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ACTION REQUEST RESPONSE

To: Public Service Commission of Utah
Ted Boyer, Chair
Ric Campbell, Commissioner
Ron Allen, Commissioner

From: Utah Division of Public Utilities
Phil Powlick, Director
Artie Powell, Energy Section manager

Date: March 25, 2009

Subject: Docket No. 09-035-T03, Proposed Changes to Electric Service Schedule 135 in Compliance with Commission Order (Docket No. 08-035-78); PacifiCorp Advice No. 09-03 Net Metering Service

ISSUE

On or about March 16, 2009, Rocky Mountain Power (“Company”) filed proposed changes to Electric Service Schedule 135, Net Metering, in response to the Public Service Commission’s order dated February 12, 2009, in Docket 08-035-78 (“Order”). Also on March 16, 2009, the Public Service Commission (“Commission”) issued an Action Request to the Division of Public Utilities (“Division”) requesting the Division review the Company’s application for compliance with the Commission’s Order.

RECOMMENDATION

The Division has reviewed the Commission's Order and the Company's application and proposed changes to Schedule 135. In general, the Division found the Company's proposed tariff consistent with the Commission's order. However, the Division makes three recommendations. First, the Division found the Company's language in Paragraph 2.A of the proposed tariff describing compensation for Residential and Small Commercial customers to be confusing, and recommends alternative language. Second, to avoid any future confusion over the application of the minimum bill, the Division recommends that the Commission instruct the Company to include language clarifying that the appropriate minimum bill will apply to net metering customers who provide excess net generation in a month. The Division recommends language to this effect. Third, the Division recommends removing a reference to the year "2009" in Paragraph 2.B.iii of the proposed tariff.

DISCUSSION

In response to certain issues raised in Docket 07-999-08, the Commission opened Docket No, 08-035-78, "In the Matter of the Consideration of Changes to Rocky Mountain Power's Schedule No. 135-Net Metering Service," and solicited comments from interested parties. Approximately 30 parties, including the Division, the Committee of Consumer Services ("Committee"), other government agencies, and various private and special interest groups filed comments and recommended changes to the Company's Schedule 135. On February 12, 2009, the Commission issued its order in Docket No. 08-035-78 ordering specific changes and additions to the

Company's current Schedule 135 and net metering program. Of these changes, six potentially apply to the tariff language in Schedule 135:

1. References to a specific Program Cap are to be removed from the tariff¹;
2. For residential and small commercial customers, tariff language should be modified to reflect the kilowatt-hour credit method for net excess generation;
3. For large commercial customers, tariff language should be modified to reflect a choice of either (i) an avoided cost based rate consistent with Schedule 37 or (ii) an alternative rate based on the revenue from the customer's applicable schedule divided by the schedule's corresponding kilowatt-hours usage data as reported in the previous year's FERC Form No. 1;
4. Add language to classify customers into residential, small commercial, and large commercial customer categories reflecting these net metering provisions;
5. Continue to apply the minimum bill to net metering customers who provide net excess generation during a month; and
6. Add language clarifying that all Renewable Energy Credits ("RECs") generated by a customer generation system are owned by the customer.

¹ The Commission also ordered the Company to increase the program cap from 0.1% to 20% of the Company's 2007 peak Demand and to report annually (by April 30th) on the program's status. However, since the Commission orders the removal of references to the specific cap from the tariff language, and since the reporting requirement is not part of the tariff, these two changes are not discussed in this memo.

(1) Eliminate Tariff Language Reference to a Cap

The Commission ordered the removal of language from the tariff referencing the current program cap of 0.1% of the Company's 2007 peak demand. This cap, which equals approximately 4,615 kilowatts, is referenced on page one (Sheet No. 135.1) of the current tariff. The Company has deleted this language from the proposed tariff. Thus, the Division finds the Company's proposed tariff complies with the Commission's order on this issue.

(2) Modify Language to Reflect Kilowatt Hour Credit for Residential and Small Commercial Customers

The Company proposes modifying the language of Paragraph 2 to reflect the Commission's order. Specifically, the Company proposes modifying the language of Paragraph 2 of the current tariff to read,

2. If the energy supplied to the Company is greater than the energy supplied by the Company, the Customer shall be billed for the appropriate monthly charges and shall be credited for such Net Metering Energy as follows:
 - A. A Residential and Small Non-Residential Customer shall be credited for such net energy with a cumulative kilowatt-hour credit to be applied at the full retail rate of the customer's rate schedule for service for each rate component on the bill that uses kilowatt-hours as the billing determinant on the customer-generator's next monthly bill.

While it appears that this language may be consistent with the Commission's order, the Division finds the language in Paragraph 2.A confusing. The Division recommends replacing the Company's proposed Paragraph 2.A with

A Residential and Small Non-Residential Customer shall be credited for such net energy with a cumulative kilowatt-hour

credit. The credit will be deducted from the customer's kilowatt-hour usage on the customer's next monthly bill thus offsetting the customer's next monthly bill at the full retail rate of the customer's rate schedule.

