

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION LIGHT, HEAT )  
AND POWER COMPANY FOR APPROVAL OF ITS ) CASE NO. 2002-00240  
PROPOSED RIDER NM, NET METERING RIDER )

O R D E R

On June 10, 2002, The Union Light, Heat and Power Company ( ULH&P ) filed a proposed tariff rider NM to implement a pilot net metering program. By Order dated July 3, 2002, the Commission established this docket in order to more thoroughly investigate ULH&P s proposal. There are no intervenors in this proceeding. ULH&P responded to one data request from Commission Staff and participated in an informal conference on July 26, 2002. The record is now complete and the matter stands submitted for decision.

BACKGROUND

To qualify for ULH&P s proposed tariff, a customer must have a generation system using solar or wind energy. Eligibility is further restricted to residential, high school, middle school or elementary school customers with a capacity of 20 kilowatts or less and who generate less than 1,000 kilowatt-hours per month. Rider NM will be offered as a pilot program for a period of 36 months. The rider will be voluntary with the total nameplate rating of all customers served under it limited to 1 percent of ULH&P s total peak system load.

Customers wishing to be served under the proposed rider will have installed a generation system that meets specific guidelines necessary to ensure against damage

to ULH&P's electrical system. During periods when the customer generates more electricity than it needs, the excess will feed into ULH&P's system causing the meter to run backward. Consequently, the customer will receive a credit equal to the applicable retail rate for all excess energy fed into the ULH&P system. Should a customer generate more electricity during a billing period than is consumed, the customer's excess electricity will be carried forward to the next billing period. Customers will not be paid for excess generation.

### DISCUSSION

Generally, the Commission finds the proposed pilot net metering program to be reasonable, and we conclude that the program should be approved on a pilot basis, subject to certain conditions. ULH&P's proposal is the third net metering program proposed in Kentucky, and the Commission finds that these programs should be consistent to the greatest extent possible. To that end, we address the following issues:

#### Tariff Language

The proposed tariff rider explicitly identifies the program as a pilot program, but it does not identify the proposed term of the pilot. The Commission finds that ULH&P should revise the Availability portion of the tariff to explicitly state that the pilot program will be in effect for 36 months following today's approval.

#### Metering Equipment

One of the issues raised by the Staff's data request and at the informal conference is ULH&P's ability to separately record the amount of power delivered to the customer, the amount of power received from the customer, and the time during which the power is either delivered or received. Since the time (on-peak or off-peak) during

which the customer is providing power is of critical importance to the review of the pilot program, the Commission finds that metering equipment with the capability to perform the functions identified above should be installed by ULH&P at no cost to the customers that participate in the net metering pilot program. At the informal conference, ULH&P indicated a willingness to install such meters at no cost to participating customers, but expressed concern that if a substantial number of customers opted to participate in the pilot, the metering costs could be substantial. To address this concern, ULH&P can raise this issue in conjunction with its annual filings on the number of participants. The Commission has been informed in other proceedings that a Form 2S SENTINEL meter with bi-directional metering capability can perform these functions. ULH&P should install either the Form 2S SENTINEL meter or other comparable metering equipment to record and maintain the time and quantity of power being received from or delivered to each participating customer.

#### Fixed Cost Recovery

Because the customer charge component of utility rate schedules seldom recovers 100 percent of a utility's fixed costs, for most customer classes, some portion of fixed costs are recovered through the utility's energy charges. Therefore, under net metering, customers are credited for both the excess energy they supply and a portion of the utility's fixed costs, even though the utility's fixed costs are still incurred at the same level as they would be absent the net metering program.

For customers eligible for ULH&P's proposed net metering program, the energy charge component of ULH&P's rate schedules is presently designed to recover a portion of fixed and customer-related costs, since the applicable customer charges do

not fully recover these costs. As a result, net metering customers may not be paying the proper level of fixed and customer-related costs incurred to provide them service. Since the proposed net metering program is to be implemented on a pilot basis with the total load eligible to participate limited to one percent of ULH&P's total peak system load, we find it unnecessary at this time to modify ULH&P's rates to ensure full recovery of fixed and customer-related costs through the customer charges. However, fixed and customer-related cost recovery is an issue that should be reviewed during the pilot and addressed by ULH&P in its evaluation of the pilot program.

#### Annual Filings

The Commission intends to monitor the participation level in the net metering pilot program during the period it is in effect. Therefore, ULH&P will be required to make annual filings indicating the number of participants at approximate 12-month intervals during the term of the pilot. Such filings should reflect the following information as of August 31, 2003 and August 31 of each of the 2 following years, or cumulatively, or monthly for the 12 months ended August 31 in each of those 3 years:

1. The number of customers, separately identifying residential customers and school customers, as of August 31.
2. The amount of energy, in kilowatt-hours, delivered to and received from, each customer for the 12 months ended August 31.
3. A schedule, which identifies, by customer, the period of time (on-peak or off-peak) during each month of the 12-month period ended August 31 in which energy was received from the customer and the amount of energy received during each period.

4. A listing by month, by customer, that shows any credit balances resulting from the customer generating more electricity than was consumed during the month.<sup>1</sup>

#### SUMMARY

The Commission, having the considered the evidence of record and being otherwise sufficiently advised, finds that the proposed net metering pilot program and the proposed tariff rider, Rider NM, should be approved for a period of 36 months from the date of this Order, subject to the changes, conditions, and reporting requirements discussed herein.

IT IS THEREFORE ORDERED that:

1. The proposed net metering pilot program and tariff rider Rider NM, as modified herein, are approved for a period of 36 months from the date of this Order.

2. The Availability section of Rider NM shall be revised to clearly state that it will be in effect for a period of 36 months from its effective date.

3. For purposes of this pilot program ULH&P shall install Form 2S SENTINEL meters, or meters with similar capabilities, that will allow ULH&P to record the amount of power delivered to the customer, the amount of power received from the customer, and identify whether the power was delivered or received during on-peak of off-peak periods.

4. ULH&P shall file annually an original and 10 copies of the information described in the findings above. The filings shall be submitted no later than November

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<sup>1</sup> Since customers will be credited at retail rates, it is possible that credit balances might be experienced. The information contained in the annual filings will be reviewed to evaluate whether reimbursement may be appropriate for customers that carry a credit balance for a period of 12 months or longer.

1 during the next 3 calendar years with the first filing due November 1, 2003 and subsequent filings due by November 1 of the 2 succeeding years.

5. ULH&P shall file its revised Rider NM, reflecting the change required herein in Ordering Paragraph 2, with this Commission within 20 days from the date of this Order.

Done at Frankfort, Kentucky, this 13<sup>th</sup> day of September, 2002.

By the Commission

ATTEST:

  
Executive Director