



Kevin P. Owens, General Manager
Columbia River PUD
On behalf of the Oregon PUD Association
Senate Bill 562

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Chair Beyer and Members of the Committee,

My name is Kevin Owens and I am the General Manager of Columbia River PUD. I am here on behalf of the Oregon People's Utility District Association (OPUDA). OPUDA's members include five People's Utility Districts (known as PUDs) which provide electric service in Oregon.

Oregon PUDs have been strong supporters of net metering facilities throughout their service territories offering technical assistance, financial incentives and monetary reimbursement for energy. However, Oregon PUDs strongly oppose a one-size-fits-all approach to net metering. There is a clear reason for a lack of uniformity among consumer-owned utilities when it comes to net metering, and it speaks to the basic foundation of public power, which is LOCAL CONTROL. We all know that St. Helens is different from The Dalles, Newport, Eugene or Tillamook. Each utility has a governing Board elected to represent the communities served and adopt cost-of-service methodologies that dictate whether one customer class is going to subsidize another.....or not! When one customer is not charged/credited for actual costs/revenues, a certain element of cross subsidization is taking place.

For this reason, system capacity caps for net metering clearly need to be made on a local level with regard to what is appropriate for the serving utility's power supply contracts, load characteristics, distribution system design and operation.

Several elements of SB 562 need to be discussed and revised prior to receiving support from the Oregon PUD Association. Specifically:

- Net excess generation should be compensated according to the local policies of the serving utility. SB 562 states that consumer-owned utilities will be required to compensate subscriber's their avoided costs of the annual net energy delivered to its system. Existing policies among PUD's vary widely from avoided costs to that of over twice the avoided cost. Local governing boards make those decisions that best meet the needs of their communities.
- Community net metering has a different meaning and context among Oregon PUDs. For PUDs, community net metering means neighbors and neighborhoods gathering together with a common interest and passion for renewable energy that allows them to leverage economies of scale for purchasing, bidding and installation of multiple systems. In the context of SB 562 community net metering takes this concept much further. Projects appear to be singular in nature, much larger nameplate ratings, greater utility capacity limits and involve a developer/ investor with a profit motivation.

- Oregon PUDs need to fully recover their costs. Another important issue this raises for consumer-owned electric utilities in Oregon is their 20-year power supply contracts with BPA. Any interconnected resource greater than 200kW capacity triggers numerous provisions within their BPA contracts. The attached Net Metering Fact Sheet provided by BPA highlights many of the new requirements inclusive of transmission interconnection studies, fees for Resource Support Services, fees associated with project application and technical studies that may come into play with a community net metering facility. SB 562 marginalizes the complexity of interconnecting and operating a community net metering project in the realm of 200 kW to 2 MW. While it allows full cost recovery from the developer for facility interconnection, it limits cost recovery to \$400 and \$10 per subscriber per year. Utilities need to fully recover all associated costs of administration for such projects. Local governing boards are very cognizant of each customer paying their fair share so as not to increase rates to its low and fixed income customers for example.
- Reserve capacity seems to have been overlooked when discussing variable renewable energy generation. The net metering facility has gained the use of the utility's electric system, as a backup for when the wind doesn't blow or the sun doesn't shine. When variable generation resources are interconnected to the utility grid, their backup generation is at their beckoned call from the serving utility. Therefore, in effect, the customer is using the utility system as a big battery to be used when Mother Nature doesn't cooperate. Not unlike the large wind farms, which need to "firm" their variable generation, community net metering facilities should be fully compensating the serving utility for firming up their variable resources. SB 562 proposes community net metering facilities not be less than 10 kW or greater than 2 MW. Reserve capacity is no longer an insignificant cost factor. Utilities need to be fully compensated for providing reserve capacity to large community-based variable generators.
- Large net metering provides minimal benefits to the utility and its other customers. When a community net metering facility creates net hourly excess generation back onto our systems it means that less energy is flowing into our system from BPA. This means that we have a reduced power and transmission bill from BPA. That is all a utility realizes out of a net metering installation. Our fixed costs remain the same; i.e. transmission system, substations, operation and maintenance of the distribution system, debt service, billing, overhead, etc. Those stranded fixed costs would essentially need to be reallocated to other customers.
- Once again, one size does not fit all. Each PUD has a net metering policy that conforms to the existing statute. What works for a large investor-owned electric system with hundreds of thousands of customers and thousands of MW's of generation is significantly different than a COU with just a few thousand customers, no generation and less than one hundred MW of peak load. Community net metering projects proposed under SB 562 can range from 10 kW to 2 MW. The mere size of these projects could be very troublesome for many of the smaller consumer-owned utilities.

All of our PUDs have net metering projects in their territories. Following our submitted testimony, we have provided the Committee with a summary of the number of projects and their nameplate rating that lie within each of the PUDs service territories.

Thank you for your time and consideration of our concerns.

