

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: August 20, 2012

AT (OFFICE): NHPUC

FROM:  Steven E. Mullen, Assistant Director – Electric Division

SUBJECT: DE 12-139, New Hampshire Electric Cooperative
Rule Puc 901.02(b) Waiver Request
Staff Recommendation

TO: Chairman Amy Ignatius
Commissioner Michael Harrington
Commissioner Robert Scott
Executive Director Debra Howland



This memorandum serves as Staff's recommendation with respect to the New Hampshire Electric Cooperative's (NHEC) May 23, 2012 request for a waiver of Puc 901.02(b). After review of the filing and subsequent inquiry, Staff makes the following recommendations:

- NHEC's request for a waiver of Puc 901.02(b) should instead be treated as a request for clarification of the rule;
- As part of its review of this matter, Staff further recommends that Puc 903.02(i)(1) be clarified;
- If the Commission adopts Staff's proposed clarifications, it should issue an Order Nisi with respect to the rule clarifications to provide NHEC and the other New Hampshire electric utilities an opportunity to consider the proposed clarifications.

The details concerning Staff's proposed clarifications to Puc 901.02(b) and 903.02(i)(1) are in the "Recommendations" section of this memorandum.

Background

On May 23, 2012, the New Hampshire Electric Cooperative (NHEC) filed a request for a waiver of Puc 901.02(b) with respect to the applicable period of time a) over which surplus generation has accumulated and b) for determining respective potential payments to customers. In its filing, NHEC stated that Puc 903.02(h) through (k)—the provisions of the Puc 900 rules dealing with payments or credits to customer-generators who have accumulated surplus generation in excess of 600 kilowatt-hours (kWh) at the end of their March billing cycle—only apply to net surplus electricity fed into the

distribution system that accumulated beginning April 2011.¹ Therefore, according to NHEC, any surplus accumulated prior to April 2011 would not be eligible to receive a payment.

NHEC further stated that in order to comply with the beginning-April 2011 requirement, it would need to make “significant and costly” changes to its billing system to account for separate surplus “banks”; that is, one bank to track pre-April 2011 surpluses and another to track those that accumulated beginning in April 2011. With that in mind, NHEC requested a “one-time waiver” of this requirement to enable NHEC’s customers to receive payments for surplus energy deliveries which may have accumulated earlier than April 2011.

NHEC stated that, if granted the waiver, it would include all (meaning both pre- and post-April 2011) net surplus electricity in the avoided cost payment calculations for the period ending March 2012. According to NHEC, as of March 31, 2011, the total surplus for all of its net metered customers’ accounts was 11,092 kWh, so it estimated that additional payments resulting from approval of the waiver request would be less than \$1,000—an amount much less than the cost of the billing system changes that would otherwise be necessary.

Following receipt of NHEC’s filing, Staff e-mailed questions to NHEC, received responses, and held a follow-up meeting on July 12, 2012. Through the responses to questions and other information reviewed at the July 12 meeting, Staff was informed that, pursuant to Puc 903.02(h), on or before June 1, NHEC issued letters to 13 net metering customer-generators informing them that they had a net surplus in excess of 600 kWh and that they had the option of either receiving a bill credit, a check for the economic value of the surplus, or could continue to let the surplus accumulate. For purposes of determining the economic value of the surplus, NHEC used the avoided cost calculations provided on the Commission’s website, consistent with Puc 903.02(i).

Subsequent to the meeting with NHEC, Staff had communications with representatives of Public Service Company of New Hampshire (PSNH), Unitil Energy Systems, Inc. (UES) and Granite State Electric Company (GSEC) to determine how each of those utilities dealt with the issue of net energy surplus balances that may have existed for their net metering customer-generators prior to April 2011. Through those communications, Staff was advised that those utilities had either 1) included the pre-existing surplus balances in the determination of surplus balances at the end of each customer-generator’s March 2012 billing cycle, or 2) the surplus at the end of the March 2012 billing cycle had accumulated only in the twelve billing cycles preceding the March 2012 billing cycle.² The utility representatives seemed to be in general agreement that having to separately track surplus balances from both before and after the effective dates

¹ Puc 901.02(b) reads as follows: “Puc 903.02(h) through (k) shall only apply to net surplus electricity fed into the distribution system that accumulates during the 12 monthly billing cycles preceding the March 2012 billing cycle and in subsequent billing cycles.”

² For one customer with special circumstances and having a very large accumulated surplus balance prior to April 2011, PSNH calculated the March 2012 net surplus based solely on excess accumulated during the twelve prior billing cycles. The prior surplus was continued as a credit against future usage.

set forth in Puc 901.02(b) would be an administrative burden, especially considering the relatively small economic value of each customer-generator's potential surplus.

