

**NOTICE OF INQUIRY by the COMMISSION of PUBLIC UTILITY DISTRICT
NUMBER 1 OF CHELAN COUNTY FOR PUBLIC COMMENT ON STANDARDS FOR
TIME-BASED METERING AND COMMUNICATION PROPOSED FOR
CONSIDERATION UNDER THE PUBLIC UTILITY REGULATORY POLICIES ACT**

TO INTERESTED PERSONS

Pursuant to section 1252 of the Energy Policy Act of 2005 (EPAct), the Board of Commissioners of the Chelan County PUD (Commission) hereby gives notice that it will consider establishing a “time-based metering and communications” standard to govern 1) the offering of a time-based rate schedule to each of this electric utility’s customer classes and individuals, upon request; and 2) the provision of time-based meters to customers.

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 time-based metering and communications standard. Per this notice, the Commission invites written public comments and 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

On August 8, 2005, the President signed the Energy Policy Act of 2005 (EPAct). Section 1252 of EPAct amends Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (PURPA) to require utilities to consider a new standard for time-based metering and communications. This section requires each electric utility to consider whether it is appropriate to offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility’s costs of generating and purchasing electricity at the wholesale level (Section 111(d)(14)).

PURPA, as amended by EPAct, describes four types of time-based rate schedules that may be offered, including i) time-of-use pricing; ii) critical peak pricing; iii) real-time pricing; iv) credits for consumers with large loads who enter into pre-established peak load reduction agreements (Section 111(d)(14)(B)). The time-based rate and communications standard also includes a provision whereby electric utilities provide, upon a consumer’s request, time-based meters capable of enabling the utility and customer to offer and receive such rates (Section 111(d)(14)(C)).

By law, electric utilities must begin considering this standard by August 8, 2006 and determine by August 8, 2007 whether it is appropriate to adopt the standard in whole or in part and offer such time-based metering and communications service, or not adopt the standard.

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PURPA Purposes

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 time-based metering and communications meets these purposes of PURPA.

Cost-Effectiveness

In undertaking the consideration and making the determination required under PURPA with respect to the standard for time-based metering and communications established by section 111(d)(14), this Commission must also determine that a potential time-based metering and communications standard is cost-effective (Section 115(b)). The Commission will determine that a rate is cost-effective if the long-run benefits of such rate to the electric utility and its electric consumers in the consumer class concerned are likely to exceed the metering and communications costs and other costs associated with the use of such rates.

TIMEFRAME

Under PURPA, electric utilities with total annual retail sales exceeding 500 million kilowatt-hours must consider the new standard (Section 102(a)). However, electric utilities can choose whether it is appropriate to adopt the new standard. 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)).

While electric utilities have until August 8, 2007 to make a determination whether to adopt in whole, in part, or not adopt a time-based rate and communications standard, PURPA also includes a provision for implementation of the standard, if adopted, by February of 2007 (Section 111(d)(14)(A)). This Commission intends to hold its public proceeding in sufficient time to meet the February, 2007 implementation goal, if the Commission decides it is appropriate to adopt the standard. However, this Commission reserves its right to adopt or not adopt the standard by August 8, 2007, or to recommend that adoption of the standard (or a modified standard relating to time-based metering and communication) proceed on an alternate deadline.

COMMENTS AND PROPOSALS

The Commission initiates this consideration process by inviting written comments or proposals on 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.