrigation loads) warrants that a higher capacity limit be provided to large commercial and irrigation customers such as is provided in Idaho Power's Schedule 84.

Cumulative Generation Capacity Limit

Similar to Idaho Power's Schedule 84, PacifiCorp proposes that Schedule 135 be available on a first-come, first-served basis, until the total rated generated capacity of net metering systems connected under the Schedule equal 714 kW, which is 1/10th of 1% of the Company's Idaho retail peak demand in 2002. The 1/10th of 1% limit is sometimes considered to be an industry standard and is an identical percentage as the limit on net metering capacity the Commission previously approved for Avista and for Idaho Power. 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. Staff believes these limits are reasonable.

Despite Staff's concerns about the likelihood that some of the costs of serving net metering customers will be subsidized by other customers, the overall dollar impacts of net metering will be small if participation levels are restricted. Staff believes PacifiCorp's proposal to limit both the maximum size of individual installations to a capacity of 100 kW for large commercial and irrigation customers and to 25 kW for other customers and the maximum collective capacity of net metering generation on the Company's system to 714 kW is reasonable. These participation limits are the same as the limits for Idaho Power's net metering tariff.

If all net metering customers were 25 kW in size, for example, then 29 customers could participate in the program before the limit would be reached. Since most customers would not produce 25 kW, it is more likely that many more net metering customers could be accommodated within the proposed 714 kW cap.

Staff believes it will be a long time before the 714 kW participation cap is reached. Idaho Power's current net metering tariff has been in place since February 13, 2002, yet it has only attracted 11 customers with a collective capacity of 65 kW in Idaho so far. Idaho Power's old net metering rules, which were in place from 1983 through 2001, only attracted three net metering customers, two of which were connected in the final six months before the new net metering tariff was created. Staff recognizes that Idaho Power's new net metering tariff is much more attractive than the old one and that advancements in technology could improve project economics. Both of these factors have increased the number of customers participating in net metering, but Idaho Power is still a very long ways from reaching its cap of 2.9 MW. Staff believes that in terms of total number of customers, participation by PacifiCorp customers will be much less than participation by Idaho Power customers in its net metering program simply because PacifiCorp serves so many less customers in Idaho. If PacifiCorp were to reach its cap anytime soon, the Commission could then reexamine whether to increase the cap.

If the cap were to be increased at some point, Staff believes it would also be reasonable to reassess the appropriate rate and charges for net metering at that time. Staff believes that as long as the number of net metering customers is small, then the small subsidy to them may be appropriate for a time in order to promote and sustain a renewable energy-based net metering program. However, if and when there is 714 kW of net metering on PacifiCorp's Idaho system, Staff believes a more accurate cost based rate may need to be established.

Staff also wishes to point out that net metering is not the only means for generators to sell energy to PacifiCorp. For firm energy generation, qualifying facilities (QFs) smaller than one megawatt are still entitled to published avoided cost rates under PURPA. For non-firm generation, PacifiCorp does not have an established tariff in Idaho, but Staff believes one should be developed if customer-generators request one. Both Idaho Power and Avista already have non-firm tariffs. Project-specific rates are available to QFs one megawatt and larger. Consequently, even though establishing a limit on the size and collective capacity of net metering customers could restrict the development of small, renewable energy projects installed for net metering purposes, it will not eliminate all opportunities to develop renewable energy projects.

STAFF RECOMMENDATION

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

Respectfully submitted this 2nd day of May 2003.

Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 2ND DAY OF MAY 2003, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-03-04, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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