



March 21, 2013

Chair Beyer and Members of the Committee:

My name is Jeff Nelson and I am General Manager of Springfield Utility Board (SUB). SUB is a municipal electric and water utility formed under the City of Springfield charter that has its own five-member Board of Directors that are elected from registered Springfield voters. Because our customer-owners, through the Board, set utility policies, we are directly accountable to those we serve.

SUB is also a member of the Oregon Municipal Electric Utility Association (OMEU). I am an executive officer of OMEU and, while the details of my comments may be representative of SUB, these comments as a whole represent the interests of OMEU. OMEU members serve the communities of Ashland, Bandon, Canby, Cascade Locks, Drain, Forest Grove, Hermiston, McMinnville, Milton-Freewater, Monmouth, and Springfield. OMEU is formed to perform several activities including the following.

- Secure cooperation among Oregon municipal electric utilities in resolving issues
- Provide means for member utilities to exchange ideas, experiences and obtain expert advice
- Collect, compile and distribute information about administration and operation of publicly owned electric utilities
- Promote legislation that is beneficial to municipal electric utility customers and oppose legislation that would be detrimental to such customers
- Promote harmony of action among municipally owned electric utilities in matters that affect the rights and liabilities of such utilities

Although SUB and other OMEU members are different, we have at least two things in common: local control and attention to the bottom line. What does that mean? Let's start with what it doesn't mean. Local control doesn't mean rejection of good ideas. Local control doesn't mean lack of accountability and making our solutions someone else's problem. Local control doesn't mean that our solution is the only solution – it just happens to be the best solution given our set of particular circumstances.

In the case of SUB and other consumer-owned utilities, local control means being more directly attuned to the needs of the communities and voters we serve.

What do I mean by “attention to the bottom line”? Consumer-owned utilities are not-for profit. There are no shareholders. Every cost incurred by the utility is obligated by the rate payers and every benefit is received by the rate payers. Investor Owned Utilities are different in the respect that they can be more motivated to make certain investments over others because of guaranteed rates of return on capital related expenditures. When there is a policy change for an IOU that causes costs go up. Rates go up. Investor returns outside the communities generally go...up. With consumer-owned utilities there is no gray area. All the costs and all of the benefits of decisions go to the ratepayers and we tend to see the big picture for our communities in, what I would argue, a more objective, fair, and equitable way.

While locally focused, consumer-owned utilities our proud of the contributions we have made to the state as a whole. In the Northwest, consumer-owned utilities have led the way in energy efficiency program design and deployment. We are always hungry for new ways to provide the best service at the lowest cost to our customers. And we are happy to share our successes and lessons learned so that others may benefit from our experience as well.

I am here today to address proposed legislation on net metering generally and solar generation more specifically as legislation before you currently addressed both these issues. I will discuss some concepts and definitions to help frame the discussion.

Size and Location Matter

First: some perspective. SUB’s average annual load is about 100 average megawatts. Portland General Electric’s load is about 2,095 average megawatts (20 times the size of SUB). The City of Drain’s load is 2 average megawatts (a thousand times less than PGE). SUB’s peak hourly load is about 190 megawatts. SUB is a winter peaking utility. Other utilities peak in the summer. SUB’s winter peaks typically occur in the morning and evening. SUB’s summer loads rise in the morning (around 7:00) and are relatively flat across the day until compared to winter. Other utilities may peak during the middle of the day. The point is: all loads are different.

The state requires net metering for qualified renewables up to 25kW. SUB has made the local decision to provide an opportunity for facilities up to 250kW – ten times the State level. 250kW may seem small compared to Portland General Electric, but for a utility that is the size of Drain that could translate to a generation capacity that is significant. Pound for pound, SUB’s 250 Kilowatt program would be equivalent to a 5,000 Kilowatt (5 Megawatt) system for PGE.

SUB's Net Metering

In SUB's case, SUB's system has 13 customers with individual installed capacity ranging from 2 kilowatts to 135 kilowatts- for a total of 326 installed Kilowatts.

For a residential meter, SUB replaces an existing meter and replaces it with a bi-directional meter that has two registers. Each register has a set of numbers that grow as usage occurs. When a meter is read, each set of numbers is read and the different between the current read and the prior read is a measure of the total energy between meter reads. A bi-directional meter has a register that measures energy going into a home or business and register that measures energy delivered to the utility. While the registers move from moment to moment, SUB's meter does not know what is occurring behind the meter. If energy is being delivered to the utility, is it when a customer is home and running multiple appliances or is the home vacant?

SUB's BPA Contract, Capacity, and Solar

SUB has load following contract with the Bonneville Power Administration. SUB pays energy charges and capacity charges under the BPA contract. A non-BPA resource only reduces BPA capacity charges if the resource is generating power on the hour of SUB's peak hour. As I mentioned above SUB usually peaks either during the morning and evening (in the winter) and SUB's load is relatively flat in the summer during the peak hours. Therefore a resource that generates more during the middle of the day will cause SUB's load to be "peakier" and may not result in meaningful capacity savings under SUB's BPA contract.

SB 562 - Directs electric utility to provide credit to subscribing customer that receives electric service within service territory of electric utility for electricity generated by community net metering facility under certain circumstances.

OMEU's comments:

SB 562 does correctly hit the mark on meeting ratepayer and utility interests in some areas that, in OMEU's view, House Bill 2795 did not address.

- 1) It applies community net metering to the total maximum net metering amounts that a utility is required incorporate into their system.
- 2) It allows governing bodies of consumer owned utilities to adopt fees associated with providing this service.

However there are a number of areas that SB 562 generates a substantial amount of concern.

- 1) It requires that utilities provide for community net metering for units no less than 10 kilowatts and no greater than 2 Megawatts. Requiring small and medium size utilities to incorporate a 2 Megawatts is an unreasonable financial burden. Every consumer-owned utility should be able to establish their own eligibility criteria for net metering above 25 kilowatts (25 kW is the current requirement for all consumer-owned utilities. A utility is not required to offer net metering for facilities larger than 25 kW).
- 2) As stated above, under net metering there is no way to measure generation from the power generation itself. An additional meter would need to be installed. SUB would object to being required to use a third party meter to facilitate this proposal.
- 3) SB 562, as introduced, overlooks Governmental Accounting Standards Board accounting requirements. GASB requirements apply to consumer utilities and one of the requirements is that utilities have adequate checks in billing systems related to special billing options. Doing something by hand, at a minimum, requires another person or system to verify the special billing. GASB may require utilities to install software systems, which according to Eugene Water and Electric Board's quotes and scaled to SUB's system, would be in the neighborhood of \$150,000 to \$300,000.
- 4) There are administrative issues related to customers that are subscribed to a community system but then move or otherwise terminate utility service. It is unclear how a subscriber would be unsubscribed if they terminate service and how their former portion of the community facility would be distributed.

For the above reasons, OMEU opposes SB 562.

Respectfully submitted,

Jeff Nelson
General Manager
Springfield Utility Board