Office of the Secretary
Service Date
April 29, 2016

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PACIFICORP DBA ROCKY MOUNTAIN POWER'S APPLICATION TO MODIFY ELECTRIC SERVICE SCHEDULE 135 – NET METERING SERVICE	)))))	**CASE NO. PAC-E-16-07** **ORDER NO. 33511**

On February 29, 2016, PacifiCorp dba Rocky Mountain Power (the Company) applied to the Commission for authority to modify Electric Service Schedule 135 – Net Metering Service—by raising the current participation cap from 714 kilowatts (kW) to 2,000 kW. The Company asks for the proposed changes to take effect on May 1, 2016.

After the Company filed its Application, the Commission issued a Notice of Modified Procedure and invited interested persons to comment on the case. *See* Order No. 33484. Commission Staff, Idaho Conservation League (ICL), City of Lava Hot Springs, and an individual, Courtney White, subsequently filed comments, and the Company filed a reply.[1]

Having reviewed the record, including the Application, comments, and reply, we issue this Order: (1) removing the caps on overall and individual net metering participation; and (2) requiring the Company to submit annual net metering reports. Our decision is explained in further detail below.

THE APPLICATION

In its Application, the Company explained that it has offered a net metering service to its electrical customers since 2003. In summary, net metering enables customers with distributed generation facilities (e.g., rooftop solar panels) to offset all or part of their energy needs and feed excess energy back into the grid. If the customer's generation is not operating, or if the customer is using more energy than the customer is generating, the Company delivers energy to the customer. Then, in each billing period, the Company nets the amount of energy the customer generated against the amount of energy the customer used. If the customer used more energy than the customer generated during the billing period, the Company bills the customer for the net amount of energy recorded on the meter at the applicable standard service tariff rate.

[1] The Commission allowed interested persons until April 6, 2016 to file comments, and then allowed the Company to file reply comments by April 13, 2016. *See* Order No. 33484. The Staff, ICL, and individual comments were timely. The City's comment was late; it was not filed until the April 13, 2016 reply date, and was filed on that date after the Company filed its reply. No one objected to the City's late filing.

Conversely, if the customer generated more energy than the customer used during the billing period, the Company credits the customer for the net amount of energy delivered to the Company at the applicable standard service tariff rate. Net metering customers do not receive monetary payments.

When the Commission first authorized the net metering service in 2003, the Commission capped total customer participation at 714 kW. The Commission stated:

> 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 [other parties] 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.

Order No. 29260 at 7 (Case No. PAC-E-03-4).

The Company filed the current Application to report that participation in the net metering service has exceeded the 714 kW cap; as of December 31, 2015, the Company had 161 customers on the net metering service with 1,049 kW of interconnected load. Additionally, because the cap has been exceeded, the Company proposes to raise the cap to 2,000 kW. The Company explained that the new cap will serve as a checkpoint for the Company to report back to the Commission on the net metering service and the extent to which the Company and non-participating customers may be subsidizing net metering customers.

The Company explained that the subsidy occurs because crediting net metering customers at full retail rates compensates the net metering customers for more than the value of the electricity they generate. This is because net metering allows the Company to avoid some generation costs and perhaps some transmission costs, but few, if any, other costs. When the Company credits net metering customers at the full retail rate, the Company is not recovering its full costs associated with the net metering service. The Company and other customers thus subsidize the net metering service as the burden of paying for the uncollected net metering costs is shifted to them. In its Application, the Company reported that the subsidy currently is a minor percentage of total Idaho retail revenues. But the issue should be addressed soon to minimize potential impacts on customers and set appropriate expectations. The Company thus plans to address the subsidy and align net metering rate design with cost of service in its next general rate case. Through prior cases, the Company has committed not to file a general rate case that would produce rates that take effect before January 1, 2018, when the Company projects that net metering participation will have reached about 1,800 kW. To allow for growth in net metering while recognizing the cap is not a hard ceiling for participation, the Company thus asks Commission approval to raise the cap to 2,000 kW. The Company's proposal contemplates the following revision to Electric Service Schedule No. 135:

> The [net metering service] shall be available until the . . . total rated generating capacity of net metering systems connected under this schedule equals ~~714~~2,000 kilowatts~~, representing one tenth of one percent of the Company's retail peak demand in Idaho during 2002~~. No single Customer may connect more than 5~~20~~ percent of the cumulative generation nameplate capacity connected under this schedule.

THE COMMENTS

After the Company filed its Application, the Commission Staff, ICL, City of Lava Hot Springs, and an individual, Courtney White, filed comments. The comments address: (1) capping overall participation in the net metering service; (2) reporting on the service; and (3) capping individual participation in the service. The comments and the Company's reply are summarized by issue below.

1. Capping Overall Participation in the Net Metering Service. Like the Company, the City of Lava Hot Springs urged the Commission to increase the cap for the net metering service. The City explained that increasing the cap would provide the City some relief from the costs of electricity by allowing the City to further offset their electrical draw, which would allow the City to direct funds to more immediate needs.

