

November 6, 2013

Steven V. King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**RE: Comments of Renewable Northwest Project**  
**Docket UE-131883**—*Commission’s October 15, 2013 Notice of Opportunity to File Written Comments on the Investigation of the costs and benefits of distributed generation on utility provision of electric service.*

Renewable Northwest Project (“RNP”) welcomes the opportunity to comment to the Washington Utilities and Transportation Commission (“Commission”) on the costs and benefits of distributed generation (“DG”), and how they should be understood with respect to investor-owned utilities (“IOUs”) in the state of Washington.

While the balance between the costs and benefits of net-metered distributed solar will vary from state-to-state and utility-to-utility, there are certain key criteria that should be acknowledged and, to the extent appropriate to the state or utility’s level of solar DG penetration, quantified. The costs to the utility include the loss of revenue from the net-metered customer, as well as the administration of the program. The benefits, which accrue to both participating and non-participating customers, include among other things: increased energy independence; deferred investment in transmission infrastructure; reduced air pollution and greenhouse gas emissions; and the increased security and reliability of the grid.

The Interstate Renewable Energy Council (“IREC”) has collected together the lessons learned from 16 distributed solar generation regional and utility-specific studies, from which they have developed a proposed standardized valuation methodology for public utility commissions to consider.<sup>1</sup> Among IREC’s major conclusions on distributed solar generation, three stand out: solar DG primarily offsets combined-cycle natural gas plants, and this should be accounted for in avoided energy costs; the solar resource is sufficiently predictable that it should be included in utility forecasts of generation that meets capacity needs, and should therefore be credited with a capacity value; and, the societal benefits, such as economic development, environmental and health benefits should be included in valuations, as these were likely drivers behind the original net metering policy.

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<sup>1</sup> “Calculating the Benefits and Costs of Distributed Solar Generation”, IREC, October 2013.  
[www.irecusa.org/wp-content/uploads/2013/10/IREC\\_Rabago\\_Regulators-Guidebook-to-Assessing-Benefits-and-Costs-of-DSG.pdf](http://www.irecusa.org/wp-content/uploads/2013/10/IREC_Rabago_Regulators-Guidebook-to-Assessing-Benefits-and-Costs-of-DSG.pdf)

The Commission's Notice observed that there is already significant discussion at the state and national level about the costs and benefits of DG, citing the California Public Utilities Commissions draft Net Energy Metering Evaluation Report (the final study was published October 28, 2013) undertaken by Energy and Environmental Economics ("E3").<sup>2</sup> In the cost-benefit analysis, E3 compared the reduction in net-metered customer bills to the reduction in utility costs; to the extent that the net-metered customer's bill reduction is greater than offsetting utility savings, they posit that net-metering will create a cost shift from participating to non-participating customers.

RNP welcomed this very ambitious report from E3, but noted that the methodology was stymied by California Assembly Bill 2514, which both instigated the investigation and prevented it from being a comprehensive cost-benefit analysis.<sup>3</sup> In E3's analysis, the entire output of a net-metered system is considered to have an impact on the grid, even though such systems are designed to meet on-site load, and therefore the majority of the energy is used behind the meter. From the utility perspective, this behind-the-meter consumption is seen as demand reduction, just like energy efficiency. Given this, E3 acknowledged that the "all [export] generation scenario [...] likely overestimates the costs that are directly associated with NEM".<sup>4</sup>

In considering whether the time is right for Washington State to undertake an investigation into the effects of DG, the limited penetration of solar in the state should be borne in mind. California has undertaken such an investigation, but the states of Washington and California have vastly different levels of solar penetration. At the end of 2013, California's three largest IOUs had approximately 150,000 customers enrolled in net-metering, totaling 1,300 MW of installed capacity.<sup>5</sup> On June 13, 2013, during a Rulemaking adoption hearing as part of docket UE-112133, Washington state's three larger IOUs reported that they had a total of 1,342 net-metered systems, totaling approximately 10.2 MW.<sup>6</sup> Furthermore, California state's most recent increase in the net metering limit was in 2010, raising the amount of aggregate capacity to 5% of peak load.<sup>7</sup> In contrast, Washington state's net-metering cap will be increasing next year from 0.25% to 0.5% of 1996 peak load.

Washington State should continue to develop policies that encourage customers to take up solar and net-metering, as the balance between costs and benefits will be difficult to discern until the state has a higher degree of solar penetration. Even assuming that a net cost shift were occurring at this stage—which we do not—the magnitude would be

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<sup>2</sup> "California Net Energy Metering—Ratepayer Impacts Evaluation", CPUC/E3, October 2013

<sup>3</sup> California Assembly Bill 2415, Bradford, Net Energy Metering, September 2012  
[http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201120120AB2514](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB2514)

<sup>4</sup> "California Net Energy Metering—Ratepayer Impacts Evaluation", CPUC/E3, October 2013, p4

<sup>5</sup> Ibid, p2

<sup>6</sup> [www.utc.wa.gov/docs/Pages/DocketLookup.aspx?FilingID=112133](http://www.utc.wa.gov/docs/Pages/DocketLookup.aspx?FilingID=112133)

<sup>7</sup> California Assembly Bill 510, Skinner, Net Energy Metering, February 2010  
[www.leginfo.ca.gov/pub/09-10/bill/asm/ab\\_0501-0550/ab\\_510\\_bill\\_20100218\\_enrolled.pdf](http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0501-0550/ab_510_bill_20100218_enrolled.pdf)

too small to justify the resource commitment to perform a full-scale analysis. For now, Washington should continue to focus on aligning its policies to achieve a more significant penetration of DG solar.

Sincerely,

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