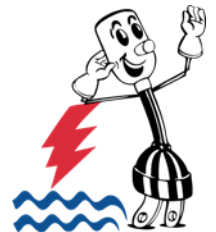


Net Metering-Customer Generation Policy Review 2018

Klickitat County PUD



Outline of Process

The process of seeking public comment and participation in aiding KPUD with the designing of a comprehensive net metering policy has been ongoing since inception of the program. Public comments continue to be received via telephone and email by KPUD staff. These comments are considered and shared internally at KPUD and with KPUD Board of Commissioners.

Customer workshops for gathering information and feedback were held on December 5th and 6th. An open public comment period was also held during the January 9th Commission meeting. This additional public workshop being held today is to present our recommendations and provide an opportunity for additional discussion.

KPUD's goal is to create a comprehensive net metering policy that is fair to all customers, that passes along all incentives and program benefits possible and does not impact non-participating customers so that it can be maintained into the future.

Basic Utility Rate Design

- KPUD sets electric rates as required to cover costs of business operation while maintaining the financial health of the organization.
- Residential rates include a two part structure:
 - Basic Fee: Flat monthly facilities charge collected to pay for maintenance of each account and a small portion of KPUD infrastructure costs.
 - This fee is currently \$20.32 for Residential customers
 - Consumption Rate: This is charged per kWh of consumption and is collected to pay for all other KPUD costs including purchasing the power itself and infrastructure costs not covered by Basic Fee.
 - These rates are currently \$0.0949/kWh for Residential Customers
- Net Metering customers currently receive a credit equal to the retail consumption rate for each kWh generated.



Basic Utility Rate Design

FUNDAMENTAL ISSUE:

- With current rate design, a Net Metering customer gets credited back the entire retail consumption rate, including the revenue necessary to maintain the infrastructure and cover other KPUD costs incurred to serve them.
- As a result, KPUD is considering implementing changes to our rate design so that the necessary costs are collected and that Net Metered customers are not subsidized by other customer rate classes.

Discussion Points

What is the Value of Net Metering?

Customer Input

- Reduces the need for new infrastructure.
- Reduces wear & tear on existing infrastructure.
- Aids in greater grid stability.
- Provides low cost power to serve other customers.
- Reduces peak power consumption.
- Social, employment & environmental benefits.

Discussion Points

What is the Value of Net Metering?

KPUD Response

- The actual value to KPUD is the avoided power cost, or what we do not have to purchase.
- An intermittent generator cannot guarantee power at peak times so does not reduce the system infrastructure. We still need the same amount of “capacity” for those peak times.
- Intermittent generation does not support system stability, it actually makes it more difficult to operate as other generation sources must be adjusted to account for the unpredictability.
- Solar and wind does provide zero carbon energy, but not capacity.
- KPUD’s goal is not to incent specific technologies, it is to provide low cost, safe reliable power to our customers.

Discussion Points

How does KPUD Support Net Metering?

Customer Input

- KPUD is not being pro-active to emerging technologies (lack of long term planning).
- DER should be viewed as a valuable resource not as competition.
- Changes to existing 1:1 program would “kill solar” and create tension with customers.
- KPUD would loose customers to off grid options.

KPUD Response

- KPUD has offered Net Metering since 2000 and continued the program once it became “voluntary”. KPUD has been proactive in evaluating new carbon free technologies and we built and own wind, hydro and methane electric generation facilities.
- We are being proactive and planning for the future by doing this review to ensure sustainability.

Discussion Points

How does KPUD Support Net Metering?

KPUD Response Continued

- DERs are not a threat to KPUD. They are customer choice, which we support and they are likely to continue to grow and could be a source for us. However, purchasing intermittent resources and the services necessary to shape them is not part of our current power supply plan.
- We have purchased flat generation for \$23 / MWh, which is 2.3 cents per kwh.
- KPUD supports our customers by supporting customer choice, but not by using customer money to pay for or incenting those choices.
- Customers may choose to disconnect from the system. We believe that there is value in having the system as a backup and as a battery and we need to ensure the cost of supplying that service is recovered.

Discussion Points

Rate Design and how it should be viewed

Customer Input

- Don't rush to a solution that doesn't benefit net metering for the long-term.
- Consider solar as an enormous negotiating advantage when dealing with suppliers and price discussions.
- How can KPUD defend avoided cost or 'buy-all-sell-all' way of thinking?

KPUD Response

- This is a measured and thought out response to rate design concerns. We are not rushing.

Discussion Points

KPUD Response Continued

- KPUD wants to be ‘ahead of the curve’ and implement a sound program before allowing additional growth of the Net Metering program so that customers understand and have certainty related to the cost and values associated with their choices.
- Solar is not our least cost option at this time.
- Federal and State programs subsidize Net Metering and continue to do so. KPUD does not intend on utilizing customers revenue to add to these incentives.
- We are not trying to apply a “buy all sell all” approach. We are using an approach to ensure that there are no cost shifts to non-participating customers.

Discussion Points

Expansion of Net Metering/Renewable Energy options

Customer Input

- KPUD should consider expanding offerings such as community solar or shared solar.
- What about Utility scale generation?
- KPUD should develop or utilize customer solar as part of power portfolio.

