

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Consideration of)
Changes to Rocky Mountain Power's) DOCKET NO. 08-035-78
Schedule No. 135 - Net Metering Service) REPORT AND ORDER DIRECTING
) TARIFF MODIFICATIONS
)

ISSUED: February 12, 2009

SYNOPSIS

The Commission sets Rocky Mountain Power's cap for net metering cumulative generating capacity at 20 percent of the 2007 peak demand. The Commission determines Rocky Mountain Power's residential/small commercial net metering customers shall be credited for net excess generation based on a kilowatt-hour credit method, its other commercial and industrial net metering customers shall be credited for net excess generation based on either an avoided cost or average energy price calculation, its net metering customers will be subject to the minimum bill provision, and renewable energy certificates are deemed owned by the net metering customer or as otherwise agreed to or designated by the net metering customer.

By The Commission:

BACKGROUND AND PROCEDURAL HISTORY

On September 11, 2008, the Commission convened a duly noticed technical conference in Docket No. 07-999-08, "In the Matter of an Investigation of Net Metering." The purpose of the technical conference was to identify barriers to the implementation of net metering and to determine a process or processes for evaluation of issues identified by individuals which may result in the modification of utility tariffs. As a result of the issues raised in this technical conference, the Commission opened Docket 08-035-78, "In the Matter of the Consideration of Changes to Rocky Mountain Power's Schedule No. 135 - Net Metering Service" to consider changes to Rocky Mountain Power's ("RMP" or "Company") Schedule No.

135 -Net Metering Service (“Schedule No. 135”). On September 25, 2008, the Commission issued a Request for Comments and Notice of Technical Conference in which, pursuant to Utah Code §54-15-103(3), public comment was invited to be submitted by November 26, 2008, regarding establishing a higher amount of generating capacity from net metering customer generation systems than the current 0.1 percent of RMP’s peak demand during 2007 set pursuant to Utah Code §54-15-103(2)(a). The public was also invited to comment on the appropriate value of excess customer-generated electricity credits pursuant to Utah Code §54-15-104(3)(a)(i). On November 3, 2008, a technical conference was held to review the Company’s avoided cost rates and calculations.

In response to this notice the Commission received comments from approximately 30 parties including the Division of Public Utilities (“Division”), the Committee of Consumer Services (“Committee”), other governmental agencies (Salt Lake City Mayor Ralph Becker (“Salt Lake City”), Utah State Energy Program (“USEP”), Salt Lake County Mayor Peter Corroon (“Salt Lake County” or “County”), and Summit County Community Development Department), businesses (Renewable Energy Development Corporation, Cedar Storage Rentals, Solar Unlimited Energy & Homes, Inc. (“Solar Unlimited”), and MMA Renewable Ventures, LLC), special interest groups (Wasatch Clean Air Coalition, Interstate Renewable Energy Council (“IREC”), Utah Chapter of the American Institute of Architects, Utah Clean Energy (“UCE”), Western Resource Advocates (“WRA”), and Vote Solar Initiative (“Vote Solar”)), and over fifteen private citizens. On December 9, 2008, the Company filed a Response to Comments of Parties.

DOCKET NO. 08-035-78

-3-

After evaluation of these comments, on December 18, 2008, the Commission issued a Notice of Proposed Modifications and Notice of Hearing (“December Notification”) to determine whether the following changes to RMP’s Schedule No. 135 may be appropriate:

1. To:
 - a. Remove tariff language reference to a cap,
 - b. Implement a customer generated electricity cap or limitation at 20 percent of Rocky Mountain Power’s 2007 peak demand, and
 - c. Consider whether elimination of any cap can be done under existing statute or would require statutory change
2. To set the value or credit for net excess generation:
 - a. For residential and small commercial net metering customers from avoided cost to either a tariff provision using a kilowatt-hour credit or a tariff provision using a monetary value credit based on the customer’s applicable Rocky Mountain Power retail rate, which tariff provision would be applied to all such customers, and
 - b. For large commercial customers from avoided cost to a tariff provision permitting an annual individual customer choice between
 - i. an avoided cost based rate consistent with the Schedule 37 avoided cost determination, with a requirement that the Schedule 37 avoided-cost-net-metering-credit rate would be updated by Rocky Mountain Power at least semi-annually, which credit value would be available as a choice between a blended (yearly average) rate or seasonally differentiated rates, or
 - ii. an alternative rate, identified and updated annually in the tariff filed with the Commission, calculated by dividing Rocky Mountain Power’s Utah revenue per schedule (applicable to the net metering customer) by the schedule’s corresponding kilowatt-hours usage data from the previous year’s FERC Form No. 1,¹ and
 - c. Determine how to classify customers into the residential and small commercial and large commercial customer categories for these net metering provisions.
3. To add a tariff provision that in the event a net metering customer provides net excess generation during a month, that customer will not be subject to a minimum monthly bill fee.

¹Federal Energy Regulatory Commission Form No. 1: Annual Report of Major Electric Utilities, Licensees and Others

4. To add new tariff wording clarifying that renewable energy credits associated with excess generation are owned by the customer-generator or as otherwise agreed to or designated by the customer.