Staff, ICL, and Ms. White urged the Commission to remove that cap altogether. Ms. White maintained that the cap arbitrarily limits the future sales of Idaho businesses that install rooftop solar panels, and creates job instability. Staff and ICL noted that the Company's net metering service is modeled on Idaho Power Company's net metering service, and that when Idaho Power asked to increase its net metering service's capacity cap, the Commission found:

> [A] cap may disrupt and have a chilling effect on the investment in and installation of distributed generation. Accordingly, we decline to adopt a cap

> at this time. That said, we find it reasonable and prudent for the Company to closely monitor the net metering service and to provide an annual appraisal of the service's status and impact on the reliability of the Company's system. Further, we expect the Company to promptly notify us of any changes in the net metering service that materially affect the system.

Order No. 32846 at 7 (Case No. IPC-E-12-27). Here, the Company has not identified any cost or reliability issues that would be impaired by removing the cap. Staff and the ICL thus recommend that the Commission align the Company's net metering tariff with Idaho Power's by declining to set an overall cap until the Company demonstrates a meaningful reliability concern.

In reply, the Company continued to recommend that the Commission retain an overall program cap and increase that cap to 2,000 kW. The Company noted that the Commission found a cap to be reasonable in 2003, and that the rationale for the cap still exists. Further, the cap has not had a chilling effect on participation; in fact, participation has been accelerating and the Company has continued to accept every application that meets the requirements of Schedule 135. The cap provides a publicly known checkpoint for when net metering could be evaluated, rather than relying on the timing associated with filing general rate cases. The Company maintained that the proposed cap, in conjunction with annual reporting, will provide a reasonable checkpoint to monitor net metering.

2. Reporting on Net Metering. Besides removing the cap, Staff recommended that the Company be directed to file an annual net metering report. Staff noted that while Order No. 29260 contemplated that the net metering service would be reviewed again when the current 714 kW cap was reached, the Company did not report to the Commission until after participation had reached 1,049 kW. Further, the Company's Application provided the first update on the net metering service since that service was approved in 2003. Additionally, while the current participation level in the net metering service and the resulting cost shifting are small, they are large enough to warrant routine monitoring by the Commission; between 2010 and 2015 the number of net metering customers increased from 70 to 161 (17% per year), and nameplate capacity increased from 250 kW to 1,049 kW (29% per year), or slightly more than 0.1% of the Company's annual Idaho peak load. Further, the Company predicts that by January 2018 there will be 1,800 kW of capacity on the net metering service. Staff thus recommended that the Company file an annual net metering report, with the first report due at the end of 2017 or when the Company files its next general rate case, whichever is earlier. Staff recommended that the

report discuss the Company's net metering service, growth in participation, impacts on non-net metering customers, and potential impacts to power quality and reliability. The report should also include a customer count, generator type, nameplate capacity, total generation and contribution to system peak.

While Staff recommended the Company submit annual reports, ICL recommended the Commission order the Company to produce a specific report in anticipation of the Company's next general rate case. ICL noted that the Company intends to propose changes to the net metering service during its next rate case. And to inform the Company's stakeholders and the inevitable debate about rate design, ICL recommended the Company's report compare the value of excess net generation arising from net metering to delivering alternative sources of power to end users in the Company's service territory at the same time of the day, month, and year.

In reply, the Company agreed to provide annual net metering reports on or around April 1 each year. The reports would provide the number of customers on net metering, generator types, and total nameplate capacity for the prior calendar year. Further, when the proposed cap is reached, or as part of the Company's next general rate case or other filing that proposes changes to net metering, whichever is sooner, the Company would provide a more comprehensive report that estimates total generation and contribution to system and class peaks as part of a cost of service analysis.

3. Capping Individual Participation in the Net Metering Service. The Company currently caps an individual customer's participation in the net metering service at 20% of the total nameplate capacity for all net metering generation connected to the Company's system. Although not mentioned in the body of the Application, the Company's proposed revisions to net metering Schedule 135 would decrease the cap on an individual's participation in the net metering service from 20% to 5% of the total nameplate capacity for all net metering generation connected to the Company's system. Staff and ICL opposed the Company's proposal to decrease the individual cap.

Staff argued that the Commission should maintain the current 20% cap. According to Staff, the Company's proposal to decrease the cap to 5% conflicts with the Eligible Generating Plant size listed in the tariff. For example, the tariff states an Eligible Generating Plant may not have a generating capacity of more than 25 kW for customers on Schedules 1, 36, 23, or 23A, or

100 kW for all other customers. Staff noted that, at the 1,049 kW of interconnected load that existed as of December 31, 2015, a 100 kW Eligible Generating Plant would already exceed 5% of the total load. Staff stated that the Company can use the annual net metering report to share any concerns about the size of customer net metering systems relative to the total amount of interconnected load.