KPUD Response

- At this time we are not considering community solar projects or the construction or purchase of solar energy.
- KPUD currently has access to low cost, dependable low carbon resources that also supply capacity and we strive to acquire them at least cost.

Value of Net Metering for KPUD

- How does KPUD determine value of Net Metering?
- **Avoided Power Cost.**
 - Two options are illustrated below:

Published BPA Tier 1 Effective Rate (FY 2018-2019)			
FY 2018 Average Price Total	\$	35.57	\$ 0.0356
FY 2019 Average Price Total	\$	35.57	\$ 0.0356
Blended Average 2018-2019	\$	35.57	\$ 0.0356
Tier 2 Market Based Purchase w/TEA fee \$0.50/MWh			
2018 Calendar Year Average Price Total	\$	22.39	\$ 0.0224
2019 Calendar Year Average Price Total	\$	22.85	\$ 0.0229
Average Tier 2 Pricing 2018-2019	\$	22.62	\$ 0.0226

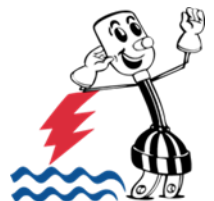
Value of Net Metering for KPUD?

- We could use Tier 2 purchase price. There is a case to be made that in this case, BPA Tier 1 cannot be avoided and solar generation is offsetting potential Tier 2 purchases.
 - Average Tier 2 2018-2019 price of \$0.0226/kWh.
- However, once we purchase Tier 2 on the market, the avoided purchase cost of power is the BPA Tier 1:
 - This is \$0.0356/kWh.
 - This is our recommendation to the Board.
- Other Utilities?
 - Kittitas PUD is using the BPA Tier 2 Remarketing Rate for determining generation credit paid to customers.
 - This rate is \$0.0252/kWh for FY18 and \$0.0230/kWh for FY19

Infrastructure Rate Examples

Residential Rate Basis	Infrastructure Fee \$/kWh generated
BPA Average Tier 1 Effective 2018-2019	\$ 0.0593
Average Tier 2 Power Cost 2018-2019	\$ 0.0723

- Infrastructure Fee = Generation Credit (\$0.0949) –
Avoided Power Cost Rate



Net Metering Sample Billings

Average BPA Tier 1 Power Cost Sample Bill			
	kWh	Rate	
Basic Fee		\$ 20.32	\$ 20.32
Total Consumption	1200	\$ 0.0949	\$ 113.88
Generation Credit	650	\$ (0.0949)	\$ (61.69)
Infrastructure Fee	650	\$ 0.0593	\$ 38.56
Total Billed			\$ 111.08
Average Tier 2 Cost Sample Bill			
	kWh	Rate	
Basic Fee		\$ 20.32	\$ 20.32
Total Consumption	1200	\$ 0.0949	\$ 113.88
Generation Credit	650	\$ (0.0949)	\$ (61.69)
Infrastructure Fee	650	\$ 0.0723	\$ 46.98
Total Billed			\$ 119.50



Net Metering Sample Billings

Current Net Metering Program Sample Bill			
	kWh	Rate	
Basic Fee		\$ 20.32	\$ 20.32
Total Consumption	1200	\$ 0.0949	\$ 113.88
Generation Credit	650	\$ (0.0949)	\$ (61.69)
Infrastructure Fee	0	\$ -	\$ -
Total Billed			\$ 72.52

Average BPA Tier 1 Power Cost Sample Bill			
	kWh	Rate	
Basic Fee		\$ 20.32	\$ 20.32
Total Consumption	1200	\$ 0.0949	\$ 113.88
Generation Credit	650	\$ (0.0949)	\$ (61.69)
Infrastructure Fee	650	\$ 0.0593	\$ 38.56
Total Billed			\$ 111.08



Net Metering Assessment

- How would KPUD implement the new rate class?
- Options:
 - Make the new rate effective March 1st for all existing and new customers.
 - Phase all existing customers to the new rate over time.
 - We are looking for input on the best mechanism.
- New customers would be subject to new rate structure from the date we re-open the program.

Time Line of Recent and Upcoming Events

January 23rd , 2018 Board Meeting:

- Deliver draft public workshop discussion points and associated documentation to KPUD Board.
- Set Public rate hearing date as February 27, 2018 at 6:00 P.M.

Week of February 7th, 2018 Public workshop 6:00 PM at Goldendale office

- Deliver drafts of KPUD proposed options for Customer consideration and discussion.

February 13th, 2018 Board Meeting:

- Report back on final public meeting discussions and deliver any updated documentation.
- Discuss and recommended changes.

February 27th, 2018 Public Rate Hearing and Revised Policy No. 25 Consideration

- Location: Goldendale Commission Room, 6:00 P.M.

Delivery of Adopted Policy

- March 1st, 2018
 - Make new policy and associated documentation available to the public via:
 - Website
 - Email interested parties from developed list
 - Put a notice on Facebook page
 - Notify WSU Energy of our intent to participate and get on their published list
- Additional Follow up
 - Create more user friendly and informative website content
 - Make a focal point for community events being attended
 - Monitor levels of participation closely with WSU Energy