

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF JACKSON ENERGY)	CASE NO.
COOPERATIVE CORPORATION TO REVISE)	2013-00004
ITS NET METERING TARIFF)	

ORDER

The matter is before the Commission upon Jackson Energy Cooperative Corporation's ("Jackson Energy") request to revise its Schedule NM – Net Metering ("Net Metering Tariff"). In addition to certain minor textual changes, Jackson Energy proposes to include a provision requiring a specific amount of insurance coverage as part of the terms and conditions for customers wishing to interconnect to Jackson Energy's distribution system through the company's net metering service. Jackson Energy has submitted this proposal to revise its Net Metering Tariff due to inquiries from its customers concerning what level of insurance liability is appropriate. Jackson Energy seeks guidance as to what the Commission will allow Jackson Energy to require of its members who propose net metering installations.

There are no intervenors to this proceeding. Jackson Energy responded to two rounds of data requests propounded by Commission Staff. Written comments were also submitted and received from the public, including the Kentucky Solar Energy Society, Appalachia Science in the Public Interest, Kevin Reid, and Joseph T. Altobellis. The matter now stands submitted to the Commission for a decision based on the evidentiary record.

Jackson Energy provides net metering services to eligible customers pursuant to its Net Metering Tariff. Jackson Energy customers interested in taking service under the Net Metering Tariff are required to submit, for Jackson Energy's approval, an Application for Interconnection and Net Metering ("Net Metering Application"). The Net Metering Application can be found in Jackson Energy's Net Metering Tariff and currently requires, among other things, a potential net metering customer to maintain general liability insurance coverage through a standard homeowner's, commercial, or other policy for both Level 1¹ and Level 2² generating facilities. Jackson Energy now seeks to impose a requirement of \$500,000 of liability insurance for a Level 1 system installed by a licensed installer or \$1,000,000 of liability insurance for a Level 1 system installed by a non-licensed installer. For a Level 2 system, Jackson Energy would also require \$1,000,000 of liability coverage, regardless whether the Level 2 system is installed by a licensed or a non-licensed contractor.

In support of its request to impose a specific amount of insurance coverage as a requirement to the provision of net metering service, Jackson Energy states that it wants to provide uniformity and certainty to its members when an inquiry is made by a

¹ A Level 1 system is defined in the net metering tariff as an inverter-based generating facility that has been certified by a nationally recognized testing laboratory to meet the requirements of Underwriters Laboratories Standard 1741 ("UL 1741") "Inverters, Converters, Controllers and Interconnection System Equipment for Use With Distributed Energy Resources," and that meets certain other conditions.

² A Level 2 system is defined in the net metering tariff as either: (1) a non-inverter-based generating facility; (2) a generating facility that is not certified by a nationally recognized testing laboratory to meet the requirements of UL 1741; or (3) a generating facility that does not meet one or more of the additional conditions under Level 1.

customer concerning net metering.³ With respect to the proposed \$500,000 of minimum liability coverage for a Level 1 system installed by a licensed installer, Jackson Energy states that such coverage would, without subjecting the customer to undue costs, provide protection to a net metering customer and the customer's neighbors from potential damages caused by a net meter system in the event of a failure.⁴ Based on a recent experience of one of its customers, who had to procure additional required liability coverage, Jackson Energy notes that the customer's annual insurance premium increased by \$50.00.⁵

With respect to the proposed requirement of \$1,000,000 of liability insurance for a Level 1 system installed by a non-licensed contractor and for a Level 2 system, Jackson Energy explains that the relatively higher level of required insurance coverage reflects the greater likelihood of that system's failing.⁶ Jackson Energy believes that a licensed installer will have more education, training, and experience in installing electrical facilities than a non-licensed installer.⁷ Jackson Energy points out that Level 2 systems are not inverter based or do not meet the requirements of UL 1741. As such, Level 2 systems are not considered as safe as Level 1 systems because they lack

³ See Jackson Energy's Response to Commission Staff's Initial Data Request, Item No. 3. Currently, Jackson Energy has three customers taking net metering service. The first customer was connected in 2007. The second customer was connected in 2011, but already had liability coverage of \$1 million. The third customer was connected in 2012 and was required by Jackson Energy to have \$1 million of insurance coverage.

