

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Public Utility Regulatory Policies)
Act Standards) UE-060649
)
) COMMENTS OF THE INDUSTRIAL
) CUSTOMERS OF NORTHWEST
) UTILITIES
)

I. INTRODUCTION

1 The Industrial Customers of Northwest Utilities (“ICNU”) submits the following Comments to the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) regarding the Commission’s standards for “smart metering” and generator interconnections. ICNU strongly opposes the use of smart metering, or time of use (“TOU”) pricing, and recommends that the Commission not adopt any new rules or regulations that would encourage or require their use. Smart metering should be rejected because TOU rates have proven to be an inappropriate departure from traditional cost-based ratemaking, not cost effective, and harmful to customers.

2 ICNU recommends, however, that the Commission adopt generator interconnection standards applicable to all interconnections that the Commission has jurisdiction over. The Commission need not reinvent the wheel as significant work regarding generator interconnection standards has already occurred nationally. ICNU recommends that the Commission rely upon the standards adopted in other states and by

the Federal Energy Regulatory Commission (“FERC”) when drafting Washington-specific standards.

II. BACKGROUND

3 After passage of the Public Utility Regulatory Purposes Act of 1978 (“PURPA”), the Commission conducted a rulemaking proceeding to consider whether it should adopt time-of-day rates. The Commission determined that “time-of-day ratemaking is acceptable only if cost-justified.”^{1/} The Commission explained that in considering whether time-of-day rates are cost justified, it would consider a broad cost-benefit analysis, including the potential harm that could result from use of such rates.^{2/}

4 The Commission has allowed one TOU rate program for Puget Sound Energy (“PSE”) in 2001. PSE’s TOU program was an unmitigated disaster for customers that resulted in rates that were unfair, unjust, and unreasonable.^{3/} Under PSE’s TOU program, “nearly all of [PSE’s] current TOU customers” paid higher rates than they would have if they had not participated in the program.^{4/}

5 On August 12, 2005, the Commission opened a rulemaking to consider establishing regulations regarding the interconnection of customer-owned generation facilities. The Commission adopted permanent rules establishing standards for very

^{1/} Re Investigation on the Comm’n’s own Motion: Into Rate Design and Rate Structures for Elec. Serv. of Pac. Power & Light Co., Puget Sound Power & Light Co. and the Washington Water Power Co., and the Alterations, If Any That Should Be Ordered to Such Rate Design and Rate Structures and Into the Adequacy of Existing Rules of the Commission Relating to Elec. Cos. and Amendments or Additions Thereof That May Be Appropriate Regarding Master Metering, Information to Consumers, Advertising, and Termination of Serv., (“PURPA Investigation”) Cause No. U-78-05, Commission Decision and Order at 8 (Oct. 29, 1980).

^{2/} Id.

^{3/} WUTC v. PSE, Docket Nos. UE-011570 and UG-011571, Fourteenth Suppl. Order at ¶ 22 (Nov. 15, 2002).

^{4/} Id. at ¶ 19.

small generator interconnections on March 6, 2006. This rulemaking was completed, and the Commission intends to consider whether to adopt standards for other generators in a separate proceeding.

6 On June 6, 2006, the Commission issued a notice requesting comments on whether it should develop new regulations regarding specific federal standards in the Energy Policy Act of 2005. The new federal standards address: 1) net-metering; 2) fuel sources; 3) fossil fuel generation efficiency; 4) smart metering; and 5) interconnection. Regarding TOU rates, the Commission will consider, *inter alia*, whether to adopt the new PURPA standards, change its existing TOU-rate policy, and what factors the Commission should consider to determine if TOU rates are cost effective. The Commission will also consider adopting generator interconnection standards and rules for small and large on-site generators. The Commission has determined that no new standards are needed for net-metering, fuel sources, or fossil fuel generation efficiency.