On January 12, 2009, a duly noticed hearing was held in which oral testimony on these issues was presented by the Company, the Division, the Committee, and the Utah Association of Energy Users (“UAE”). During the hearing, sworn public comment was received from Dixie Escalante Energy (“Dixie Energy”), IREC, UCE, and one private citizen. Unsworn public comment was received from Salt Lake City, Salt Lake County, Utah Solar Association, Wal-Mart and five private citizens. In addition, on January 12, 2009, the Intermountain CHP Application Center filed comments in support of the changes proposed in the December Notification, and Park City Municipal Corporation filed a document entitled “Comments for the Record of the January 12th Hearing” on behalf of three members of the building community, five local governments, one manufacturing business, two national corporations/organizations, three outdoor industry/tourism businesses, five renewable energy industry/clean energy organizations, two members of the religious community, and two small businesses (“Park City et al.”).² A summary of the comments, recommendations and Commission decisions on each of the issues under consideration during the January 12th hearing follows.

² The organizations represented by this letter are as follows: Kennecott Land Company, Gold Medallion Homes, McMullin Homes, Salt Lake City, Beaver County Economic Development, City of Moab, Park City, Town of Springdale, 3form, Shar Electronics Corporation Solar Energy Solutions Group, The Solar Alliance, Black Diamond Equipment Ltd, Petzl America, Inc., Park City Mountain Resort & Powdr Corporation, Gardner Engineering, Green Power Solutions Inc., Renewable Synergy LLC, Utah Solar Energy Association, MJH Power Consulting LLC, Director of the Utah Catholic Diocese Peace & Justice Commission, Utah United Religions Initiative, Alder Photo, and Packsize, LLC.

COMMENTS, RECOMMENDATIONS AND DECISIONS

Both in writing and at hearing many individuals stated their support for the changes outlined in the December Notification for a number of reasons including: the contributions of renewable energy to clean air, energy independence, the health and well-being of the citizens of Utah, and the health of the environment; the value of new renewable energy projects to economic development; the need to motivate, encourage, and incent renewable energy development in Utah; the need to remove barriers to renewable energy projects; recognition of the contributions of early adopters of renewable technology to future development; the difficulties in financing renewable energy projects; the contribution of renewable energy projects for managing business risk; and the need for the price of power to consider the external costs born by society associated with each energy source. The comments presented below are those which specifically address the issues under consideration.

I. Issue 1.a.

Eliminate tariff language reference to a cap.

A. Comments of the Parties

In its written comments and at hearing the Company indicates it is not opposed to the elimination of any reference to a cap in its tariff. The Company affirms it will abide by the Utah Code and rules of the Utah Public Service Commission and maintains removing the numerical reference to the cap will eliminate the necessity of a tariff change if the Commission exercises its authority under Utah Code §54-15-103(3)(a).

Wal-Mart and Park City et al. support removal of a reference to a cap in the tariff. UCE also supports removing the reference to a total generating cap in the net metering tariff if it is felt the statute does not allow for elimination of the cap. When questioned whether these two items were mutually exclusive, UCE testifies regardless of whether the cap is in an order or in a tariff, it should be large enough to send a signal to industry encouraging net metering in Utah.

B. Discussion and Conclusions

We agree with the parties specifically commenting on this issue. It is appropriate to eliminate any reference to a net metering generating capacity cap in the Company's tariff since ultimately the statute and our decisions on this matter prevail. Removing this reference will eliminate the need to revise the tariff in the event of future changes to the established cap. We direct the Company to remove the reference to the cap on net metering from its tariff.

II. Issue 1.b.

Implement a customer generated electricity cap or limitation at 20 percent of Rocky Mountain Power's 2007 peak demand

A. Comments of the Parties

The Company indicates 0.1 percent of 2007 peak demand³ as specified in RMP's Schedule No. 135 is 4,615 kilowatts. In contrast, the amount of the Company's enrolled capacity for net metering in Utah was 540 kilowatts as of October 31, 2008, and 656 kilowatts (representing approximately 320 customers) as of December 31, 2008. The Company further indicates a one percent cap would raise the net metering capacity to 46,150 kilowatts, which is

³0.1 percent of 2007 peak demand equates to one kilowatt of net metering generating capacity per one megawatt of 2007 peak demand.

significantly above the 656 kilowatts currently on the system. The Company does not believe there is a need to increase the existing cap but would not be opposed to a reasonable increase. The Company does not recommend a specific cap, but opposes a 20 percent cap as it gives the impression of a target.

The Company concurs with the notion of removing the cap and then revisiting the issue at a future time if the volume of net metering customer-generated electricity becomes burdensome. In response to a question regarding whether the one percent cited by the Company is based on studies or engineering concerns or whether it is simply reasonable, the Company responds there are engineering concerns, 20 percent is a very high cap and one percent seems more reasonable. Further, the Company indicates the level at which a net metering facility may cause a problem on an individual circuit is generally either 10 percent or 20 percent of a circuit's aggregate generation capacity but the issue under discussion here is a state cap for the Company. With respect to a question regarding typical lead times for larger net metering projects, the Company states, for large renewable energy net metering projects in Oregon, the lead time from submittal of application to commencement of generation may be six months.

