

AGENDA ITEM SUMMARY

DATE: 06/03/13 **DEPARTMENT:** CDD/PWD **DEPT. HEAD SIGNATURE:** MP

SUBJECT: A proposed letter to the Idaho Public Utilities Commission (PUC) commenting on Idaho Power's Net Metering proposal

AUTHORITY: ID Code IAR _____ City Ordinance/Code Title 15
(IFAPPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

Among other net metering changes, Idaho Power has proposed to change the rates for existing and future net metering customers, as well as cap the amount of renewable energy power allowed in Idaho. The PUC will be deciding on the proposal July 1st. Other city's have sent written comments and the City of Boise has even filed a petition to intervene, along with Idaho renewable energy businesses and environmental NGOs.

The proposed net metering rate changes could have cost implications for residential users. It will have varying effects depending on how many KWs are generated and what the power demands and usage are. While the variable rates are proposed to be reduced for all residential energy users, the addition of a peak demand charge and an increased fixed net metering fee means the changes would result in either a cost reduction or increase compared to the current net metering savings seen by all residential net metering customers.

Residential customers are primarily affected by the following changes:

1. Increase in monthly fixed cost from \$5/month to \$20.92/month.
2. The addition of a peak demand charge – what your highest KW amount used at any one time during the month.

Below is a comparison of existing monthly rates and fees vs. proposed for residential service.

Existing (currently applies to net metered and non-net metered customers, unless stated otherwise)							
Fixed costs	\$5/month (applies to only net metered)						
Variable costs	Tier 1	Tier 2	Tier 3				
Summer (June-Aug.)	\$.078	.096	.115				
Non-Summer (Sept.-May)	.072	.08	.089				
Proposed (would apply to only net metered customers)							
Fixed costs	\$20.92/month						
Variable costs	Tier 1	Tier 2	Tier 3				

Summer (June- Aug.)	\$.053	.064	.077				
Non- Summer (Sept.- May)	.048	.054	.06				
Peak Demand Charge	\$1.48 per KW/month. This is a new fee that would apply to peak demand energy usage per month. If your peak demand is 10 KW, you would be charged and additional \$14.80.						

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS:

If the proposal is approved by the PUC, existing and future small scale renewable energy projects may become obsolete. Idaho Powers proposed rates may disincentivize renewable energy systems. Existing net metering customers may see price increases in their bills and energy delivery and generation capacity may increase at a greater rate as a result of less renewable energy generation. This may require future energy developments by Idaho Power; the cost of which will likely be passed on to the customer, including Hailey residents. The city has invested many resources to promote and enhance energy independence and renewable energy projects/programs throughout the community and the city's own municipal operations. These past and current efforts may be negated by Idaho Power's proposal.

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IFAPPLICABLE)

- | | | |
|---|--|--|
| <input type="checkbox"/> City Administrator | <input type="checkbox"/> Library | <input type="checkbox"/> Benefits Committee |
| <input type="checkbox"/> City Attorney | <input type="checkbox"/> Mayor | <input type="checkbox"/> Streets |
| <input type="checkbox"/> City Clerk | <input checked="" type="checkbox"/> Planning | <input type="checkbox"/> Treasurer |
| <input type="checkbox"/> Building | <input type="checkbox"/> Police | <input checked="" type="checkbox"/> Sustainability |
| <input type="checkbox"/> Engineer | <input checked="" type="checkbox"/> Public Works, | <input type="checkbox"/> _____ |
| <input type="checkbox"/> Fire Dept. | <input type="checkbox"/> Parks | <input type="checkbox"/> _____ |
| | <input checked="" type="checkbox"/> P & Z Commission | |

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Consider the attached letter and authorize the Mayor to sign (comments should be submitted by June 9th).

