

R-13-002 – Public Inquiry and Response in Regard to Order R-13-002(4)

Inquiry:

How do the proposed regulations published in Order R-13-002(4) impact the residential Net Metering programs in place for customers of electric utilities? There is no analysis in the documentation associated with R-13-002 showing the direct impact on a homeowner who is participating in the Net Metering program should the proposed regulation be adopted.

Would a homeowner who generates electricity in excess of his residential needs and sells the excess to the utility be considered a Qualifying Facility, and therefore would the proposed regulation apply to the homeowner? If this is the case, and the proposed language applies to residential Net Metering, would this have the impact of increasing or decreasing costs to the participating homeowner?

RCA Response:

The inquiry pertains to the potential changes to the definition of “non-firm power rate” in 3 AAC 50.949(20) proposed by Order R-13-002(4) and in the related Administrative Procedure Act public notice. The comment period established by Order R-13-002(4) extends through October 26, 2015.

The proposed change in 3 AAC 50.949(20) was made to conform to the revisions to 3 AAC 50.770 contemplated in R-13-002. Specifically, the existing definition of “non-firm power rate” in 3 AAC 50.949(20) references 3 AAC 50.770(d), the methodology for calculating a standard-offer non-firm power rate published quarterly in an economically regulated electric utility’s tariff. As significant changes are proposed to 3 AAC 50.770 within R-13-002, the relevant methodology is proposed to be moved to 3 AAC 50.770(i) and described as a standard-offer energy rate for qualifying facilities with a design capacity of 100 kilowatts or less.

The underlying methodology in the proposed 3 AAC 50.770(i) is very similar to the existing methodology in 3 AAC 50.770(d). The significant difference is the existing methodology requires the calculation of the non-firm energy rate to exclude hydroelectric generation if the utility relies upon hydroelectric generation for 25% or more of its total power requirements. The proposed methodology would require the calculation of the energy rate to exclude any generation that is not avoided by virtue of purchases from qualifying facilities with a design capacity of 100 kilowatts or less. For example, under the proposed methodology, a utility with a generation portfolio comprised of wind, hydroelectric, and diesel resources that exclusively offsets its diesel consumption by virtue of purchasing power from a qualifying facility or net metering customer, would only use the fuel and variable cost of diesel generation in the calculation of its standard-offer energy rate. Under the existing methodology, the utility would only remove the cost of hydroelectric generation from the calculation of its energy rate if it comprised 25% or more of its total power requirements.

In concept, the result of the proposed regulation is a published standard-offer energy rate that more closely proximates real-time avoided cost. As to the effect this change in methodology will have on the resultant rate, it will differ from utility to utility and proposed rates would continue be reviewed quarterly by the Commission for accuracy and consistency with the proposed methodology.

To the extent that the existing qualifying facility regulations may apply to net metering participants, the proposed changes will not alter the status quo with the exception of the pricing methodology in 3 AAC 50.770(d). The change in 3 AAC 50.949(20) is only required because the methodology used for calculating the buy-back rate for net metering customers is established within 3 AAC 50.770. None of the other proposed changes affect net metering participants. The need for this change was discovered

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during RCA-internal review of the regulations initially proposed for public comment in Order R-13-002(2).