The Division recommends a compromise approach. Instead of raising the cap now, it proposes once participation in the net metering program reaches 80 percent of the existing cap, the Company would notify the Commission and include recommendations, observations or concerns regarding the net metering program. The Division believes the cap is currently a non-issue, given the current participation in the net metering program, but does not see any reason why the cap could not be raised modestly to accommodate potential growth. The

Division views a 20 percent cap as excessive. However, its opinion is not based upon engineering considerations.

The Division proposes it would be better for a smaller cap to be imposed and to let the Company come in on a regular basis and indicate the level of activity relative to the cap. In the event subsidies may exist, the Division maintains its cautious approach would minimize potential problems. When asked whether this approach would create a barrier with respect to the time-line for Company approval of new net metering projects, the Division responds its approach could present a timing barrier but the Company can surpass the cap voluntarily. In addition, if the Company had no concerns with the amount of net metering customer generation on either a specific circuit or the system in general, the Company could start the net metering application approval process concurrent with informing the Commission of the Company's status with respect to the cap. The Division also recommends the Commission adopt some minimal reporting requirements for the Company which would provide a convenient way of collecting and analyzing net metering data in support of the Division's recommendation on the cap.

The Committee does not see an urgent need to increase or remove the cap but does not object to a reasonable increase to the cap.

UAE is very supportive of a high cap, such as 20 percent, with a provision the Company notify the Commission in the event engineering constraints develop which would prohibit such development. UAE does not have any engineering rationale for its recommendation but believes it is prudent to err on establishing the cap as high as possible so as

to enable the market and customers to develop these systems. Wal-Mart concurs with UAE's comments on this issue.

Dixie Energy believes the 0.1 percent cap may be the correct level until the financial impacts of net metering on its other customers are better known. Dixie Energy presents two concerns regarding the level of the cap for net metering. First, with respect to a technical maximum, Dixie Energy maintains the Institute of Electrical and Electronics Engineers Standard 1547⁴ limits the interconnection of distributed generation capacity per individual circuit to a maximum of 10 percent without introducing stability problems. Second, Dixie Energy maintains the 0.1 percent cap was set on a financial basis until more experience is gained with renewables and the financial impact of net metering on a utility is known. Although Dixie Energy's cap is set by its governing authority, Dixie Energy is concerned a cap set for RMP will set precedent for other utilities.

Salt Lake City supports the changes proposed in the December Notification. Salt Lake City points out the current cap does not allow for the true investment in energy development as net metering projects take a long time to develop and it is not expected the cap can be changed quickly. Salt Lake City states it has been informed that major risks facing industries in Utah include determining the future cost of power and the uncertainty with respect to carbon taxes. Creating solar energy, in part, is helping businesses mitigate these risks.

IREC recommends removal of the cap if possible, but if a cap must be implemented IREC supports a 20 percent cap. IREC reports seventeen states currently have no

⁴IEEE 1547 - Standard for Interconnecting Distributed Resources with electric Power Systems

aggregate caps in place. IREC believes this approach has three very strong benefits: it maximizes private investment in energy capacity, maximizes growth in renewable energy, and fosters growth in in-state green jobs. IREC maintains there are two issues, technical and financial, which must be considered regarding the cap. The technical cap is affected by interconnection procedures and currently the Commission has a process underway to develop technical interconnection standards. IREC states the draft standards include a screen of 15 percent of a circuit's capacity which is the same number used by the Federal Energy Regulatory Commission ("FERC") in its Small Generator Interconnection Procedures and all of the state interconnection procedures with which IREC is familiar. Hawaii recently has removed any aggregate cap for net-metered systems and determined the only limitation should be the fifteen percent net metering capacity saturation level.

UCE supports either a 15 or 20 percent cap and believes it is important to send a strong message to industry that Utah is open for business, and wants net metering customers and solar energy dealers/installers to come to Utah. UCE maintains a one percent cap seems arbitrary unless it is backed up by some engineering reason. A 15 percent cap, however, is in line with the draft interconnection net metering rules.

Salt Lake County recommends making the cap as high as possible and supports the 20 percent level. Salt Lake County explains its current plan to install 10 megawatts of renewable generation capacity on County buildings which is being completed to incent solar residential and commercial applications outside of the County proper. Salt Lake County

indicates other municipalities are interested in following the County's financial models for this project. As a result, the County believes the cap will be reached fairly quickly.

Park City et al. supports a proposed cap of 20 percent of RMP's 2007 peak demand if current law precludes elimination of a cap. This reflects a vast improvement over the current 0.1 percent cap and will allow significantly more customers the option to install and net meter renewable energy systems.

Other individuals support raising the cap to various levels , e.g., anywhere from 1 to 20 percent, or raising the cap to 15 or 20 percent with the provision for re-evaluation. Some individuals questioned the need for any cap. One individual maintains if the cap were perceived to be something different so much the better for the state of Utah as Utah has a competitive disadvantage in terms of how it is perceived outside of the state with respect to renewable energy. Another individual proposed the 20 percent cap is in line with the recently enacted 2008 Senate Bill 202 – Energy Resource and Carbon Emission Reduction Initiative.