Recommendations

After reviewing and considering NHEC's petition and the further information gathered at the meeting with NHEC and through communications with the other New Hampshire electric utilities, Staff recommends that NHEC's request for a waiver of the "12 monthly billing cycles preceding the March 2012 billing cycle" requirement set forth in Puc 901.02(b) be considered as a request for a clarification rather than a waiver of Puc 901.02(b).³ Part of Staff's reasoning is that although NHEC described its request as a "one-time" waiver, in Staff's view it is really a request for an ongoing waiver of the rule. Among the additional information gathered by Staff was a response from NHEC indicating that for those customer-generators who had not yet accumulated a surplus in excess of 600 kWh as of the end of their March 2012 billing cycle would be afforded the same treatment. That is, once those customer-generators accumulated a surplus in excess of 600 kWh, no matter at what date the surplus originated, NHEC would provide them with the opportunity of receiving payment for the entire surplus. Staff also notes that this treatment is consistent with its understanding of how the other New Hampshire electric utilities plan to handle similar surplus balances, to the extent such balances exist. In Staff's opinion, the current version of the Puc 900 rules did not address pre-existing (i.e., prior to April 2011) net surplus energy balances and, therefore, the utilities are faced with an administrative burden of having to potentially track and treat differently surplus balances based solely on when they originated. One possible way to interpret 901.02(b), however, involves treating the phrase "that accumulates during the 12 monthly billing cycles preceding the March 2012 billing cycle" as including any pre-existing surplus balance as part of the accumulation that occurs during that twelve-month period. Treating surplus balances in this manner would effectively deal not only with balances determined as of the end of the March 2012 billing cycle but also any subsequent balances that include surplus generation that may have accrued prior to April 2011.

As part of its review of this filing, Staff also encountered another section of the Puc 900 rules that may require clarification. Specifically, in accordance with Puc 903.02(i)(1):

On or before April 15 of each year, the commission shall publish on its website its calculation of the rates for avoided costs of energy and capacity for the previous year ending March 31 to be used by utilities to calculate the economic value of surplus net metered generation for the previous year which may be paid or credited starting in the May billing cycle...

The phrase "to calculate the economic value of surplus net metered generation for the previous year" can be strictly interpreted as taking the annual avoided cost rates and applying them only to twelve months of net metered generation, with the assumption

³ I have discussed with NHEC the notion of treating the request for waiver as a request for clarification and can report that NHEC is not averse to that alternative treatment.

being that the economic value of any surplus generation from prior periods would be calculated using the avoided cost rates for the applicable twelve-month periods. However, such a strict interpretation assumes that the surplus net metered generation in any year is only accretive and does not decrease. For example, assume that a particular customer-generator had a surplus net metered generation balance of 500 kWh at the end of the March 2012 billing cycle and that balance began accruing when the net metering system was installed in 2009. As the balance was not in excess of 600 kWh, the customer would not be eligible to receive a payment for the economic value of the surplus balance and the balance would carry forward to the subsequent period. Further assume that for the twelve-month period ended with the March 2013 billing cycle that the surplus balance decreased by 100 kWh (due to being applied against the customer's load) and then for the twelve-month period ended with the March 2014 billing cycle that the surplus increased by 300 kWh. As of the end of the March 2014 billing cycle, the customer-generator would have a net surplus balance of 700 kWh ($500 - 100 + 300$). In order to determine the economic value of the 700 kWh using a strict interpretation of the twelve-month avoided cost rate, one would have to make a determination as to how to apply the 100 kWh decrement experienced as of March 2013 preceding twelve-month period(s). Weighted average? First-in-first-out? Last-in-first out? In Staff's opinion, such a strict interpretation introduces unneeded complexity and administrative burden to the process of providing compensation to customer-generators for the economic value of their surplus net metered generation. Also, considering the relatively small dollar amounts associated with the calculations (e.g., 600 kWh for solar photovoltaic systems at the currently posted avoided cost rate of \$47.63 per megawatt-hour = \$28.58), any added complexity and administrative burden is difficult to justify.

Taking the above into consideration, Staff recommends a clarification of Puc 903.02(i)(1) to state that when utilities determine the surplus balances for customer-generators as of the end of each March billing cycle (pursuant to Puc 903.02(h)), the avoided cost rate to be applied to the entire surplus balance shall be the avoided cost rate posted by the Commission as of April 15 of that same calendar year. Customer-generators would continue to retain the available options of continuing to accumulate the surplus or receiving the economic value of the surplus either through a bill credit or by check.

Staff's final recommendation is that, if the Commission agrees with Staff's proposed clarifications to Puc 901.02(b) and 903.02(i)(1), it issue an Order Nisi that would apply not only to the petitioner, NHEC, but also to PSNH, UES and GSEC. In so doing, each of the New Hampshire electric utilities would have opportunity to request a hearing to the extent any one of them disagrees with the proposed clarifications.

Summary

Staff believes that its recommendations and proposed clarifications are consistent with the requirements of RSA 362-A:9,V regarding compensating customer-generators for surplus net metered generation and would simplify the record keeping and calculations involved in determining the annual compensation.

Please let me know if you have any questions or would like to discuss this issue further.

cc: Suzanne Amidon
Thomas Frantz
Jack Ruderman
Service List
PSNH
UES
GSEC

