- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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| In the Matter of the Disposition of Remaining Unused Credits Associated with Excess Customer-Generated Electricity Provided Under Utah Code Ann. § 54-15-104(4)a | ) ) ) ) ) ) | DOCKET NO. 14-035-116<br><br>ORDER |

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ISSUED: October 30, 2014

SYNOPSIS

The Commission orders PacifiCorp to credit the avoided cost value of net metering customers' annually expiring net metering credits to PacifiCorp's Electric Service Schedule No. 91— Surcharge to Fund Low Income Residential Lifeline Program.

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**BACKGROUND AND PROCEDURAL HISTORY**

On September 4, 2014, the Commission opened this docket and issued a notice of comment period to provide interested parties the opportunity to recommend the disposition of the value of expiring unused credits for net metering excess generation under PacifiCorp's net metering program. The notice states "[i]n the absence of alternative recommendations, the Commission intends to direct PacifiCorp to allocate the expiring credits to its low-income assistance program, as mentioned in the statute."

Pursuant to the Commission's notice of comment period, the Division of Public Utilities ("Division"), the Office of Consumer Services ("Office") and Utah Clean Energy ("UCE") filed comments on September 26, 2014. Between September 5, 2014, and September 26, 2014, the following individuals submitted email comments: Nate Woodward, Don Gren, John Anderson, Stephen Bell, Sam Lentz, Ken Jameson, and Stanley T. Homes. Reply comments were filed by PacifiCorp and the Office on October 3, 2014.

## DISCUSSION, FINDINGS AND CONCLUSIONS

### I. Parties' Positions

#### A. Individuals

Comments submitted by individuals generally recommended the value of expiring credits should be maintained by net metering customers either through direct compensation or a credit against other charges. Other individuals recommended the value of unused credits be used to fund renewable energy development or energy savings programs. Finally, some individuals recommended allowing net metering customers to donate unused credits to tax-deductible programs and entities.

#### B. UCE

UCE supports the Commission's intention to direct PacifiCorp to allocate annually expiring net metering credits to PacifiCorp's low-income assistance program, consistent with the Legislature's direction. UCE posits the avoided cost value of donated net metering credits should be additional to revenue collected through PacifiCorp's Electric Service Schedule No. 91—Surcharge to Fund Low Income Residential Lifeline Program ("Schedule 91"). Thus UCE requests the Commission clarify that the donated avoided cost value of expiring credits are additional (rather than offsetting) to revenue collected under Schedule 91.

#### C. The Division

The Division strongly opposes the recommendations made by some individuals in this docket that net metering customers should receive the value of their unused excess generation credits as a compensation for their investment, or as a potential credit against other charges, or simply as a year-end sum.[1] In support of this position, the Division cites to Utah Code Ann. § 54-15-104(3)(a)(ii) that states: "[A]ll credits that the [net metering] customer does not use during the annualized billing period expire at the end of the annualized billing period." The Division asserts this language is clear that a net metering customer forfeits any claim on unused credits at the end of the annualized billing period. According to the Division, to return the value of unused credits to the net metering customer would clearly give that customer a final claim on the unused credit and thus, contradict the statutory requirement.

The Division also notes the expiration of unused credits provides a strong incentive to potential net metering customers to size their systems to produce an amount of electricity "primarily to offset part or all of the customer's requirements for electricity."[2] The Division asserts that transferring the value of the unused credits to the net metering customer would undermine this incentive and reward net metering customers for oversizing their systems.

The Division is not opposed to the Commission applying the value of unused credits to the Company's low-income assistance program. The Division suggests, however, that there are alternative applications that could directly promote energy efficiency or development of renewable resources. As such, the Division recommends applying the value of unused credits to PacifiCorp's Demand Side Management ("DSM") account balance to augment the amount already collected through base rates in PacifiCorp Electric Service Schedule No. 193—Demand Side Management (DSM) Cost Adjustment ("Schedule 193"). As an alternative, the Division

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[1] *See* Division's Comments of September 26, 2014, at p. 2, referencing the email comments submitted in this docket by Don Gren (September 11, 2014); John Anderson (September 14, 2014); and Sam Lentz (September 15, 2014).
[2] *See* Division's Comments of September 26, 2014, at p. 3, *citing* language from Utah Code Ann. § 54-15-102(3)(a)(iv).

recommends the value could be credited to PacifiCorp's Blue Sky program to help promote the development of other renewable resources.[3]

**D. The Office**

The Office asserts net metering was never meant to be a money making proposition and agrees with the Division that expiration of unused credits provides an incentive for customers to give more consideration to proper sizing when purchasing solar generation systems. The Office states that net metering was established to allow customers to offset some or all of their electrical requirements but was not envisioned to be a source of income to net metering customers. The Office references comments it made in a separate proceeding where the Office expressed its concern about a "small, but growing, number of net metering customers with excess generation."[4] The Office states its concern is that customers be given correct information related to the appropriate size of solar panels for their home and usage pattern thereby enabling them to avoid significant excess generation.