Solar Unlimited proposes a higher cap is appropriate if the calculation of the cap is based upon the rated capacity of a net metering customer-generation system (as opposed to the actual capacity). Solar Unlimited points out that for a net metering customer-generation system the renewable energy, by design, goes first to local consumption and then any excess will go back to the utility. Therefore most net-metered systems will net meter only 15 to 25 percent of their output and consequently a 2 kilowatt system might only net meter 300 to 500 watts yet its capacity contribution to the cap would be 2 kilowatts.

B. Discussion and Conclusions

First we must stress 54-15-103(2)(a) indicates 0.1 percent of the 2007 peak demand is the amount of cumulative generating capacity of customer generation systems in the net metering program before an electrical corporation may discontinue offering a net metering program to customers not already participating in the program. Whatever cap we select is not a target or a goal, rather it is simply a point at which the utility may discontinue the net metering program going forward. In addition, it is of paramount importance the public realize, regardless of our decision on this matter, that the amount of incremental generating capacity which a circuit may be able to accept without customer-funded circuit upgrades varies on a circuit-by-circuit basis, i.e., early adopters may have a distinct advantage over later adopters.

There is overwhelming support for raising the level of the cap to encourage net metering applications. In determining the level of the cap we consider both technical and financial concerns. Distributed or on-site generation is an important resource, but it must be implemented in a manner which does not adversely affect system reliability. The technical concern of reliability has long been addressed by RMP when processing interconnection requests and is the subject of our current ongoing interconnection rule development. As indicated by IREC, the FERC Small Generator Interconnection Standard addresses reliability concerns by limiting the amount of aggregate generation on a circuit to 15 percent. In addition, Solar Unlimited maintains most net-metered systems will net meter only 15 to 25 percent of their output, much less than the net metered system's rated capacity used in determination of its

capacity contribution to the cap. We conclude technical issues associated with net metering are already being addressed both by the Company and in various standards and rules.

Regarding financial concerns, to the extent the Company determines it is being adversely affected by net metering, IREC points out under Utah Code §54-15-105(1)(a) the Company has the ability to approach the Commission with information on both costs and benefits to address the issue. In addition, the financial aspect of net metering can be addressed in a general rate case. IREC concludes there are various avenues available to the Company to address adverse financial affects it may experience associated with net metering, and we agree.

Therefore, we find it is reasonable and advantageous to set the level at which the Company may discontinue making net metering programs available going forward at 20 percent of the Company's 2007 peak demand with the understanding the Company may at any time come forth with additional information regarding the effects of net metering on its system and the need for a different cap.

We also adopt the Division's recommendations on reporting requirements. As in our June 13, 2008, Order Approving Tariff With Certain Conditions in Docket 08-035-T04,⁵ we direct the Company to submit an annual net metering report, due by April 30th of each year, informing the Commission of the number of Utah net metering installations, the respective individual capacity of each installation, the total capacity of the Utah customer-generation as of the end of the annualized billing period, and any unforeseen problems or barriers in the tariff. In

⁵In the Matter of the Approval of Rocky Mountain Power's Tariff P.S.C.U. No. 47, Re: Schedule 135 - Net Metering Service

addition, we require the Company to submit any other relevant measure showing how close the program is to the designated net metering cap.

III. Issue 1.c.

Consider whether elimination of any cap can be done under existing statute or would require statutory change

A. Comments of the Parties

The Company defers this decision to the Commission. UAE believes no net metering capacity cap is needed practically, but legally one must be set as the statute indicates the cap is either 0.1 percent or some other number set by the Commission.

B. Discussion and Conclusions

The relevant sections of Utah Code Title 54 Chapter 15 - Net Metering of Electricity applicable to the evaluation of whether the elimination of any cap can be performed under existing statute or would require statutory change are as follows: Utah Code §54-15-103(2)(a) specifies a utility may discontinue making a net metering program available to customers not already participating in the program if the cumulative generating capacity of customer generation systems in the program equals at least 0.1 percent of the utility's peak demand during 2007; Utah Code §54-15-103(3)(a) specifies a governing authority may establish a higher amount of generating capacity from customer generation systems than 0.1 percent of the electrical corporation's peak demand during 2007 before a net meter program may be discontinued under Subsection (2); and Utah Code §54-15-103(3)(b) specifies the governing authority, before acting, shall provide public notice of its proposed action and an opportunity for public comment.

With these sections in mind, while the Company may voluntarily exceed the cap, Utah Code §54-15-103(3)(a) provides the Commission with the authority to establish an amount of generating capacity from customer generation systems higher than 0.1 percent of the 2007 peak demand before the net metering program may be eliminated. Utah Code Title 54 Chapter 15, however, does not provide the Commission the authority to eliminate the cap. We agree with UAE's interpretation that the cap cannot under the statute be eliminated, it can only be established by the Commission at a higher amount.

IV. Issue 2.a.

To set the value or credit for net excess generation for residential and small commercial net metering customers from avoided cost to either a tariff provision using a kilowatt-hour credit or a tariff provision using a monetary value credit based on the customer's applicable Rocky Mountain Power retail rate, which tariff provision would be applied to all such customers.