ACTION OF THE CITY COUNCIL:

Date : _____

City Clerk _____

FOLLOW-UP:

*Ord./Res./Agrmt./Order Originals: Record *Additional/Exceptional Originals to:

Copies (all info.): _____
Instrument # _____

Copies (AIS only)

City of Hailey

115 MAIN STREET SOUTH, SUITE H
HAILEY, IDAHO 83388

(208) 788-4221
Fax: (208) 788-2924

June 3, 2013

To: Idaho Public Utilities Commission

From: Hailey Mayor and City Council
115 Main St. South
Hailey, ID 83333

Subject: Idaho Power Company Filing IPC-E-12-27

Summary: We believe the proposal to change Idaho Power's net metering program undermines Idahoan's ability to generate their own power and unfairly penalizes a very small portion of rate payers whose onsite solar generation benefits the entire electricity grid during peak demand times.

The City of Hailey urges the commission to eliminate the system wide cap on Idaho Power's net metering program and reject the proposed rate changes for net metering customers.

The City of Hailey seeks to promote energy efficient design, building, construction and operation in our own municipal operations as well as throughout the community. We have invested a large amount of resources to remove barriers to renewable energy systems in our local ordinances, adopt energy emergency and security plans and to create and find funding for programs that incentivize renewable energy systems throughout the community. Any proposed disincentive or barrier threatens these initiatives and negates Hailey's time, effort and expense spent on such projects.

The City of Hailey promotes sustainability in the city's own operations as well as within the community. This includes, but is not limited to energy efficiency and distributed renewable energy in new construction and renovation in the residential, commercial, and public sectors because making our precious kilowatts go further is still cheaper than generating and distributing additional energy. In addition, there are significant societal and rate payer benefits to increased energy efficiency and renewable energy.

The size of Idaho Power's net metering program is small at this juncture so we encourage increasing the cap on how many customers can join the program, or eliminating the cap altogether. We also believe net metering customers are providing value to Idaho Power's electrical grid and to rate payers as a whole due to the match of peak demand and peak generation by solar net metering customers.

The solar installation industry and small scale renewable energy industry (micro hydro and wind) in Idaho is just beginning to expand. Hailey supports the growth of this industry both locally and throughout Idaho, to serve growing interest from the public, businesses and Idaho schools. **A robust and progressive net metering policy would help create jobs and stimulate economic development in Hailey and throughout Idaho and expand Hailey residents' energy choices and ability to invest in energy independence and stability.**

By reducing the financial benefits of investing in onsite renewable energy for homes, businesses, government buildings or schools, Idaho Power's proposed net metering policy changes will severely cripple investment in this growth industry as well as limit energy choices for rate payers. The City of Hailey supports a robust net metering program because we believe it will strengthen the power grid for our region and as the program grows it can help reduce the utility's need to purchase expensive power on the open market to meet high peak demand, which is a cost that will be passed onto rate payers.

Energy Security and Grid Stability

Moving towards a more distributed energy system versus building more centralized generation capacity and the necessary transmission capacity will help create a more stable and secure future for the City of Hailey's energy infrastructure. We know that building and maintaining transmission is a huge cost and has a lot of risk associated with it due to potential vulnerability to storms, fires, and potential domestic attacks. Distributed energy generation that a robust net metering policy would encourage would help move Hailey towards a more secure and stable energy future.

In addition, the City of Hailey believes:

- **The proposed tariff structure is unfair to net metering customers.**
- **The proposed tariff structure is bad public policy because it discourages energy efficiency and conservation.**
- **The proposed net metering changes fail to recognize the benefits of peak load reduction.**

We urge the Idaho Public Utilities Commission to reject the proposed fee structure while eliminating the cap on the net metering program capacity. We sincerely hope the Idaho PUC will direct Idaho Power to develop a new robust net metering program proposal that encourages small scale distributed renewable energy generation and is fair to all customers, that doesn't have negative unintended consequences for energy efficiency and conservation efforts.

Thank you for the opportunity to comment.

Sincerely,

Fritz X. Haemmerle
Mayor, City of Hailey

AGENDA ITEM SUMMARY

DATE: 6/3/13 DEPARTMENT: PW - Water DEPT. HEAD SIGNATURE: 

SUBJECT: Discussion of proposed Ordinance - Cross Connection annual testing/reporting requirements for irrigation and fire sprinkler systems and User Fee revisions

AUTHORITY: ID Code _____ IAR _____ City Ordinance/Code _____
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

Cross Connection refers to the water backflow prevention devices. These are important to prevent contamination of the city water supply and require regular inspection. Our Municipal code currently has a minimal section, 13.04.060, on cross connections that requires improvement. We have received information that DEQ will be addressing this issue with their next Sanitary Survey which we anticipate will occur in June or July. The main focus of this ordinance is the requirement for annual testing of all backflow devices, including all irrigation systems, and maintaining a record of the inspections.