III. COMMENTS

1. The Commission Should Determine That It Is Inappropriate for Washington Utilities to Install TOU Metering

7 The Commission's existing standards regarding time-based metering and TOU rates do not require the installation of TOU meters and provide the Commission with the ability to review any TOU proposal to determine if it is cost justified.^{5/} The revisions to PURPA under the Energy Policy Act of 2005 require the Commission to consider whether it is appropriate for the investor-owned utilities to install meters to

^{5/} PURPA Investigation, Cause No. U-78-05, Commission Decision and Order at 8.

allow for TOU pricing. ICNU recommends that the Commission not change its existing rules or policies and determine that Washington's investor-owned utilities are not required to provide or install time-based meters, or otherwise not compel customers to participate in time-based pricing.

8 TOU rates have been shown not to be cost effective. As PSE's example establishes, TOU rates can be costly, and result in higher overall rates for all participating customers.^{6/} TOU rates can result in other negative, unknown consequences. For example, requiring industrial customers to pay higher peak rates is intended to cause customers to shift load to off-peak time periods. Those customers that cannot shift their load to off-peak time periods will have to choose between paying unnecessarily high rates and reducing their business operations. Shifting load to off-peak time periods will increase customers' overall costs through increased accident rates and employee expenses associated with additional graveyard shifts.

9 Regardless of the cost, it is unclear whether TOU rates will be effective in limiting peak electric usage. The winter peak is related to customers' winter heating needs, and the use of TOU rates for industrial customers is unlikely to have a significant impact on reducing the winter peak. The ineffectiveness of TOU rates for industrial customers may be similar during the summer peak as residential and commercial air conditioning becomes the norm.

10 There is no reason to depart from the Commission's existing standards and adopt a generic requirement mandating that customers pay for the installation of costly

^{6/} WUTC v. PSE, Docket Nos. UE-011570 and UG-011571, Fourteenth Suppl. Order at ¶ 22.

and ineffective TOU metering. If the Commission is interested in requiring TOU rates, then the Commission should not adopt a generic rule requiring their use, but should address specific utility proposals on a case-by-case basis. The existing standard provides the Commission with the appropriate flexibility to consider any proposals for TOU rates or metering. Any such proposals could then be considered through an analysis of the real costs and potential benefits, including the social and economic impact on customers that are required to participate in any such proposal.

2. The Commission Should Adopt Guidelines for Large Generator Interconnections

11 ICNU urges the Commission to adopt generator interconnection guidelines for all interconnections that are subject to state jurisdiction. There is a national movement toward remedying utility discrimination against generators by establishing firm guidelines for interconnections. The Commission should adopt guidelines that facilitate the interconnection of customer-owned generation, and ensure that generators and utilities are not forced to comply with inconsistent state and federal requirements.

12 FERC and many individual states have already established standards regarding the interconnection of small and large generators.^{7/} For the sake of administrative ease, the Commission should use these already-established standards as the starting point for establishing its own standards. In addition, the use of nationally-established standards will benefit generators by reducing the costs and confusion associated with meeting multiple sets of standards.

^{7/} E.g., Standardization of Generator Interconnection Agreements and Procedures, 111 FERC ¶ 61,401 (June 16, 2005).

13

Finally, while the specific standards will need to be different based on the size of the generator, ICNU urges the Commission to adopt requirements for all generators. Large generators, especially consumer-owned generators, can face significant costs and impediments when seeking to interconnect their facilities with the utilities' transmission grid. Reducing these costs and the potential for dispute through the adoption of clear standards will benefit all participants and encourage consumers to sell their needed generation resources into the market.

IV. CONCLUSION

14

The Commission should not modify its existing general standards regarding smart metering or TOU rates, and should instead review TOU proposals in case-specific proceedings. Any review of a utility TOU proposal should focus on its cost effectiveness, including the costs associated with how TOU rates will impact customers. The Commission should also adopt generator interconnection standards for all customer-owned generation subject to its jurisdiction.

Dated this 11th day of August, 2006.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Irion Sanger

S. Bradley Van Cleve

Irion Sanger

333 S.W. Taylor, Suite 400

Portland, Oregon 97204

(503) 241-7242 phone

(503) 241-8160 facsimile

mail@dvclaw.com

Of Attorneys for the Industrial Customers of
Northwest Utilities