While ICL opposed the Company's proposal to decrease the current individual cap from 20% to 5% of the total nameplate capacity for all net metering generation connected to the Company's system, ICL argued the current 20% cap itself is arbitrary and should be rejected. ICL proposed that the Commission instead cap the nameplate capacity of a customer's net metering system at 120% of the customer's average monthly load. ICL believes capping the customer's net metering system at 120% of the customer's average monthly load will account for uncertainty in system performance and household growth while furthering the Commission's intent that net metering customers do no more than offset their own loads.

In reply to Staff's proposal to retain the existing 20% cap, the Company explained that its proposal to reduce the cap to 5% of maximum cumulative generating capacity per customer is intended to retain the maximum in proportion to the cap. However, if the Commission decides to remove the overall cap on participation, then the Company recommended the Commission also remove the cap on maximum cumulative generating capacity per customer because the 20% individual cap would be difficult to administer because the denominator in the equation to calculate the 20% would be a moving target. Additionally, Schedule 135's definition of an Eligible Generating Plant already provides a cap per installation, which provides a reasonable protection against oversizing.

The Company opposed ICL's recommendation to allow installations up to 120% of a customer's average monthly load. The Company stated ICL's proposal is inconsistent with the principle that net metering allows a customer to offset his or her usage. The Company noted that allowing a customer to oversize his or her facility moves the customer into the realm of a power producer rather than a self-generator, and would increase the cross-subsidies that are already occurring.

DISCUSSION AND FINDINGS

We have reviewed the record, including the Application, comments, and reply. Based on our review, we decline the Company's request to simply increase the overall cap on the net metering service. While the Company argued a cap is a useful trigger for the Company to report to the Commission on the net metering service, we find that a cap has not been particularly useful in that regard. When we approved the 714 kW cap in 2003, we found the cap should be reviewed after it was reached and that the review should include a report from the Company regarding the required level of subsidization by non-participants. Unfortunately, the Company did not report to us when the current 714 kW cap was reached. In fact, the Company delayed for almost three months after the cap had been exceeded by nearly 50%, with 1,049 kW of interconnected load, to file its Application.

Since the cap did not serve its intended purpose, the Company has not expressed any immediate reliability concerns, the subsidization level is currently small but growing, and the Company plans to propose modifying the net metering service and rate design to address subsidization as part of its next general rate case, we believe it is unnecessary to cap overall participation at this time. Instead, we find it reasonable and prudent to remove the cap, and to direct the Company to file a comprehensive net metering report on or about October 31 of each year. The Company's first report shall be due on October 31, 2016 or when the Company files its next general rate case (or other filing seeking to modify the net metering service), whichever is earlier. We also expect the Company to promptly notify us whenever changes to the net metering service materially affect the Company's system and/or its other customers.

The Company's net metering report should comprehensively inform the Commission and stakeholders about the status of the Company's net metering service and its impacts on non-net metering customers and the Company's system. The report should include the type of information provided with the current Application. It should discuss, without limitation, customer participation levels, generator types, nameplate capacity, total generation, contribution to system peak, impacts on non-net metering customers, potential impacts to power quality and reliability, etc. Further, as the Company intends to modify its net metering service in an upcoming filing, we find it reasonable for the Company's first report to compare the value of excess net generation arising from net metering to delivering alternative sources of power to end users in the Company's service territory at the same time of the day, month, and year, as suggested by ICL. We are also interested in the Company's perspective of its customers' experience with the net metering service. For instance, the report should explain the Company's view on why customer participation in the net metering service is increasing, and whether the

Company has any concerns about methods used to increase net metering participation. The company should discuss any information it provides to customers about net metering (for example, whether the Company informs customers that the net metering tariff is subject to change and is does not guarantee future pricing, rate structure, and interconnection requirements). The Company's report should also summarize the types and numbers of complaints the Company has received, if any, from customers involved in net metering.

Lastly, we find it fair, just, and reasonable to not increase the individual participation cap on net metering and to instead remove the individual cap altogether. Capping individual participation as a percentage of total nameplate capacity for all net metering generation, without tying the percentage to reliability or other concerns, appears arbitrary. In addition, Schedule 135's definition of Eligible Generating Plant limits the size of the net metering systems a customer may install and should adequately protect other customers and the Company from the increased subsidy and reliability concerns that might arise if net metering customers sought to overbuild their systems. Removing the individual participation cap is consistent with the Company's recommendation that we remove the individual cap if we decided to remove the overall participation cap, which we did as noted above.

We appreciate the thoughtful comments received in this case. We look forward to receiving the Company's reports on the net metering service. We anticipate a fuller discussion of the subsidy and rate design issues when the Company files its next rate case.

ORDER

IT IS HEREBY ORDERED that the Company's request to increase the net metering service capacity cap is denied. The existing caps on overall and individual participation in the net metering service are removed from Schedule 135, effective May 1, 2016. The Company shall promptly file conforming tariffs.

IT IS FURTHER ORDERED that the Company shall file status reports with the Commission on the net metering service, as discussed above. The Company also shall promptly file an earlier report if at any time it expects its net metering service will materially and negatively impact its system and/or customers.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of 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 29th day of April 2016.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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