A. Comments of the Parties

In its written testimony the Company indicates it would support moving from the avoided costs identified in Schedule No. 37 – Avoided Cost Purchases from Qualifying Facilities (“Schedule No. 37”) to valuing the excess generation in kilowatt-hours if this methodology is used for both residential and non-residential customer classes. At hearing the Company testifies it supports moving to a kilowatt-hour for kilowatt-hour credit. For residential and small commercial customers, the Company indicates a kilowatt-hour for kilowatt-hour credit is simple, easy to explain to customers, and easy to administer as it is the same method used in other states. In addition, this method is compatible with the planned enhancements to the Company's

customer billing system which will perform an automated calculation where there will be less risk for errors.

The Division also recommends adopting a kilowatt-hour for kilowatt-hour credit for net excess generation. As the typical net metering customers are installing photovoltaic (“PV”) systems and those systems generate power at the most valuable times of the day, the net metering customers may be subsidizing other ratepayers in general by avoiding the highest energy cost. This, the Division believes, supports movement away from the current practice of paying avoided costs determined in Schedule 37 to residential customers. The Division clarifies, in general, retail rates as set in ratemaking reflect the average rate over the year, so for at least some hours the value of the energy coming from a PV system is going to be greater than the retail rate the customer pays. The Division testifies cross subsidization may occur between net metering and non-net metering customers but doesn’t know on balance the net effect. The Division recognizes and acknowledges externalities, such as the benefits of clean energy, clean air, health, etc. exist to a certain extent.

The Committee maintains the determination of an appropriate value of net metering excess customer-generated electricity other than that determined by the currently approved method requires more information than the Committee currently possesses. Such information may be more readily available at the conclusion of the solar incentive pilot program. The Committee believes any changes to Schedule No. 135 must maintain the following three policy objectives which provide important consumer protections: 1) Costs of the program paid by non-participating customers within their rates are not greater than the value they receive;

2) Net metering participants pay their share for the infrastructure required to operate Rocky Mountain Power's system; and 3) Net metering payments do not provide sufficient enticement to oversize customer generation systems beyond offsetting part or all of the customer's requirements for electricity. The Committee believes its policy objectives represent the intent of the Public Utility Regulatory Policies Act and net metering customers should receive a fair value for their excess generation, but not one that is overpriced.

Dixie Energy testifies solar generation essentially drops off at 4 p.m., but that its summer peak hours are consistently between 5 p.m. and 7 p.m. Therefore solar energy does not help Dixie Energy address its peak.

IREC and UCE recognize the Company's desire for administrative ease and efficiency and therefore support the Company's recommended kilowatt-hour credit for excess customer generated electricity for residential and small commercial customers. Park City et al. supports the recommendation to value excess generation for residential and small commercial net metering customers at their full retail rates. Park City et al. comments that renewable energy generated without harmful emissions and available for on-site consumption is increasingly valuable for numerous reasons and would like to see citizens and businesses adequately rewarded for the benefits they provide to the grid, the environment, and the economy.

USEP supports the valuation of excess generation at the kilowatt-hour value of the customer's retail rate. USEP recognizes in order for net metering policies to be successful excess generation compensation must be priced correctly. If the value of excess customer-generated electricity is set too low, the participation level in a net metering program will not

make a significant impact from a demand-side management perspective; low prices will not incent investment in distributed generation systems. However, if the value of excess customer-generated electricity is set too high, subsidization of distributed generation systems may occur. USEP maintains subsidization of distributed generation goes beyond what net metering is trying to accomplish, which is limiting consumption of electricity by the customer, not encouraging the creation of small merchant generation companies.

Vote Solar indicates studies in other states have established high values for excess energy from distributed generation solar systems. For example, Austin, Texas found the value of solar to be approximately nine cents per kilowatt-hour, including avoided energy purchases, reduced peak demand consumption, avoided investment and operating costs in peaking plants, and transmission line loss savings. Several individuals commented the cost of power generated from coal does not consider health or environmental externalities which are subsidized by everyone. One individual testified a recent study indicates the real cost of coal-fired power generation, including health and environmental costs, is \$0.25 per kilowatt-hour, and further indicated California is paying \$0.15 per kilowatt-hour and Germany is paying \$0.25 per kilowatt-hour. Other parties point out distributed generation is a more secure and efficient source of energy, and avoids installation of new transmission lines and taking up land which is not already in use.

B. Discussion and Conclusions

Parties, including the Company, have offered many reasons why residential and small commercial net metering facilities should receive a kilowatt-hour credit for any monthly

net excess generation. These reasons include the kilowatt-hour credit method would support program administrative ease, is simple to explain and easily understandable, is used in other states (especially those in which the Company operates), is suitable for implementation in the Company's modified billing system, and recognizes the real value of renewable power. We agree with these reasons.