The Office recommends any unused excess generation credits be applied to PacifiCorp's low-income assistance program, as partially contemplated by Utah Code Ann. § 54-15-104(4). In considering other alternatives for unused credits, the Office states the value for such credits must be based upon the avoided cost value.

[3] As noted by the Division, the suggestion to apply the value of the unused credits to PacifiCorp's Blue Sky program is consistent with the recommendation provided by Mr. Stephen Bell in his email correspondence of September 14, 2014.

[4] *See* Office's Comments of September 26, 2014, citing to its comments of August 8, 2014, in Docket No. 14-035-82, *In the Matter of Rocky Mountain Power's Customer Owned Generation and Net Metering Report and Attachment A for the Period April 1, 2013 through March 31, 2014.*

The Office also accepts the Division's recommendation to apply the value of unused credits against PacifiCorp's DSM account balance. The Office, however, disagrees with the Division's recommendation to credit the value of unused credits to PacifiCorp's Blue Sky program. Although the Office acknowledges the appeal of the Division's recommendation, the Office notes participation in the Blue Sky program is voluntary and separate from traditional regulatory programs such as net metering and DSM. The Office asserts the value of unused credits should go toward a program that is part of the traditional regulatory programs.

### E. PacifiCorp

PacifiCorp recommends donating the value of the expiring credits to PacifiCorp's low income program as provided in Utah Code Ann. § 54-15-104(4). Alternatively, PacifiCorp does not oppose either of the Division's recommendations outlined above. Additionally, PacifiCorp agrees with the Division's position that unused credits should not be returned to customers.

## II. Findings and Conclusions

PacifiCorp's net metering program is administered pursuant to Utah Code Ann. § 54-15-101, *et. seq*. ("Net Metering Code") and PacifiCorp's Electric Service Schedule No. 135 – Net Metering Service ("Schedule 135"). Recently enacted Utah Code Ann. § 54-15-104(4) addresses the disposition of unused credits for excess customer-generated electricity at the end of the annualized billing period. Specifically, Utah Code Ann. § 54-15-104(4), states as follows:

> At the end of an annualized billing period, an electrical corporation's avoided cost value of remaining unused credits described in Subsection (3)(a) shall be granted:

> (a) to the electrical corporation's low-income assistance programs as determined by the commission; or
>
> (b) for another use as determined by the commission.

As an initial matter, we agree with statements made by the Division and the Office and find that the language of Utah Code Ann. § 54-15-104(3)(a)(ii) makes it clear the net metering customer forfeits any claim on unused credits at the end of the annualized billing period. We note this provides an incentive to properly size systems to offset part or all of a net metering customer's requirements for electricity. As such, consistent with the legislative intent of the Net Metering Code, we decline any recommendation that would allow net metering customers to maintain or control the value of expiring unused credits.

We appreciate the alternate net metering credit disposition suggestions provided by the Office and the Division. We note, however, that none of the comments provided by the Division, the Office, UCE and PacifiCorp oppose granting the avoided cost value of annually expiring net metering excess generation credits to PacifiCorp's low-income assistance program under Schedule 91. We further find this outcome is most consistent with the legislative intent articulated in Utah Code Ann.. § 54-15-104(4)(a). As such, we direct PacifiCorp to credit the avoided cost value of net metering customers' annually expiring net metering credits as additional revenue collected under PacifiCorp's Schedule 91.

With respect to parties' recommendation that the value of expiring credits must be based upon the "avoided cost value," consistent with Utah Code Ann. § 54-15-104(4), we direct PacifiCorp to derive the avoided cost value of the expiring credits based on the posted prices contained in PacifiCorp's Electric Service Schedule No. 37—Avoided Cost Purchases from

Qualifying Facilities (“Schedule 37”) based on the average annual Schedule 37 avoided cost energy price for each resource type[5] and to credit that value to Schedule 91. Based on UCE’s request, we clarify that the Schedule 37 avoided cost value of expiring credits is to be additional (rather than offsetting) to revenue collected under Schedule 91.

**ORDER**

Pursuant to the foregoing discussion, findings and conclusions, we order:

1. The avoided cost value of net metering customers’ annually expiring net metering credits shall be credited as additional revenue collected under PacifiCorp’s Schedule 91.

2. The avoided cost value of net metering customers’ annually expiring net metering credits shall be based on the posted prices contained in PacifiCorp’s Schedule 37 based on the average annual Schedule 37 avoided cost energy price for each resource type.

[5] The calculation for this credit is based on the proportion of megawatt hours occurring in each period multiplied by the respective current year non-levelized energy price (as contained in proposed Tariff Sheets 37.4, 37.5, 37.6, and 37.7) and is defined as follows for each resource type:
0.19 x Current Year On-Peak Summer Energy Price + 0.37 x Current Year On-Peak Winter Energy Price + 0.15 x Current Year Off-Peak Summer Energy Price + 0.29 x Current Year Off-Peak Winter Energy Price.

DATED at Salt Lake City, Utah, this 30th day of October, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#261765

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 30th day of October, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

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