DECISION MEMORANDUM

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

FROM: SCOTT WOODBURY

DATE: AUGUST 21, 2006

SUBJECT: CASE NO. IPC-E-06-17 (Idaho Power)
PROPOSED REVISION OF SCHEDULE 84 – NET METERING REQUIREMENTS

On August 17, 2006, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to revise net metering requirements in the Company's Schedule 84 – Net Metering tariff.

Background

On February 13, 2002, the Commission issued Order No. 29851 (Case No. IPC-E-01-39) authorizing the net metering option for customers taking service under the Company's Schedule 1 – Residential Service (R1), and Schedule 7 – Small General Service (R7).

On August 21, 2002, the Commission issued Order No. 29094 (Case No. IPC-E-02-4) authorizing other retail customers not receiving service under Schedules 1 and 7 (non-R1/R7) the option to also participate in a net metering program.

The Company's current net metering program credits residential and small general service customers at full retail rates for all kilowatt hours (kWh) generated. This pricing, the Company contends, pays customers more than the actual value of the generation itself. Net metering, the Company states, allows Idaho Power to avoid some generation costs and perhaps some transmission costs, but few, if any, other costs. Therefore, Idaho Power contends that the Company does not recover its full costs of providing service from net metering customers.

Idaho Power contends that there is a major difference between the energy provided to customers by the Company and energy provided to the Company by net metering customers. Energy offered to customers by Idaho Power 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 Idaho Power on a non-firm basis, or on an "if and when available" basis. The difference between the value of firm vs. non-firm energy, the Company states, is not recognized under the Company's current net metering tariffs for Schedule 1 and Schedule 7 customers. In its initial program offering, the Company recognized that its net metering proposal would result in some subsidy to those residential and small general service customers that chose to develop net-metered generation projects. However, the Company reasoned that as long as the eligibility for net metering was limited to small projects utilizing watt-hour meters and capped at a reasonable level, the subsidy would be small and would be partially offset by savings resulting from simplification of the net metering program.

Idaho Power has now had the opportunity to examine over the last four years how its customers have actually utilized the net metering option. As a result, the Company is proposing some modifications to its net metering program to provide what it contends is a more equitable result for its customers.

Modifications to Reduce Cost-Shifting

By accepting a net metering tariff for Residential and Small General Service customer generation is credited at full retail rates; uncollected costs are shifted to the respective customer classes. When the generation merely offsets usage, the dollar impacts, the Company contends, are relatively small. However, when generation exceeds usage, the resultant cost-shifting may become much more material.

Citing an example, Idaho Power states that in 2005, one residential customer averaged excess generation of 12,076 kilowatt hours every month. A small general service customer also averaged excess generation of 15,913 kilowatt hours each month. In both cases, there was never a month when either customer registered positive net energy usage. Under current net metering provisions, these customers received full retail rates for their generation. The retail rate, the Company notes, includes recognition of generation, transmission and distribution costs. All costs outside of the value of the generation received from net metering customers, the Company contends, are being shifted to customers within the residential and small general service customer classes.

Idaho Power believes the primary purpose of net metering is to allow customers to realize the value of their generation by directing and immediately offsetting part or all of their energy consumption. The net metering program's current provisions immediately compensate customers for the generation. However, the Company contends that generation in excess of consumption should be viewed differently.

Power purchased under net metering, the Company contends, is non-firm energy and is of less value for meeting system loads than would be an alternative wholesale purchase of firm energy. Net metering customers are frequently being paid higher prices for this non-firm energy than Idaho Power would have otherwise paid for energy purchased on the wholesale market. Idaho Power contends that generation in excess of consumption should not receive compensation in excess of the value provided at the expense of customers who do not choose to develop generation facilities.

Idaho Power requests that its Schedule 84 net metering provisions be revised to treat all customers in a fair and equitable manner. Upon approval of the Company's proposal, Schedule 1 and Schedule 7 customers who generate electricity in excess of their usage will be treated the same as non-R1/R7 net metering customers who provide a non-firm energy product to the Company. They would be credited an amount per kilowatt hour equal to 85% of the most recently calculated monthly per kilowatt hour Avoided Energy Cost as defined in Schedule 84. Furthermore, excess generation provided by Schedule 1 and Schedule 7 net metering customers would be considered an energy resource with the cost to be spread to all retail customers through the PCA mechanism, the same treatment as is currently afforded excess generation provided by non-R1/R7 customers.

Modifications to Eliminate a Financial Barrier

Currently, non-R1/R7 customers are required to have a meter that is separate from the retail load metering at the point of delivery. Some of these customers, the Company contends, find the requirement for a separate meter to be a financial barrier to install a small net metering system. To encourage participation among non-R1/R7 customers, the Company is proposing to expand the options for these customers through changes to Schedule 84. If a non-R1/R7 customer's generation facility has a total nameplate capacity rating which is no more than 2% of their Basic Load Capacity (BLC) and the system is 25 kW or smaller, the customer could participate in net metering on the same basis as the Company's residential and small general service customers. (Basic Load Capacity is the average of the two greatest non-zero monthly billing demands established during the 12-month period which includes and ends with the current billing period.) As proposed, all energy received and delivered by the Company could be through the single existing retail meter. This one-meter option, the Company contends, would make the installation of small net metering systems much easier for non-R1/R7 customers. Since one of the criteria is the generation facility's capacity cannot be more than 2% of the customer's BLC, Idaho Power contends that it is unlikely that a customer exercising this option would ever have excess net generation. However, if such were the case, under the Company's proposal excess energy would not receive any net metering program financial credits.

Alternatives to Net Metering

Net metering customers with significant generation in excess of usage have other alternatives available under the Company's tariff to develop small-renewable energy projects. For non-firm energy generation, customers have the option to participate under Schedule 86, Cogeneration and Small Power Production Non-Firm Energy. For firm energy generation, qualifying facilities (QFs) are entitled to published avoided cost rates under PURPA. Therefore, if customers are not satisfied with a credit they receive through the net metering option, Idaho Power contends that the customers could apply to be a firm or non-firm qualified facility (QF) project.

COMMISSION DECISION

Idaho Power Company has filed an Application requesting revisions to its Net Metering tariff Schedule 84. The Company has provided all 26 net metering customers with individual notice of its proposed tariff revisions. A Company representative intends to make a follow up contact with each net metering customer by August 18, 2006 to answer any questions they may have. Idaho Power recommends that its Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Staff concurs in the Company's proposed procedure for processing its Application. Does the Commission agree that Modified Procedure is appropriate?

Scott Woodbury

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