

PUBLIC HEARING ITEM #080772

Consideration of PURPA Standards

February 5, 2009



Recommendation

- City Commission Receive a Presentation From Staff for consideration of the four standards
- Staff will return with General Manager's final recommendation on March 19, 2009 for City Commission to render final decision on adoption of the standards

Standard 16 - Integrated Resource Planning (IRP)

IRP Standard specifically addresses aspect of integrating energy efficiency into utility plans and adopting policies that encourage cost-effective energy efficiency.

Standard 16

Preliminary Recommendation

- Staff's preliminary recommendation is to not adopt this standard, as already have equivalent policy in place.
 - GRU adopted IRP as a planning standard in the early 1990s
 - City Commission adopted TRC (Total Resource Cost Test) which expanded the energy efficiency/conservation programs that would be offered by the utility

Standard 17- Rate Design to Promote Energy Efficiency Investments

Rate Design Standard addresses:

- alignment of utility incentives with the delivery of cost-effective energy efficiency; and
- promoting energy efficiency investments with financial incentives

Standard 17

Considerations:

- Allows the direct costs of efficiency programs to be recovered by the utility.
- Allows for capitalization of energy efficiency expenditures.
- Consider decoupling revenues from sales and allow rate adjustments when sales deviate from forecast
- Consider direct cost recovery using line item on bill specifically for cost of conservation programs

Standard 17

Considerations (cont'd):

- Consider rate designs that consider impact of Energy Efficiency (EE), encourage EE and allow for recovery of EE related costs
- Offering home energy audits and demand response programs, publicizing the financial and environmental benefits of home EE improvements, and educating homeowners about all existing incentives that make EE improvements more affordable.

Standard 17

Preliminary Recommendation:

Staff's preliminary recommendation is to not implement this standard as:

- Capitalizing expenditures for recovery and rate of return is related to IOUs
- GRU's costs are recovered in base rates
- Energy efficiency impacts have been considered in rate design
- Increasing block and time-of-use rates are in place
- Energy efficiency programs and education are strong focus of utility

Standard 16 (#2)

Smart Grid Investments

Each *State* shall consider the following three items:

- A. requiring utility to show that it considered the following factors prior to making an investment in non-advanced grid technologies:
 - Total costs
 - Improved reliability
 - System performance
 - Cost-effectiveness
 - Security
 - Societal benefit
- B. authorizing recovery of capital, operating expenditures or other costs related to Smart Grid Deployment, from ratepayers
- C. allowing utilities to recover, from ratepayers, remaining book value of infrastructure made obsolete by implementation of Smart Grid

Standard 16 (#2)

Recommendation

Staff's preliminary recommendation is to not adopt this standard for the following reasons:

- As written, the language of this standard is setting requirement for the ***State***, not the utility, so is out of the jurisdiction of the utility or City Commission
- GRU already considers the six factors in evaluation of capital projects as prudent utility practice
- Subsections B & C are not relevant for GRU, as GRU's rates are set by policy of city commission and do not require state consideration for recovery.
- Formal analysis of Smart Grid options and cost of deployment of such a system is complicated by rapidly changing costs and technologies

Standard 17 (#2)

Smart Grid Information

- All electricity purchasers shall be provided direct access to the following information:
 - Prices
 - Usage
 - Intervals and Projections
 - Sources
- Purchasers shall be able to access this information at any time via internet or other means of communication elected by the utility for Smart Grid applications

Standard 17 (#2)

Considerations

- Usage and rates already available on the internet
- Intervals and projects require AMI which has been shown not to be cost effective at this time.
- Sources of energy are published in annual reports but will be included on our website in the future.
- The Smart Grid item is in GRU's Economic Stimulus package, but that process will not be complete by this budget season

Standard 17 (#2)

Preliminary Recommendation

- Staff's preliminary recommendation is to not adopt this standard, as:
 - Implementation would cause rate pressure for all customers, while not all customers may be able to use this service
 - Staff is continually looking for ways to provide information to our customers
 - AMI options are reviewed regularly as technology and operational needs change