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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
IDAHO POWER COMPANY FOR REVISION) **CASE NO. IPC-E-06-17**
OF SCHEDULE 84 – NET METERING)
)
)
) **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 August 31, 2006, submits the following comments.

BACKGROUND

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. Net metering for residential (Schedule 1; R1) and Small General Service (Schedule 7; R7) customers was first authorized by the Commission on February 13, 2002 (Order No. 29851). Net metering for all other retail customers was authorized approximately six months later (Order No. 29094).

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.

ANALYSIS

Idaho Power's View of the Net-Metering Problem

Idaho Power'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 because net metering allows Idaho Power to avoid some generation costs and perhaps some transmission costs, but few, if any, other costs. Furthermore, the Company contends, energy offered to customers by Idaho Power is firm, whereas energy provided to the Company by net metering customers is non-firm. The difference in value between firm and non-firm energy is not recognized under the Company's current net metering tariffs for Schedule 1 and Schedule 7 customers. For these reasons, Idaho Power does not believe that it recovers its full costs of providing service from net metering customers.

In its initial program offering in 2002, 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 and that as long as system wide participation was 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.

In its Application, Idaho Power cited examples of one residential customer who averaged excess generation of 12,076 kWh every month in 2005, and one small general service customer who averaged excess generation of 15,913 kWh 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, both for their generation that offset their consumption and for their generation that was in excess of their consumption.

Idaho Power believes the primary purpose of net metering is to allow customers to realize the value of their generation by directly and immediately offsetting part or all of their

energy consumption. The net metering program's current provisions immediately compensate customers for their generation. However, the Company contends that net metering is not intended to encourage generation in excess of consumption and believes that excess generation should not be priced at full retail rates.

Staff's View of Excess Generation by Net Metering Customers

Staff has always agreed that by paying or crediting net metering customers at full retail rates, the utility is compensating customers for more than the actual value of the generation, at least over the long term. Arguments in support of this position have been made on various occasions throughout the course of proceedings related to introduction of net metering programs and will not be repeated here.

Staff also acknowledges that some net metering customers are more than merely offsetting their usage, but instead are likely generating many times more than their actual consumption. However, Staff believes that it is important to keep the size of the problem in fair perspective. In the four years that net metering has been available, 27 Idaho Power customers are now participating. According to the Company's website, an additional 13 customers have pending requests for net metering generator interconnections. Attachment A is a summary showing the amount of monthly generation in excess of the customers' usage for each existing net metering project. The total cumulative capacity of the existing net metering projects is approximately 336 kW, and the total amount paid by Idaho Power for the projects' excess generation over the past 12 months was \$23,102. As shown on Attachment A, three customers had excess generation in every month, and in two of those cases, the excess generation greatly exceeded what would be expected for a typical residential or small commercial customer.

While the data support Idaho Power's contention that a problem exists, the facts also reveal that the problem seems to be caused by only two customers. Furthermore, from the Company and its ratepayers' perspectives, the problem is small given that a mere \$23,102 for excess generation was paid to all net metering customers in the past 12 months. Nevertheless, Staff agrees that the issue should be addressed since it is significant to those customers who choose to participate in net metering.

Idaho Power's Proposed Modifications to Pricing

Under Idaho Power's current net metering tariff, residential and small commercial customers who generate more than they consume are paid or credited full retail rates for the excess generation. Net metering customers in all other customer classes are paid or credited an amount per kWh equal to 85% of the most recently calculated monthly per kWh Avoided Energy Cost as defined in Schedule 84 (i.e., 85% of Mid-C). In its Application, Idaho Power proposes to pay customers in all classes the same 85% of Mid-C rate for excess generation. Coincidentally, the Company's Schedule 86, a tariff designed for purchase of non-firm generation from independent power projects, prices all generation at the same 85% of Mid-C price. Thus, for projects in which generation is the primary objective, there would be no incentive to try to disguise them as net metering projects in order to obtain higher rates.

Staff's Proposed Modifications to Pricing

Staff believes that the pricing modifications proposed by Idaho Power are reasonable, and recommends that they be approved. Net metering customers who do not generate more than they consume will be unaffected by the proposed change in pricing. Only the few net metering customers who generate far more than their consumption would be significantly impacted by the proposed pricing change. Customers who only generate small amounts more than their consumption will see only minor changes in their bills because 85% of Mid-C prices, on average, are not too much different than retail rates. In fact, Idaho Power calculated that it would pay \$5,923 less per year to its net metering customers collectively under its proposed pricing than under its existing pricing. Over 80 percent of that reduction in payment would be realized by only two customers.