⁴ *Id.*

⁵ *Id.*

⁶ See Jackson Energy's Response to Commission Staff's Initial Data Request, Item Nos. 4, 5.

⁷ See Jackson Energy's Response to Commission Staff's Initial Data Request, Item No. 4.

certain safety features, such as anti-islanding protection, which would prevent a system from producing power and delivering it into the grid in the event of a power failure.⁸

The minimum amounts of liability proposed by Jackson Energy were based on the availability of those coverage amounts and the amount of damage that could be caused by a system failure.⁹ Jackson Energy indicated that levels of risk were determined by the engineering expertise of Jackson Energy's personnel who have reviewed the matter and who have discussed such installations with members.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Jackson Energy has failed to establish a reasonable basis to justify the imposition of a minimum level of insurance coverage for potential net meter customers. As Jackson Energy correctly notes, the Commission established the current comprehensive guidelines for interconnection and net metering in Administrative Case No. 2008-00169.¹⁰ Although the established guidelines are silent as to a set level of minimum coverage to be required of potential net metering customers, it does provide that a customer shall maintain general liability insurance coverage for both Level 1 and Level 2 generating facilities. Such general liability insurance coverage could be obtained through a standard homeowner's, commercial, or other policy. Jackson Energy's current Net Metering Tariff was filed in accordance with the established guidelines for interconnection and net metering.

⁸ See Jackson Energy's Response to Commission Staff's Initial Data Request, Item No. 5.

⁹ See Jackson Energy's Responses to Commission Staff's Second Data Request, Item No. 1.c.

¹⁰ Admin. Case No. 2008-00169, *Development of Guidelines for Interconnection and Net Metering for Certain Generators with Capacity up to Thirty Kilowatts* (Ky. PSC Jan. 8, 2009).

As a basis for seeking to require a set amount of insurance coverage for potential net metering customers, Jackson Energy states that it arrived at the \$500,000/\$1,000,000 coverage levels based upon its own determination that such amounts adequately protect against potential damages arising from a faulty net metering system and that the additional premiums would not be cost prohibitive. However, Jackson Energy failed to adequately assess whether the level of coverage that it seeks to impose is reasonable. Jackson Energy did not conduct any analysis to quantify the level of risk associated with a net metering system to determine the probability of occurrence and amount of damages caused by an occurrence. Such an analysis would have provided critical information concerning the need for additional risk mitigation beyond what is already currently provided in the net metering guidelines and the appropriate level of liability protection. Jackson Energy also failed to conduct any research to gauge the risk differential, if any, between a net metering system installed by a licensed contractor versus one installed by a non-licensed contractor, or of the risk differential between a Level 1 system and a Level 2 system. Again, such a quantitative analysis would have provided critical information into the reasonableness of the differing levels of proposed liability coverage between a net metering system installed by a licensed contractor and a non-licensed contractor and between a Level 1 system and a Level 2 system.

IT IS THEREFORE ORDERED that:

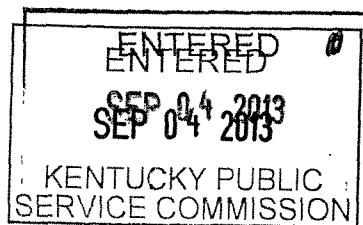
1. Jackson Energy's request to revise its Net Metering Tariff is granted in part and denied in part.

2. Jackson Energy's request to make certain textual changes to its Net Metering Tariff is granted.

3. Jackson Energy's request to impose a minimum level of insurance coverage for Level 1 and Level 2 net metering systems is denied, without prejudice.

4. Jackson Energy shall inform the third customer mentioned herein that the provision of net metering service does not require a minimum level of insurance coverage other than the maintenance of general liability insurance coverage through either a homeowner's, commercial, or other policy.

By the Commission



ATTEST:



Executive Director

Case No. 2013-00004

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