The user fee revision relates to the refinancing of both our Water and Wastewater bonds that include a requirement that revenues over expenses maintain 150% of the bond payment. This revision adds language that we comply with all outstanding loan requirements in setting fees.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS: Caselle # _____
Budget Line Item # _____ YTD Line Item Balance \$ _____
Estimated Hours Spent to Date: _____ Estimated Completion Date: _____
Staff Contact: _____ Phone # _____
Comments:

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

- | | | |
|---|--|---|
| <input type="checkbox"/> City Administrator | <input type="checkbox"/> Library | <input type="checkbox"/> Benefits Committee |
| <input type="checkbox"/> City Attorney | <input type="checkbox"/> Mayor | <input type="checkbox"/> Streets |
| <input type="checkbox"/> City Clerk | <input type="checkbox"/> Planning | <input type="checkbox"/> Treasurer |
| <input type="checkbox"/> Building | <input type="checkbox"/> Police | _____ |
| <input type="checkbox"/> Engineer | <input type="checkbox"/> Public Works, Parks | _____ |
| <input type="checkbox"/> Fire Dept. | <input type="checkbox"/> P & Z Commission | _____ |

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Move this item to June 17 meeting for public hearing.

ADMINISTRATIVE COMMENTS/APPROVAL:

City Administrator _____ Dept. Head Attend Meeting (circle one) Yes No

ACTION OF THE CITY COUNCIL:

Date _____

City Clerk _____

FOLLOW-UP:

*Ord./Res./Agrmt./Order Originals: Record *Additional/Exceptional Originals to: _____

HAILEY ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF HAILEY AMENDING HAILEY MUNICIPAL CODE, CHAPTER 13.04, WATER AND SEWER SYSTEMS ORDINANCE, BY AMENDING SECTION 13.04.060, CROSS CONNECTIONS, WHICH FURTHER DEFINES REQUIRED INSTALLATIONS, MINIMUM BACKFLOW PREVENTION DEVICE REQUIREMENTS, ANNUAL TESTING REQUIREMENTS; BY AMENDING SECTIONS 13.04.130(A) AND (B) TO INCLUDE AMOUNTS NEEDED FOR LENDING REQUIREMENTS WHEN ESTABLISHING WATER AND WASTEWATER USER FEES; BY PROVIDING FOR A SEVERABILITY CLAUSE; BY PROVIDING FOR A REPEALER CLAUSE; AND BY PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Mayor and the City Council of the City of Hailey wish to amend the Hailey Municipal Code to ensure the safety of the City of Hailey Water Supply; and

WHEREAS, the Mayor and the City Council of the City of Hailey wish to amend the Hailey Municipal Code to ensure sufficient water and wastewater fees are collected to comply with lending requirements for capital expenses; and

WHEREAS, the Mayor and City Council find that the amendments to the Chapter will further the public health, safety and general welfare.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF HAILEY, IDAHO, AS FOLLOWS:

Section 1. Section 13.04.060 of the Hailey Municipal Code is hereby amended by the addition of the underlined language and by the deletion of the stricken language, as follows:

13.04.060 Cross connections. The standards for Cross Connections shall adhere to Idaho Administrative Code, IDAPA 58.01.08 – Idaho Rules for Public Drinking Water Systems, (title 1, chapter 8) as amended.