We also observe there are protections in place for both the Company and ratepayers which help support the kilowatt-hour credit for net excess generation. First, the Company has the ability to be made whole for the net metering program as it is operated today. Second, even though the program was implemented in 2002, it is still relatively small and all parties involved are on the learning curve. To the extent the program is small, with proper reporting it is possible to identify shortcomings and to refine the program in the early stages of implementation. In addition, Utah Code §54-15-102(12) permits a net metering customer to generate electricity primarily for the customer's own use. This provision and the provision associated with the annualized billing period as stated in Utah Code §54-15-104(3)(a)(ii) will encourage the "right" sizing of customer generation systems in this program. Otherwise it would be more advantageous for a customer to execute a qualifying facility agreement with the Company through Schedule No. 37 – Avoided Cost Purchases from Qualifying Facilities ("QF"). The Company supports the kilowatt-hour credit method and other parties assert this method is reasonable. We agree and direct the Company to modify its Schedule No. 135 to reflect this decision by April 1, 2009.

V. Issue 2.b.

To set the value or credit for net excess generation for large commercial customers from avoided cost to a tariff provision permitting an annual individual customer choice between

- I. an avoided cost based rate consistent with the Schedule 37 avoided cost determination, with a requirement that the Schedule 37 avoided-cost-net metering-credit rate would be updated by Rocky Mountain Power at least semi-annually, which credit value would be available as a choice between a blended (yearly average) rate or seasonally differentiated rates, or**
- ii. an alternative rate, identified and updated annually in the tariff filed with the Commission, calculated by dividing Rocky Mountain Power's Utah revenue per schedule (applicable to the net metering customer) by the schedule's corresponding kilowatt-hours usage data from the previous year's FERC Form No. 1.**

A. *Comments of the Parties*

The Company recommends the same kilowatt-hour credit mechanism for large customers as it proposed for residential and small commercial customers. The Company does not support the option of an avoided cost rate or an alternative rate as this option makes the program more difficult to administer and explain to customers. The Company believes the options proposed in writing by the Division, UCE, and WRA are available through the Company's QF Schedule No. 37. In addition, no other state in which the Company operates uses this method. Finally, this method would require manual billing and the Company's goal is to eliminate manual billing.

The Company emphasizes customers on Schedule No. 6 – General Service Distribution Voltage (“Schedule No. 6”) and Schedule No. 8 – Large General Service – 1,000 kilowatts and Over – Distribution Voltage (“Schedule No. 8”) are large and their systems would have to generate many hundreds of kilowatt-hours to be able to have net excess generation which the Company believes is not likely. The Company maintains valuing credits at the retail energy

rate is much simpler, less burdensome to administer and less confusing than the current process of valuing excess generation at avoided costs, calculating dollar credits on monthly bills, and explaining the avoided cost methodology and calculations to customers. In addition, the Company will have the ability to utilize planned enhancements to its customer billing system for preparation of monthly net metering bills if the retail rate is utilized for excess generation credits. This will reduce administrative expense and the risk of errors in bill calculations.

The Division recommends commercial customers be given a choice between a kilowatt-hour credit or the avoided cost rate. The Division notes unless a customer produces power coincidentally with its peak or the time period upon which its demand charges are based, it will not receive the full value of their net metering excess generation. While the Company has pointed out customers have the option of becoming a QF, the Division is not sure this option addresses completely the issues regarding demand charges for commercial customers and the value of their net metering systems.

UAE, IREC, UCE, Salt Lake County and many individuals support valuing net metering excess customer-generated electricity as proposed in the December Notification as these rates would provide fair compensation. UAE does not believe a one-for-one kilowatt-hour credit adequately compensates commercial and industrial customers who pay a demand charge and argues for paying these customers at a full tariff rate as proposed in the FERC Form No. 1 method presented in the December Notification. UAE supports not making anything more complicated than it needs to be but believes this billing complication is worthwhile to incent the installation of solar panels on commercial and industrial facilities. Wal-Mart believes customers

should be given a choice and serious consideration should be given to removing any barrier that might exist.

UCE recommends excess customer-generated electricity be valued as closely to the system value as possible. UCE points out the Company has indicated it has significant supply-side resource needs and net metering customers have the potential to help meet these needs with valuable low or no-carbon resources. Distributed renewable energy resources require a significant up-front investment so it is very important to value excess generation as closely to its value to the system as possible. UCE maintains large commercial customers face a disincentive for investing in on-site generation given the nature of the demand charges. Further, UCE suggests the issue of demand and energy charges and their impacts on distributed generation financing should be addressed in current and future rate design dockets. Other individuals support the valuation of excess customer-generated electricity for larger commercial and industrial customer provided in the December Notification as it recognizes the contributions of early adopters.

As stated above for residential and small commercial customers, the Committee believes any changes to Schedule No. 135 must maintain the following three policy objectives which provide important consumer protections: 1) Costs of the program paid by non-participating customers within their rates are not greater than the value they receive; 2) Net metering participants pay their share for the infrastructure required to operate Rocky Mountain Power's system; and 3) Net metering payments do not provide sufficient enticement to oversize

customer generation systems beyond offsetting part or all of the customer's requirements for electricity.

