



SPRINGFIELD UTILITY BOARD

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Chair Bailey 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.

**HB 2795 - Establishes community net metering for purpose of allowing subscribing customers to receive on-bill credit for portion of electricity produced by community net metering facility.**

### OMEU's concerns:

- 1) As stated above, under net metering there is no way to measure generation from the power generation itself. This is more applicable to a direct metered, stand alone system that is not serving a retail (home or business) load. The concept may not fit within Oregon's net metering law and may more appropriately fit under a direct metering concept.
- 2) 2(C)(d) states: "The electric utility granting on-bill credit may not charge a subscribing customer a fee or charge that would increase the subscribing

customer's minimum monthly charge to an amount greater than that of other customers in the same rate class as the subscribing customer."

(3) states "An electric utility may charge a community net metering facility a fee to cover the reasonable administrative expenses of providing on-bill credit. The fee adopted under this subsection shall be adopted by rule by the commission, for a public utility, or the governing body, for a municipal electric utility, electric cooperative or people's utility district."

Is section 3 limited by section 2(C)(d) and would a limitation prevent a utility from recovering its costs?

- 3) The law recognizes there is an administrative burden. This burden (or cost) must be borne by someone. The utility should have the flexibility to allocate this cost.
- 4) There are third party providers for this service. Why is the utility being directed to displace back-office functions and jobs that another entity could perform to coordinated benefits among multiple end users?

**HB 2796 - Allows customer-generators to aggregate electricity generated by multiple net metering facilities if those net metering facilities are served by same electric utility.**

Under SUB's net metering program, a net metered customer receives credits and debits on their bills each month. Customers are charged a rate for energy consumed and the same rate is applied to energy delivered to SUB each month as a credit on the bill. (Every utility is different, and SUB is not suggesting that SUB's way is the right way for every utility).

Under SUB's program there would be no need to aggregate multiple facilities. However, if SUB elected to credit power delivered to SUB based on SUB's avoided cost rate (as permitted by law), the rate would be lower, the credit lower, and the incentive to aggregate generation would be higher.

OMEU's Concerns:

Essentially, this legislation would aggregate net meter accounts, total monthly generation, total monthly usage, and net the difference to zero out as much load as possible. One issue is that the reads and date are monthly and netting out monthly totals does not reflect the hourly power costs incurred by the utility.

In addition, there are billing and administrative changes that would be incurred by the utility to accommodate this request to potentially benefit a limited number of customers. The consumer owned utility's elected officials, not the state, should determine the appropriate allocation of those costs.

**HB 2224 and HB 2472 Extends sunset for tax credit for renewable energy resource equipment manufacturing facilities.**

HB 2224 Extends tax credit sunset date four years from 1/1/14 to 1/1/18. HB 2472 Extends tax credit sunset date six years from 1/1/14 to 1/1/20.

OMEU's Concerns:

Given the state of funding, OMEU is concerned that this tax credit would adversely impact business and residential energy tax credit funding that directly benefit end users. Residential and business state tax credit programs have been reduced and OMEU is concerned that extending tax credits may reduce funding for wider benefits. OMEU suggests that legislation focus on packages with wider public benefits – rather than prioritizing limited funds to isolated projects.

Respectfully submitted,



Jeff Nelson  
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Springfield Utility Board