A. General Rules. No water service connection to any premises shall be installed or continued in use unless the water supply is protected by backflow prevention devices as may be required by this chapter or title 1, chapter 8, "Idaho Rules for Public Drinking Water Systems". The installation or maintenance of a cross connection which will endanger the water quality of the potable water supply of the city shall be unlawful and is prohibited. The control or elimination of cross connections shall be in accordance with this chapter or title 1, chapter 8, "Idaho Rules for Public Drinking Water Systems", together with the latest editions of appropriate manuals of standard practice pertaining to cross connection control approved

by the water department. The water department shall have the authority to require standards more stringent than State Rules if deemed that the conditions so dictate. No connection will be made to any fire hydrant on the municipal water system by any person without having first received the permission of the water manager, except for firefighting purposes. No person shall make or permit the cross connection of any private water system to a water line that is served by the municipal water system except as provided in this chapter. Whenever an owner connects to the municipal water system, he or she shall, at his or her expense, physically disconnect any private water source from the municipal water source in such a manner that water from a private source will never pass through the same pipes that carry water from the municipal source, except as may be approved by the water department and health officer.

- B. Cross Connections Prohibited. The installation or maintenance of a Cross Connection is hereby prohibited. Any such Cross Connection now existing is declared a nuisance and shall be removed or abated upon order of the City. Failure to remove a Cross Connection or install an approved Backflow Prevention Device as ordered within ten (10) days of the order shall result in discontinuance of municipal water service until compliance is made.
- C. Backflow Prevention Devices. Any facility requiring a Backflow Prevention Device shall follow the requirements of the Idaho Administrative Code, IDAPA 58.01.08, ~~Subsection 900.02 (Table 2)~~, as amended. The minimum required Backflow Prevention Device shall be a testable double check valve.
- D. Inspections of Existing Buildings, Structures or Improvements. Inspections by the City or its authorized agent, bearing proper credentials and identification, may be made of any existing building, structures or improvements of any nature receiving water from the municipal water supply. The City Water ~~Division Manager Superintendent~~ or his authorized agent shall make an inspection of any building, improvement or structure of any nature receiving water from the municipal water supply if there appears probable cause to believe that a Cross Connection exists or that a Backflow Prevention Device should be installed.
- E. Required Installations. Backflow prevention devices shall be installed at the owner's expense at the ties on the premises or within any premises where, in the judgment of the water manager, the nature and extent of activities or the materials stored on the premises would present an immediate and dangerous hazard to health and/or be deleterious to the quality of the water should a cross connection occur, even though such cross connection does not exist at the time the backflow prevention devices shall be installed under circumstances, including, but not limited to, the following:
1. Premises having an auxiliary water supply, unless the quality of the auxiliary supply is in compliance with title 1, chapter 8, "Idaho Rules for Public Drinking Water Systems", and are acceptable to the water manager.

2. Premises having internal cross connections that are not correctable, or intricate plumbing arrangements which make it impracticable to ascertain whether or not cross connections exist.
3. Premises having a repeated history of cross connections being established or reestablished.
4. Premises on which any substance is handled under pressure so as to permit entry into the municipal water system or where a cross connection could reasonably be expected to occur. This shall include the handling of process waters and cooling waters.
5. Premises where materials of a toxic or hazardous nature are handled in such a way that if back siphonage should occur, a health hazard might result.
6. The following types of facilities will fall into one of the above categories where a backflow prevention device is required to protect the municipal water system. A backflow prevention device shall be installed at these facilities unless the water manager and health officer determine that no hazard exists:
 - a. Hospitals, mortuaries, clinics.
 - b. Laboratories.
 - c. Metal plating industries.
 - d. Sewage treatment plants.
 - e. Food or beverage processing plants.
 - f. Chemical plants using a water process.
 - g. Petroleum processing or storage plants.
 - h. Radioactive material processing plants or nuclear reactors.
 - i. Dry Cleaners
 - j. Others as specified by the health officer.
7. Other premises where backflow prevention devices are reasonably required to protect the municipal water system.
8. Under circumstances set forth in this subsection, the water manager shall have the right to require a reduced pressure principle backflow prevention device or a proper air gap separation to be installed at the property line.

F. Minimum Backflow Prevention Device. The type of protective device required shall depend on the degree of hazard which exists.

1. An air gap separation and/or a reduced pressure principle backflow prevention device shall be installed where the municipal water system may be contaminated with sewage, industrial waste of a toxic nature, or other contaminant which could cause a health or system hazard.

