

MEMORANDUM

August 15, 2007

TO: Mark Sidran, Chairman
Patrick Oshie, Commissioner
Philip Jones, Commissioner

FROM: Dick Byers, Project Lead on Electric PURPA Standards
Docket UE-060649

SUBJECT: Findings Regarding Public Utility Regulatory Policies Act (PURPA)
Standards Addressing: Net Metering, Fuel Diversity, Fossil Fuel
Efficiency, and Smart Metering.

RE: Hearing, August 15, 2007 at 1:30 p.m.

On June 7, 2006, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to examine whether new regulations are needed to govern five aspects of investor-owned electric utility operations for which new federal standards are included in the Energy Policy Act of 2005. Four of these new federal standards address: 1) net metering, 2) fuel sources, 3) fossil fuel generation efficiency, and 4) smart metering. A fifth standard addresses interconnection. The interconnection standard, as to which proposed rules have been issued, is addressed separately in this Docket.

Background:

On August 8, 2005, the President signed the Energy Policy Act of 2005 (“Energy Policy Act”). Sections 1251(a), 1252(a) and 1254(a) of the Energy Policy Act amend Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (“PURPA”) to add new utility standards.¹ The Energy Policy Act further amends PURPA Sections 112 and 115 to require that state regulatory authorities examine these new standards and determine whether they should be adopted as requirements for state regulated electric utilities.²

¹ Energy Policy Act §§ 1251(a), 1252(a), and 1254(a) all codified at 16 U.S.C 2621(d)(11-15).

² Energy Policy Act §§ 1251(b)(1-2), 1252(b),(g),(h),(i), and 1254(b) codified at 16 U.S.C 2622(b)(3) and 16 U.S.C. 2625(b) and (i).

Section 1251(a) establishes three new utility standards: net metering, fuel source diversity, and fossil fuel generation efficiency. State regulatory authorities are required to begin consideration of whether to adopt these three standards by August 8, 2007. The requirement for regulatory authorities to consider the three standards established in Section 1251(a) does not apply if a state has taken “prior action” to adopt or consider the standard or a comparable standard, or if the state’s legislature has voted on the standard or a comparable standard.³

Section 1252(a) establishes a standard for “Smart Metering” to require that utilities make available to retail customers time-based metering and a time-of-use rate schedules. State regulatory authorities are required to begin consideration of whether to adopt this standard August 8, 2006. The requirement to consider the standard established in Section 1252(a) does not apply if a state has taken “prior action” to adopt or consider the standard or a comparable standard within the three years prior to August 8, 2005, or the state’s legislature has voted on the standard or a comparable standard during that same three year period.⁴

COMMISSION INTERPRETIVE AND POLICY STATEMENT

Washington has by legislative action already established standards comparable to the net-metering, fuel source, and fossil fuel generation efficiency standards set out in Section 1251(a) of the Energy Policy Act. Accordingly, the draft Interpretive and Policy Statement determines that no additional consideration or action is necessary on these three standards.

The fourth standard addresses smart metering and time-of-use rates. The draft Interpretive and Policy Statement concludes that the Commission has a previously stated policy on these topics that should be reaffirmed, implemented on a company-specific basis, included in utility integrated resource plans, and clarified to include a set of factors that should be considered when utilities evaluate whether smart metering and time-differentiated rates are cost-effective.

COMMISSION PROCESS

The following depicts the key milestones and developments in our inquiry and rulemaking to date:

- Inquiry Initiated June 9, 2006
- Initial Comments Received August 11, 2006

³ Energy Policy Act § 1251(b)(3) codified at 16 U.S.C. 2622(d).

⁴ Energy Policy Act § 1252(i) codified at 16 U.S.C 2622(e)..

- Notice of draft Interpretive and Policy Statement July 10, 2007
- Comments on the draft Statement August 8, 2007
- Hearing August 15, 2007

WRITTEN COMMENTS

By August 8, 2007, written comments on the draft Interpretive and Policy Statement were received from:

- Industrial Customers of Northwest Utilities
- Public Counsel

No comments were entered opposing the draft IP Statement.

ICNU writes in support of the proposed IP Statement.

Public Counsel generally supports the proposed IP Statement, but proposes that the following additional issue be included when the cost-effectiveness of advanced metering and time-of-use rates are examined.

- The costs associated with achieving peak period load reductions through consumer actions in response to time-of-use rates.

Public Counsel also recommends including the following four issues when utility-specific advanced metering or time-of-use rate programs are examined:

- Impact on existing consumer protection policies and programs that depend on direct utility contact with customers. For example, Public Counsel is concerned that the capability to disconnect service remotely will undermine the opportunity for consumers to prevent disconnection by making bill payments directly to utility personnel.
- Whether advanced metering technology poses privacy concerns and whether appropriate controls are in place to safeguard private customer usage information.
- Whether any environmental impact, positive or negative, is anticipated from a time-of-use billing program.

- Whether alternatives exist to time-of-use rates, such as demand-side management and direct load control, to achieve significant savings and benefits at lower costs.

Discussion:

Staff understands that the draft Interpretive and Policy Statement is supported by the regulated electric utilities. In addition, the Industrial Customers of Northwest Utilities (ICNU) supports the Interpretive and Policy Statement as proposed. Public Counsel has raised issues relevant for examining the cost-effectiveness of advanced metering technology and consideration of the merits of any particular time-of-use rate program.

Staff believes that issuance of the proposed Interpretive and Policy Statement, with modifications to acknowledge the issues raised by Public Counsel, would fulfill the Commission's responsibility to consider adopting interconnection policies under PURPA and benefit the public interest by clarifying what factors utilities should consider when examining the cost-effectiveness of smart metering and time-of-use rate schedules.