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EXAMPLES OF NET METERING IN PUD SERVICE TERRITORIES

City	Renewable Generation Projects	Rated kW
Northern Wasco PUD	9	50
Central Lincoln PUD	16	159
Emerald PUD	41	157
Columbia River PUD	19	109
Tillamook PUD	10	31

Net Metered Facilities Fact Sheet

Bonneville Power Administration

In response to a number of parties that are evaluating possible state legislative proposals on the issue of net metering that may affect BPA and its customers, we provide this high-level overview of the potential implications for Net Metered Facilities.

This information is applicable for BPA's Load-Following customers only (non-Slice). For more information, please review relevant sections of the power sales contract: sections 2, 3.5, and 3.6, Exhibit C sections 2.2.4, 2.4.2, and Exhibit D section 2.2.

- Consumer owned resources connected to the distribution systems of BPA customers are subject to different BPA rules and requirements based on two key factors: 1) maximum generation of the resource, commonly referred to as “nameplate” generation, and 2) disposition of the energy produced.
- For nameplate generation, new resource treatment falls into two buckets: 1) resources less than 200 kW; and, 2) resources greater than 200 kW.
- Resources less than 200 kW nameplate have no impact on customers’ contracts with BPA. Customer utilities may, however, have their own interconnection policies to address safety and other issues for these resources.
- Resources greater than 200 kW nameplate that are owned or contracted for by customer utilities and retail consumers of customer utilities must be listed in the contract with BPA. These resources must be hourly metered.
- Resources greater than 200 kW will be listed as consumer-owned resources. Such resources must be declared as: (a) serving the consumer’s onsite load; and/or, (b) being sold to the customer utility or a third party.
 - a) If the resource is declared as serving *only* onsite load, generation that exceeds the onsite load on any hour will not decrease the utility’s take-or-pay obligation for Tier 1 or a Tier 2 purchase from BPA. To the extent the onsite load is reduced, the utility will see reduced load shaping charges similar to a situation where the load had been reduced through EE. However, under the contracts, the utility will not receive compensation from BPA for any excess power generated by the resource beyond the onsite load—i.e., for when the meter is “running backward.” The excess will be converted into either an increase in surplus sales or a decrease in BPA’s purchased power need. Therefore, the benefit does not accrue solely to the utility; instead, it is shared with BPA’s other customer utilities.
 - b) If the customer utility declares that all or part of the consumer-owned resource is used to serve *its* load, then the customer utility must use the dedicated resource amount to serve its load. This choice reduces the utility’s need for Tier 1 or Tier 2 purchases for the applicable amount of generation

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(whether or not the meter is running in either direction), thus avoiding those costs. Dedicating a new resource to serve a customer's load requires the following:

- 1) Notice to BPA that is received by the date listed in the contract, which is *at a minimum* 11 months in advance of the resource serving load and up to 3 years in advance.
 - 2) The resource may only be used to serve the customer utility's new load growth. (Load above its Rate Period High Water Mark (RHWM). Load below its RHWM is served by BPA at Tier 1 rates.)
 - 3) A change in the customer utility's election of how it will serve its load growth. Many customer utilities already committed to have BPA serve their load growth (at BPA's Tier 2 rates) through either September of 2019 or for the entire term of the Regional Dialogue contract. The ability to change these commitments is limited and there may be charges for making such a change.
- c) The choice of which type of declaration, (a) or (b), is better for the customer depends upon a number of factors, including the shapes of its load, the onsite load and the resource. Another consideration is that choice (a) is more flexible but entails some loss of value when the resource is generating more than the load. Choice (b) requires more of a commitment from the utility due to the statutory and contractual rules governing dedicated resources. The utility also assumes some risk if the resource does not perform as expected. In any case, BPA will work with each utility to evaluate the options and provide as much flexibility as possible.
- For resources greater than 1 MW nameplate, the utility must purchase additional BPA products, called Resource Support Services, to account for the costs of integrating generation.
 - Resources greater than 200 kW nameplate are subject to transmission interconnection requirements. BPA follows FERC's interconnection procedures for small generation as part of our open access transmission tariff. The only meaningful difference is BPA's requirement to comply with NEPA before tendering an interconnection agreement.
 - BPA requires the host utility submit a small generation interconnection request and a \$2,500 application fee.
 - BPA requires a \$5,000 deposit for each of up to three technical studies, depending on the impact to BPA.
 - BPA must satisfy NEPA review (effort is usually minor and may be charged to the Facility Study work order).
 - BPA requires revenue metering with hourly values available via telephone dial-up, protective relaying at the interface to prevent islanding when isolated from the grid, and multi-party Operations & Maintenance Agreements among participants in the project.
 - Participation by local serving utility staff and their active communications with the BPA Dispatcher is required. Due to generation balancing requirements, system operations and related safety requirements, automatic reconnection to the BPA transmission system is not presently allowed.