IREC points out the energy charge on the schedules for larger customers is about two to three cents per kilowatt-hour. On a kilowatt-hour credit basis these customers would receive two to three cents in terms of value of the credit despite the fact the energy is worth considerably more to Rocky Mountain Power. Further, IREC indicates it is easy to identify the numbers in the FERC Form No. 1 thereby assisting with the administrative efficiency of implementing this choice. In addition there are fewer customers which fit this category compared to the residential and small commercial category.

Vote Solar maintains other benefits of distributed solar generation include: peak demand reduction, avoided generation fuel cost, avoided transmission and distribution upgrade costs, avoided transmission and distribution losses, energy security, fuel diversification, and compliance and economic benefits. Salt Lake City requests the Commission determine rates which are fair for larger industries. Park City et al. is supportive of a Commission decision allowing large commercial customers to receive full value for any excess generation they provide to the grid and support providing this class of customers the option to identify the most equitable means to value any excess generation they provide.

B. Discussion and Conclusions

We appreciate the Company's concerns regarding consistency and ease of administration with respect to this issue. However, we find large commercial and industrial customers paying demand charges would be inadequately compensated under the Company's

proposal of a kilowatt-hour credit for excess generation. The Company indicates customers on Schedule Nos. 6 and 8 are large customers and their systems would need to generate many hundreds of kilowatt-hours in order for them to accrue excess generation. Be that as it may, at this point we prefer not to impose a barrier, either actual or perceived, to the development of these larger systems. We agree with parties the larger commercial/industrial customers must be fairly compensated for excess generation and we find the wording in Section 2.b of the December Notification accomplishes this objective with one minor exception relating to the frequency of updating Schedule No. 37.

In order to implement this change we direct a technical conference, led by the Commission, with participation by the Company, the Division, and other interested parties, to discuss details associated with the FERC Form No. 1 method such that initial rates based on this method will be approved and available by July 1st of this year and updated in subsequent years. Consistent with the updating requirements for the FERC Form No. 1 method, we also require the Company to update the avoided cost pricing in Schedule No. 37 annually, concurrent with the approval and establishment of rates for larger commercial and industrial customers based on the FERC Form No. 1 method. We note our decisions on this issue may necessitate the Company to impose reasonable requirements on the frequency or timing with which a large commercial or industrial customer may select its net excess generation compensation method and direct the Division to review and comment on any such proposal.

VI. Issue 2.c.

To determine how to classify customers into the residential and small commercial and large commercial customer categories for these net metering provisions.

A. Comments of the Parties

The Company points out changes to Utah Code §54-15-102(3)(a)(iii) enacted in 2008 Senate Bill 84 limit customer generation systems to those operated in parallel and interconnected with the electrical corporation's distribution facilities. Therefore those customers receiving electric service directly from transmission delivery points of 46,000 volts or higher (i.e., Schedule No. 9 customers) are not eligible for net metering.

UAE and IREC recommend using existing schedules to determine residential, small commercial, and other commercial customers. On the delineation between small and large commercial customers, IREC believes administrative ease is facilitated by delineated net metering customers based on their eligibility for the Company's commercial tariffs. Small commercial customers are those receiving service under Schedule No. 23 – General Service – Distribution Voltage – Small Customer (“Schedule No. 23”) and large commercial customers include those taking service under Schedule Nos. 6 and 8.

B. Discussion and Conclusions

We agree with parties, hence all residential schedules should be considered residential, Schedule No. 23 and Schedule No. 23B – General Service – Demand Time-of-Day – Distribution Voltage should be considered small commercial, and Schedules Nos. 6, 6A – General Service – Energy Time-of-Day Option, 6B – General Service – Demand Time-of-Day Option, and 8 should be considered large commercial. We observe no party, however, makes

recommendations with respect to Schedule No. 10 – Irrigation and Soil Drainage Pumping Power Service (“Schedule No. 10”). Absent testimony on this issue and based on our review of Schedule No. 10, we conclude net metering under Schedule No. 10 should be classified in the large commercial customer category for compensation for excess customer-generated electricity. Also, while not the subject of our inquiry in this docket, we received comment in this case questioning the appropriateness of the annualized billing period in the net metering statute (i.e., April 1 through March 31 of the following year) for irrigation applications. One individual recommended perhaps a November 1ST end-date for the annualized billing period could be implemented for irrigation customers to promote investment in solar generation. We encourage parties participating in this docket to evaluate this issue and propose, if appropriate, necessary changes to the net metering statute during current or upcoming legislative sessions.

VII. Issue 3.

To add a tariff provision that in the event a net metering customer provides net excess generation during a month, that customer will not be subject to a minimum monthly bill fee.

A. Comments of the Parties

The Company recommends the minimum billing provision be applied to net metering customers who generate excess kilowatt-hours in a given month. The Company states the minimum bill⁶ recovers costs associated with serving a customer even when this customer has very little or no usage during a given month. In addition, these costs to serve net metering customers are greater than non-net metered customers. For example, the single phase meter used

⁶The minimum bill for customers taking service under Schedule No. 1 - Residential Service is \$3.67 for single-phase service and \$11.01 for three-phase service.

by the Company is \$35 for regular customers and \$125 for net metered customers. The Division, Dixie Energy, and USEP support the Company's recommendation.

