

Idaho Public Utilities Commission

Case No. IPC-E-12-27, Order No. 32846

July 3, 2013

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Most of Idaho Power net metering proposals denied

State regulators have denied nearly all of an Idaho Power Company application to change how customers who generate their own power should be treated. The utility proposed that residential and small commercial customers who net meter by generating their own power be moved into new customer classes and be paid differently for the energy they generate.

Even though the Idaho Public Utilities Commission denied most of Idaho Power's application, the commission said the company raises valid issues that are more appropriately addressed in a general rate case.

Idaho Power has about 386 net metering customers who offset their electrical use by connecting their own generating resources (such as solar panels or wind turbines) to the utility's transmission grid.

Capacity cap

Idaho Power proposed to double the current capacity limit on the amount of energy that can be generated from net metering customers from 2.9 MW to 5.8 MW. Current generation is nearing the 2.9 MW limit. The commission said a cap "may disrupt and have a chilling effect" on net metering. However, the commission directed the company to provide an annual appraisal of net metering status and its impact on the reliability of the company's system.

Pricing

Idaho Power proposed to increase the monthly service charge for residential net metering customers from \$5 to \$20.92 and for small-business net metering customers from \$5 to \$22.49. To more fully reflect the cost of service associated with net metering customers' use of Idaho Power's distribution system, the utility proposed to establish a basic load capacity charge of \$1.48 per kW for residential net metering customers and \$1.37 per kW for small-business customers. It also proposed to decrease the retail energy rates net metering customers pay. (For example, a residential net metering consumer would pay a non-summer rate of 4.85 cents per kWh compared to a standard residential customer's rate of 7.23 cents per kWh for the first 800 kWh of use.)

The pricing changes are needed, Idaho Power said, because net metering customers are credited at the full retail rate and are able to avoid paying distribution expense as well

as other fixed costs, such as billing, that other retail customers pay. As a result, those costs are passed on to other customers.

Idaho Power said residential customers with net metering systems differ from other residential customers in that they produce power, can offset their use of power, use transmission and distribution facilities in a different manner and require backup services.

The commission agreed that net metering customers “have some characteristics that could justify moving them into a separate rate class,” but is concerned that the company’s proposal is inconsistent with state energy policy, will discourage net metering and encourage “rate-gaming” where large customers would install a small solar system to qualify for lower retail energy rates.

The commission also agreed that net metering customers “do escape a portion of the fixed costs and shift the cost burden to other customers in their class.” However, the commission said “more work needs to be done to establish the correct customer charge for those who net meter” and that “dramatic changes such as those proposed in this case ... should not be examined in isolation but should be fully vetted in a general rate proceeding.” Idaho Power countered that this case presented a better forum to focus on net metering issues than would a general rate case addressing many unrelated issues.

Excess net energy

For those net metering customers who generate more power than they consume, Idaho Power proposed to stop paying customers and instead provide them with a kilowatt-hour credit that can be applied to future billing periods. Those credits would expire after the December billing period, the company proposed, with the excess applied against the annual Power Cost Adjustment to benefit all customers.

The commission approved the proposal to compensate net metering customers with a kilowatt-hour credit instead of a financial credit or payment. “While we want to encourage net metering, we believe a financial credit or payment may incent potential net metering customers to overbuild their systems.” The net metering tariff is designed for those customers who wish to offset a portion of their load, not to be wholesale power providers. There already is a tariff schedule for small-power producers desiring to sell energy to the company, the commission noted.

However, the commission denied the company’s proposal to allow the credits to expire at the end of December. The commission said the credits should carry forward to offset future net metering customer bills for as long as the customer remains on the net metering service at the same generating site.

The commission approved the company's proposal to modify the procedures net metering customers use to interconnect to Idaho Power's distribution grid.

The case generated hundreds of comments to the PUC and large attendance at workshops and hearings. Many customers said the changes proposed by Idaho Power would make it difficult, if not impossible, for net metering customers to recoup their investment and that net metering customers are such a small part of the overall company's revenue base that any rate inequities are insignificant.

Idaho Power maintained that while the current inequities in the pricing system are not significant numerically, the current provisions are not sustainable and that delaying the changes until net metering service expands will only increase the inequities.

The commission said it appreciated the extent of public participation in the case. "The public input was especially thoughtful and thorough and, based on the record before us, we find that the public overwhelmingly opposes the company's application," the commission said.

"Moreover, we are concerned that the company did not seek out or consider customer input before proposing such dramatic changes to the net metering provisions," the commission said. "We applaud the company for bringing this case and these issues to our attention. But we advise the company that it would enhance consideration of future program-specific changes if it informed and obtained feedback from its customers and other stakeholders before proposing them."

Several parties intervened in the case including the City of Boise, Idaho Clean Energy Association, Idaho Conservation League, Pioneer Power LLC, Powerworks LLC and Snake River Alliance.

The commission's order is final. Interested parties may petition the commission for reconsideration by no later than July 24. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.

To read the commission's order or other documents related to the case, go to www.puc.idaho.gov. Click on the electric icon, then on "Open Cases" under the "Electric" heading and scroll down to Case No. IPC-E-12-27.

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