Net Metering,, Fuel Diversity, Fossil Fuel Generation Efficiency, Smart Metering, and Interconnection, DOCKET NO. N2006.5.60

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Net Metering

The Sate of Montana has a net metering law that already largely addresses the Net Metering Standard set out in Section 1251 of EPACT. However, the Montana law provides for no payment for energy delivered to the utility over and above the customer's own use. The Commission should revisit this issue of payment for amounts delivered over and above the customer's use. Some standard payment provision for this additional energy should be adopted.

Coordination of net metering procedures between State and Federal authority should also be reviewed. In particular, procedures set forth in recent FERC rulings should be reviewed and either adapted, modified, or rejected, in order to clarify net metering.

Fuel Diversity.

It is appropriate that the Commission review the issue of fuel diversity in order to try to reduce the risk of high electric rates caused by runaway fuel prices. Many proposed electric resource additions include generators that are highly dependant on fossil fuels. As recent astronomical increases in natural gas and oil have shown, heavy dependency on fuel-intensive resources is very risky for electricity rates. Fuel diversity helps reduce this risk. The Commission should establish policies that encourage the reduction of that risk. And the Commission should reflect in rates the true cost of that fuel dependency risk.

Renewable energy is an important aspect of this fuel diversity issue. Rate analysts have been quick to cite the intermittent nature of renewable energy as a negative, and very slow to recognize the absense of future fuel price instability as a positive for renewable energy. Included in a look at fuel diversity should be a look at the long-term advantages of renewable energy having no fuel-cost instability risk.

Smart Metering

The cost of all electric line extensions used to be included in the rate base for all electric customers. Some time ago this practice was restricted to short line extensions, and the longer line extensions were charged to the individuals customers asking for them. The issue was fairness. Why should customers on short inexpensive line extensions be

paying for other customers requiring very long expensive line extensions. The idea was also to send an economic signal that related to relative cost.

Time of day metering is also a matter of fairness. Why should heavy users of expensive peak power be subsidized by those using inexpensive off-peak power. Those using the more costly power should pay the higher price, and those avoiding the use of costly power should pay the lower price. For example, those who add air conditioning and drive the need for peak should cover the higher cost of adding the additional peak.

Smart metering is also a matter of economics. If we sell peak power at a discount and off-peak power at a premium (compared to their cost) then we will encourage peak power usage and discourage off-peak power usage and thereby increase the use of our most expensive power, thus driving up rates. Time of day metering has the potential of valuing peak power based on its cost, and valuing off-peak power based on at its cost. This is doing the right thing in terms of fairness, and it is doing the economic thing in terms of price signals.