

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

FROM: SCOTT WOODBURY

DATE: MAY 22, 2003

**RE: CASE NO. PAC-E-03-4 (PacifiCorp)
PETITION OF NORTHWEST ENERGY COALITION AND RENEWABLE
NORTHWEST PROJECT TO ESTABLISH NET METERING SCHEDULES
FOR PACIFICORP**

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.

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. 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.

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), the Petitioners 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 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 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.

Similar to Idaho Power's Schedule 84, PacifiCorp proposes that Schedule 135 be available on a first come, first serve 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. 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, therefore mitigating subsidization of large commercial and irrigation net-metering customers, which credits are based on market prices.

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 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 be permitted to continue beyond the proposed cumulative cap (714 kW) provided that 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

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

1. The Farm Bureau recommends paying large generators full Dow Jones Mid-C prices for non-firm energy for excess generation, not 85%. Rather than assuming that excess generation will be sold on the open market and the Company will incur transmission losses, the Farm Bureau contends that it is just as reasonable to assume that the utility will need the power for local demand and not incur such losses.

2. The Farm Bureau recommends that all power generated under the net metering program be carried forward at full retail price until it is offset by consumption. Monthly netting, the Farm Bureau contends, unfairly penalizes the generator. At the end of the year, the Farm Bureau recommends that a check at the wholesale rate be cut for any excess generation over consumption. Alternatively, the Farm Bureau recommends that any excess generation at the end of a calendar year be surrendered without payment. Notwithstanding PacifiCorp's argument that power is worth different amounts depending on when it is generated or consumed, the Farm Bureau contends that 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.

3. The Farm Bureau contends that restricting generating equipment to 100 kW of nameplate capacity will severely reduce the number of program participants and will prevent many operators from offsetting their consumption. A better approach, the Farm Bureau contends, would be to not restrict nameplate capacity but to 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. The Farm Bureau contends that the proposed cap of 714 kW of cumulative nameplate capacity (1/10th of 1% of retail peak demand) is too low. The current low demand fluctuation system-wide, it states, varies far more than that on a daily basis. A far more reasonable cap, it suggests, would be 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 comments in this case mirror its comments in the Idaho Power case.

Staff continues to believe 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.

Staff supports the excess generation credit value approach for larger customers (85% of the Dow Jones Mid-C Index price for non-firm energy).

Staff 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 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).

Staff agrees 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

The comment filed by the irrigation customer of PacifiCorp is strongly supportive of net metering. The customer contends that the net metering credit for excess generation for large customers should be set at full retail, 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 way too low and that it should be increased to at least 2 MW.

Commission Decision

In response to the Petition filed by the Northwest Energy Coalition and Renewable Northwest Project, PacifiCorp has submitted a proposed Schedule 135 Net Metering Tariff. PacifiCorp's proposal mirrors the net metering tariff recently approved by the Commission for Idaho Power. Should the proposed net metering tariff be approved? With or without modification?

Scott Woodbury

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