Although Staff supports the proposed pricing change, Staff recommends an additional modification not proposed by Idaho Power. As stated earlier, Idaho Power believes that the primary purpose of net metering is to allow customers to realize the value of their generation by directly and immediately offsetting part or all of their energy consumption. Staff agrees that offsetting consumption should be the primary objective of net metering, but Staff maintains that the offsetting of energy consumption does not necessarily have to be immediate. Most net metering projects are either intermittent or seasonal or both, and the customer's generation pattern often does not match well with the customer's consumption pattern. Solar projects, for

example, might not be able to fully offset generation in winter months, but may be able to more than offset consumption in summer months. Similarly, wind projects may more than offset consumption in some seasons, but not in others. Because of this, Staff proposes that Schedule 84 be modified so that generation that exceeds consumption be measured on an annual, rather than a monthly, basis for all net metering customers in all customer classes. If, at the end of each year, a net metering customer has recorded more generation than consumption, Staff proposes that the excess generation be priced at 85% of the average annual Mid-C rate for non-firm energy.

Some utilities, Avista is the only example in Idaho, credit net metering customers' excess generation at full retail rates on the customers' next monthly bill, but customers forfeit all unused credits at the end of the 12-month billing cycle. This approach accommodates projects with seasonal and intermittent generation, but discourages them from installing systems much larger than needed to offset their usage on an annual basis. The approach proposed by Staff accomplishes a similar objective, but does not require excess kWhs to essentially be given to the utility for free at the end of the year. Under Staff's proposal, all kWhs are presumed to have value.

Alternatives to Net Metering

Idaho Power notes in its Application, and Staff believes it is worth repeating, that net metering customers with significant generation in excess of usage have other alternatives available under the Company's tariffs 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 the Public Utility Regulatory Policies Act of 1978 (PURPA). Therefore, if customers are not satisfied with a credit they receive through the net metering tariff, they could apply to be a firm or non-firm PURPA QF project.

Staff believes it is also worth noting that Idaho Power's Schedule 84 is a net metering tariff, not a contract. As such, there is no guarantee to customers that the rates, terms and other conditions it now contains will remain unchanged forever, or even that the tariff itself will remain in place. It is unrealistic to expect tariffs to never change. Schedule 84 customers who desire a commitment with certain fixed rates and terms and who can provide a firm product can

sign a PURPA contract as an alternative to net metering under Schedule 84 or non-firm energy sales under Schedule 86.

Proposed Ratemaking Treatment

Idaho Power proposes that excess generation provided by Schedule 1 and Schedule 7 net metering customers 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. Staff has no objection to this proposed ratemaking treatment, provided the Commission approves the proposed change in pricing.

Modifications to Metering Requirements

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 installing a small net metering system. To eliminate this barrier, the Company is proposing that all energy received and delivered by the Company could be through the single existing retail meter 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. (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.). This one-meter option, the Company contends, would make the installation of small net metering systems much easier for non-R1/R7 customers. Because one of the criteria is that 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 because non-R1/R7 customers require demand meters that do not have the bi-directional capability needed for single meter net metering installations. In order to participate in net metering, these customers would need to have two separate meters installed.

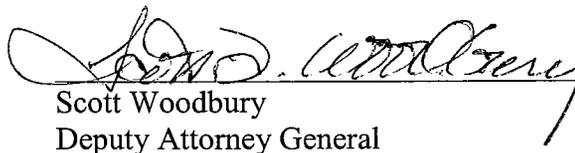
Staff has no objection to eliminating the requirement for a separate meter for all non-R1/R7 customers. Staff believes that a single meter should be used for net metering whenever reasonably possible.

RECOMMENDATIONS

Staff recommends that Idaho Power's request to price excess net metering generation at 85% of Mid-C for all customers classes be approved. Staff recommends, however, that excess generation be measured on an annual, rather than a monthly basis for all net metering customers. Under this approach, monthly excess generation would be credited at the full retail rate to the customers' next bill, and that at the end of each year, excess generation would be purchased at 85% of the average annual non-firm Mid-C rate.

Staff also recommends approval of Idaho Power's proposal to spread to all retail customers through the PCA mechanism all costs of excess generation provided by Schedule 1 and Schedule 7 net metering customers. In addition, Staff recommends approval of Idaho Power's proposal to revise metering requirements for non-R1/R7 customers.

Dated at Boise, Idaho, this 13th day of October 2006.


Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 13TH DAY OF OCTOBER 2006, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-06-17, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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