



N A R U C
National Association of Regulatory Utility Commissioners

February 2, 2016

The Honorable Mitch McConnell
Majority Leader
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Lisa Murkowski
709 Hart Senate Building
Washington, D.C. 20510

The Honorable Maria Cantwell
511 Hart Senate Office Building
Washington, D.C. 20510

RE: NARUC Opposition to King-Reid Amendment # 3120

Dear Majority Leader McConnell, Minority Leader Reid, Chairman Murkowski, and Ranking Member Cantwell:

I am writing today to register the opposition of the National Association of Regulatory Utility Commissioners (NARUC) to Amendment #3120 proposed by Senators King and Reid.

NARUC's members, many subject to renewable portfolio standards, have been at the cutting edge of promoting distributed energy resources, including solar. Forty-three States and the District of Columbia have net metering policies in place currently, and many of them are engaged in proceedings to determine a particular value of these systems—benefits, net of costs—to replace a pricing policy of generously paying these systems the full retail rate for electricity service, which typically includes costs for everything from the distribution lines that connect all customers' houses to the grid to linemen who maintain it to the software that keeps the grid in constant balance.

This amendment enshrines as a default the concept that this customer-sited generation should be compensated at the full retail rate for electricity service (page 2, line 12). This default is essentially the opposite of the bedrock concept of PURPA, which has it that a small generator should be compensated no less and no more than the energy and capacity benefits it provides to the system. In the traditional PURPA paradigm, there is no presumption about what such a facility should be paid. This amendment, for the first time, would change that, mandating an incorrect price signal from the beginning, and then making it impossible to change it without undertaking a proceeding that conforms to the highly specific procedural standards the amendment establishes.

The State regulatory procedure that the amendment specifies, meanwhile, hinges on a regulator attempting to measure benefits that the statute ambiguously defines, such as “the societal value of distributed energy resources.” The legislative text also includes terms of art that will inevitably engender controversy and litigation; what, for instance, defines a “rate class”?

The amendment is well intentioned, and NARUC's members are strong believers that regulatory determinations on rates should be based on an impartial judgment on the most complete evidentiary record possible, but which are nimble enough to meet a sector that is changing rapidly. The practical

implications of the amendment to State utility commissions would weigh down commissions and prevent them from this nimbleness. For example, essentially every rate proceeding that comes before a State utility commission includes a consideration of whether to collect more or less revenue from a particular set of customers (residential, commercial, or industrial) through one or another rate, be it a volumetric charge per-kilowatt-hour, a demand charge by a customer's peak usage, or a fixed monthly service charge. By mandating a consideration of a laundry list of net-metering-specific considerations in every such case, the amendment (page 4, lines 13-18) literally would require nearly every rate case to become a net-metering proceeding. This is simply unworkable.

NARUC strongly believes in the need both to allow consumers options to generate their own electricity in competition with monopoly providers, while being compensated fairly. Indeed, our organization is in the process of authoring a Distributed Energy Resource Compensation Manual to assist our members in making the very determinations that the amendment has in mind. We respectfully ask that Congress not prescribe the form of State utility commissions' consideration of this important topic.

For these reasons, NARUC respectfully opposes the King-Reid amendment to S. 2012 regarding "on-site generating"/net metering.

Thank you for your time and consideration. Please do not hesitate to contact me or Chris Mele, NARUC's Legislative Director for Energy, at 202.898.2205 or cmele@naruc.org should you have any questions.

Sincerely,



Travis Kavulla
NARUC President
Commissioner, Montana Public Service Commission

cc: All Members of the United States Senate