

NOTICE OF INQUIRY by the COMMISSION of PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY FOR PUBLIC COMMENT ON INTERCONNECTION and NET METERING STANDARDS PROPOSED FOR CONSIDERATION UNDER THE PUBLIC UTILITY REGULATORY POLICIES ACT and CHAPTER 201, LAWS of 2006.

TO INTERESTED PERSONS

Pursuant to sections 1251 and 1254 of the Energy Policy Act of 2005 (EPAAct), amendments to Chapter 80.60 RCW, Chapter 201, Laws of 2006 (HB 2352), the Board of Commissioners of the Chelan County PUD (Commission) hereby gives notice that it will consider establishing standards to govern 1) the interconnection of third-party generation facilities to its electric utility delivery system; and 2) net metering service to electric consumers served by its electric utility delivery system.

The Commission intends to hold a public proceeding to consider whether it is appropriate to adopt, in whole or in part, or not adopt such interconnection and net-metering standards. Per this notice, the Commission invites written comments on the net metering and interconnection standards currently in place at Chelan County PUD, which can be found at www.chelanpud.org or requested in hard copy by calling 661-6645. The Commission also invites the submittal of alternate proposals. Based upon comments or proposals received, the Commission will schedule a workshop or hearing pursuant to subsequent public notice. Initial comments and proposals are due by November 1, 2006.

BACKGROUND

Energy Policy Act of 2005

On August 8, 2005, the President signed the Energy Policy Act of 2005 (EPAAct 2005). Section 1254 of EPAAct amends section 111(d) of the Public Utility Regulatory Policies Act of 1978 (PURPA) to require utilities to consider adoption of standards for interconnection and whether it is appropriate to offer, upon request, interconnection service to any electric consumer that the electric utility serves. The term "interconnection service" means service to an electric consumer under which an on-site electrical generating facility on the consumer's premises may be connected to the local distribution facilities. (Section 111(d)(15)). By law, electric utilities must begin considering interconnection standards by August 8, 2006 and, by August 8, 2007, make a determination as to whether it is appropriate to adopt standards, in whole or in part, and offer such interconnection service or not adopt the standards.

Section 1251 of EPAAct amends section 111(d) of PURPA by adding a new section for net metering. This section requires each electric utility to consider whether it is appropriate to make available, upon request, net metering service to any electric consumer that the electric utility services. The term "net metering service" means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period. (Section 111(d)(11)). By law, electric utilities must begin considering this standard by August 8, 2007

and make a final determination by August 8, 2008 whether to adopt the standard and offer such net metering service.

Due to the relationship between net metering standards and interconnection standards, the Commission has determined to consider these standards jointly.

Washington State Requirements on Net metering

Washington State law requires all electric utilities to make net metering of electricity available to customer-generators, subject to certain qualifications (RCW 80.60) and limited to certain renewable and other resources. During the 2006 session, the Washington State Legislature amended the state net metering standards by passing HB 2352, Chapter 201, Laws of 2006. This law amended RCW 80.60, the state's net metering statute which requires utilities to offer net metering service for certain facility types and sizes, reserving half of a utility's net metering capacity for renewable resources. Specifically, RCW 80.60 was amended by 1) raising the eligible facility size from 25 kW to 100 kW; 2) adding to the list of eligible facilities to include small combined heat and power facilities and those fueled by biogas from animal waste; 3) increasing the total capacity of net metered systems on the distribution system from 0.1% of the systems 1996 peak to 0.25%, with an additional increase to 0.5% in 2014; and 4) allowing a public utility district to specifically limit interconnection to any distribution feeder, circuit, or network based on safety or reliability (Chapter 201, 2006 laws). While this comparable standard qualifies as prior state action under EAct 2005 and thereby would not require consideration, this Commission intends to seek public input on amending its net metering standards (including relevant interconnection standards) required pursuant to RCW 80.60.

PUBLIC UTILITY REGULATORY POLICIES ACT

PURPA is intended to encourage 1) the conservation of energy supplied by electric utilities; 2) the optimization of the efficiency of use of facilities and resources by electric utilities; and 3) equitable rates to electric consumers (Section 101). The Commission will consider whether a proposed standard for interconnection and net metering meets these purposes of PURPA.

Under PURPA, electric utilities with total annual retail sales of 500 million kilowatt-hours must consider the new standards (Section 102(a)). However, electric utilities can choose whether it is appropriate to adopt the new standards in whole or in part or not adopt the standards. In addition, nothing under PURPA prohibits this Commission from modifying or adopting, or not adopting, a different standard or rule pursuant to State law (Section 117(b)). Should the Commission adopt the proposed interconnection standards in whole or in part, they may amend, repeal or replace current standards.

COMMENTS FROM THE PUBLIC

The Commission initiates this consideration process by inviting written comments or proposals of this topic. Comments and proposals in written or electronic form may be provided to Chelan County PUD's Public Information Officer at P.O. Box 1231, Wenatchee, WA 98807 or emailed to kimberlee.craig@chelanpud.org. Proposals must address the three PURPA purposes and the cost-effective long range benefits described above. All comments and proposals will be posted at

www.chelanpud.org. Based on comments and interventions received, the Commission may establish an official service list for the proceeding. The Commission will schedule a workshop or hearing to consider the comments and proposals received at a future date.