IREC and UCE oppose applying a minimum bill to net metering customers because of the benefits distributed renewable energy provides to the system. IREC agrees there are costs associated with net metering, but that there are also significant benefits associated with net metering. IREC references the studies UCE has entered into the record which discuss and quantify these benefits. IREC states the identified benefits include avoided generation capacity costs, avoided transmission capacity costs, avoided distribution capacity costs, avoided energy charges, avoided line losses, and reduced load on transformers which improve the life of equipment. These are the benefits distributed generation customers bring to the utility and its other ratepayers, and these benefits are based on the distributed generation customer's own private investment. These benefits are sufficient to warrant no minimum bill being applied.

From a financial standpoint, IREC points out Utah Code §54-15-105 allows Rocky Mountain Power to come forward with a request for approval by the Commission of additional charges in which the Company demonstrates there are direct costs associated with net metering which exceed the benefits of net metering. At this point, IREC argues the necessary studies have not been completed so it seems inappropriate to apply the minimum billing provision to net metered customers who provides net excess generation during a month.

One individual recommends net metering customers not be subject to the minimum monthly bill provision in the event they provide excess generation during a month. Another individual states customers who have implemented renewable energy generation

systems on their homes or businesses have no problem paying a minimum fee as long as it is not exorbitant.

B. Discussion and Conclusions

Even though a net metering customer provides net excess generation in any given month, we agree with the Company a net metering customer still imposes costs on the Company independent of the customer's consumption or generation. While parties indicate the benefits associated with net metering, in our view these benefits are not related to the costs recovered by the minimum bill. In addition, if the cost of the net metering program is allocated among the Company's entire customer base, Utah Code §54-15-105(2) allows the Company to charge customers participating in the net metering program for costs to the same extent the Company charges customers not participating in the program. Therefore, we find it reasonable to apply the minimum bill to net metering customers who provide net excess generation during a month and direct the Company to continue using the current minimum bill for all customers.

VIII. Issue 4.

To add new tariff wording clarifying that renewable energy credits associated with excess generation are owned by the customer-generator or as otherwise agreed to or designated by the customer.

A. Comments of the Parties

The Company recommends the Commission not adopt this tariff-wording change at the current time, stating this issue can be addressed at a later date when more information is available. The Company contends there has been significant Company internal discussion on

this issue, the Company currently does not take Renewable Energy Certificates (“RECs”), and there is a lot of activity with respect to RECs occurring at the present time.

With the exception of the Company, however, all others commenting specifically on this issue support the tariff provision proposed in the December Notification addressing the ownership of RECs for the following reasons: RECs are an important part of making any type of renewable investment possible, particularly for the larger commercial customers where finances and economics dictate whether these projects will go forward; certainty of REC ownership is important for financing; RECs are one of the tools which can make installation of customer generation work as every penny counts in the economic evaluation; RECs are important for offsetting some of the costs of the systems which makes them more feasible; customer investment in a renewable energy system entitles the customer generator to full ownership of those RECs; and RECs are necessary to enter into forward contracts.

UAE strongly supports a tariff provision stating the RECs belong to the customer unless they are bought at fair value and in a voluntary way. UAE points out the Company’s normal demand-side management (“DSM”) contract requires the customer to transfer RECs to the Company. UAE believes this is in violation of the statute passed one year ago and is also against public policy. If the Commission determines in this proceeding that net metering contracts enable the customer to keep the RECs, UAE proposes the DSM contracts should be changed to reflect the same philosophy.

UCE supports inclusion of this language addressing the ownership of RECs for excess generation and hopes the language would apply to all generation from the system, not just

excess generation. Solar Unlimited alternatively proposes the ownership of RECs should be negotiated between the customer and the Company in exchange for different levels of rebates, (i.e. short-term ownership of the RECs for a smaller rebate and long-term ownership for the RECs for a larger rebate) as has been adopted in Arizona.

B. Discussion and Conclusions

The disposition of RECs is not addressed in Utah Code Title 54 Chapter 15. Overwhelming testimony has been provided showing REC ownership is an important component of financing renewable energy projects. In light of the fact net metering customers will, for the most part, be providing their own financing for these projects, we find it reasonable to adopt tariff language clarifying all RECs generated by a customer generation system are owned by the customer or as otherwise agreed to or designated by the customer. We direct the Company to incorporate this change into Schedule No. 135.

We also recognize the valuation of RECs and the ability of small generators to register their RECs with some qualified entity, such as Western Renewable Energy Generation Information System (“WREGIS”), are important issues. We encourage parties to continue to take part in the discussions on these issues through participation in WREGIS or other groups.

ORDER

Wherefore, pursuant to our discussion, findings and conclusions made herein, we order:

- 1) Revisions to Rocky Mountain Power’s net metering program and net metering tariff shall reflect the determinations and the decisions contained

DOCKET NO. 08-035-78

-31-

in this Order. The Division shall review the tariff revisions for compliance with the terms of this Order.

- 2.) Reports shall be provided and other requirements shall be conducted as ordered herein.

DATED at Salt Lake City, Utah, this 12th day of February, 2009.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#60775