The Division also notes the Company's use of the phrase "Non-Residential Customer" in the proposed tariff as opposed to "Commercial Customer" used by the Commission in its Order to distinguish between residential and other customers. The Company's proposed language potentially avoids any confusion with other instances of customer classifications using the phrases "Small Commercial" or "Large Commercial." The Division finds this language exception acceptable. Thus, with the adoption of the alternative language for Paragraph 2.A, the Division concludes that the Company's proposed tariff complies with the Commission's order on this issue.

(3) Modify the Language to Allow Large Commercial Customers a Choice Between an Avoided Cost Credit Consistent with Schedule 37 or a Credit Based on the Ratio of the Revenues from the Customer's Applicable Schedule and the Schedule's kilowatt-hours as Reported in the Previous Years FERC Form No. 1

The Company's proposed modified language is in Paragraphs 2.B., 2.B.i, 2.B.ii, and 2.B.iii. The Division finds that the Company's proposed modified language is generally consistent with the Commission's order. The Division notes that the proposed language in paragraph 2.B.iii references an availability date for the FERC Form No. 1 of July 1, 2009. Namely,

- (iii) An average retail rate for the Electric Service Schedule applicable to the net metering customer as calculated from the previous year's Federal Energy Regulation Commission Form No. 1 to be determined and available by July 1, 2009.

The Division recommends striking the reference to the year (2009). Alternatively, the Company could add language after the phrase “July 1, 2009” to clarify that in subsequent years, the FERC Form No. 1 data will be available by July 1. For example, “and by July 1st of every subsequent year.”

The Division also notes that the Company adds language to the end of Paragraph 2 allowing Large Commercial, or Large Non-Residential, customers to change the compensation method once per year at the beginning of the annualized billing cycle. The Division finds this language acceptable and consistent with the Commission’s order. Thus, with the slight modification recommended herein, the Division finds the Company’s proposed language consistent with the Commission’s order on this issue.

(4) For Purposes of the Net Metering Provisions, Classify Customers as Either Residential, Small Commercial, or Large Commercial Customers

For purposes of the net-metering provisions, the Commission instructed the Company to classify customers as either residential, small commercial, or large commercial. The Company proposes language to this end on page 2 (Sheet 135.2) of the proposed tariff. Each of the classifications is consistent with the Commission’s order. Namely, Schedules 1, 2, and 3 are classified as Residential; Schedules 15, 23, and 23B are classified as Small Non-Residential; and Schedules 6, 6A, 6B, 8, and 10 are classified as Large Non-Residential.

Although the Commission order does not address the classification of Schedule 15, the Division notes that the Company classifies Schedule 15 – Outdoor Nighttime Lighting Service, Traffic and Other Signal Service Customer-Owned System – as Small

Non-Residential. Given the similarities between the structure and rates of Schedule 15 and Schedule 23, this classification seems reasonable. For example, Schedule 15 has an Annual Facility Charge, whereas Schedule 23 has a Power Charge, both of which are per kW charges. Both schedules have similar monthly fixed customer charges. And both schedules have energy charges, although Schedule 23 has declining block rates, whereas Schedule 15 has a single rate that is approximately equal to the second tier rate for Schedule 23. In general, the Division finds the Company's proposed language consistent with the Commission's order on this issue.

(5) Application of the Minimum Bill to Net Metering Customers

The Commission ordered the Company to apply the current minimum bill to net metering customers who supply net excess generation in a month. Although the Company's proposed tariff does not address this issue specifically, it is implicit in language of the proposed tariff. For example, on page 2 (Sheet No. 135.2), the proposed tariff reads in part,

MONTHLY BILL: The Electric Service Charge
shall be computed in accordance with the monthly Billing
in the applicable standard service tariff.

While this language may be adequate, in order to avoid any future confusion, the Division recommends that the tariff express explicitly that the minimum bill applies to net metering customers who provide excess net generation in a month. For example, the Company could add language to the end of Paragraph 2 stating, "In no case will the customer's monthly bill be less than the applicable minimal bill for the customer's rate schedule.

(6) Ownership of Renewable Energy Certificates

The Commission orders the Company to adopt language clarifying that the net metering customer owns all RECs generated by a customer's generation system. The Company proposes language in Paragraph 7 of the proposed tariff to this effect. Thus, the Division finds that the Company's proposed tariff is consistent with the Commission's order on this issue.

CONCLUSION

In its order, dated February 12, 2009, in Docket No. 08-035-78, the Commission ordered the Company to adopt language modifying Schedule No. 135. In general, the Division finds the Company's proposed tariff consistent with the Commission's order. However, the Division recommends three changes to the language proposed by the Company. With the adoption of these changes, as discussed herein, the Division finds the Company's proposed tariff consistent with the Commission's order in Docket No. 08-035-78 and recommends its approval.

CC Michele Beck, Committee of Consumer Services
Dave Taylor, PacifiCorp
Rea Peterson, Division of Public Utilities