2. In the case of a substance which may be objectionable but not hazardous to health, a double check valve assembly, air gap separation, or a reduced pressure principle backflow prevention device shall be installed.
3. Where lawn sprinkling systems are installed, double check valve assembly, reduced pressure principle backflow prevention device, or an air gap separation shall be installed where there are valves downstream of such device.

G. Installation. Backflow prevention devices required by this chapter shall be installed at the meter no closer than 5 feet, at the property line of the premises, or at a location approved by the water department. The device shall be located so as to be readily accessible for maintenance and testing, and where no part of the device shall be submerged.

H. Annual Testing Required. Backflow prevention devices required by this chapter shall be installed under a permit issued by the water manager, and shall not be used until the same is tested by installer and reported to water department and inspected and approved by qualified water department personnel. There shall be no charge for the permit and inspection by the water department prior to approval of the installation. Thereafter, the owner shall have such backflow prevention device tested by a qualified backflow prevention tester annually. Such testing, together with all maintenance and repair of such device, shall be at the owner's expense. Whenever a device is found to be not working properly, it shall immediately be repaired or replaced at the owner's expense. All backflow prevention devices shall be tested by a certified backflow prevention device tester at the owner's expense. Failure of the customer to comply with the rules for installation, maintenance, testing or inspection of backflow prevention devices required by this chapter or title 1, chapter 8, "Idaho Rules for Public Drinking Water Systems", shall be grounds for the termination of water service to the premises.

I. Approved Backflow Protection Devices. Any protective device required by this chapter shall be a model approved by the water department. Backflow prevention devices will be approved if they have successfully passed the performance tests of the University of Southern California Engineering Center. These devices shall be furnished and installed by and at the expense of the customer.

J. Required For Irrigation Systems. No irrigation system shall be installed without adequate backflow prevention devices at the point from which the water for irrigation is taken from the municipal water system, or at a location approved by the water department.

Section 2. Section 13.04.130(A) and (B) of the Hailey Municipal Code is hereby amended by the addition of the underlined language and by the deletion of the stricken language, as follows:

13.04.130 Water and Wastewater User Fees. The Owner or Owner's agent of all Property connected to the Municipal Water or Wastewater System under the terms of this chapter shall be assessed and shall pay monthly user fees as follows:

A. Water User Fees.

1. User Base Fee. The monthly user base fee is intended to cover the costs of the operation, maintenance and expansion of the Municipal Water System, including but not limited to: 50% of the labor, benefits and administrative costs and any other necessary amounts required to be collected to comply with outstanding lending requirements and 100% of DEQ fees, insurance, training and short-term depreciation. The monthly user base fee shall be assessed to each Property. The monthly user base fee shall be calculated by dividing the yearly operation, maintenance and expansion costs of the Municipal Water System described herein by the number of Water Users. Property with two or more services extended to it shall have the choice of paying a single monthly user base fee (for all services connected to the Property) or establishing separate accounts for each service with a Landlord/Tenant agreement as described in Section 13.04.150.

2. Metered Water Fee. The monthly metered fee is intended to cover the variable costs of the Municipal Water System, including the operation and maintenance costs which consist at least of, but not limited to: 50% of the labor, benefits and administrative costs, parts, fuel, utilities, vehicle maintenance, lab tests and chemicals, and any other necessary amounts required to be collected to comply with outstanding lending requirements. The monthly metered water fee shall be assessed to each separate Service Connection based upon the total amount of water used by that Property during one billing period. The metered rate is determined on a sliding scale based upon the variable costs of the Municipal Water System described herein, and as adopted by City Council resolution. The sliding scale shall assess a proportionally greater cost per gallon(s) of water as more water is used by a Property.

3. Bond Payment Fee. The monthly bond payment is intended to cover the cost of bond and note retirement costs which are the legal indebtedness the City is obligated to retire on a set schedule. The monthly water bond payment is determined by taking the bond and note retirement costs and dividing by the number of Water Users utilizing the system during the twelve month period. The monthly bond payment fee shall be assessed to each Property. Bond payment fees will continue even if water services are discontinued at any point.

4. Irrigation Fee. The monthly metered irrigation fee shall be assessed to each Property with a separate irrigation account based upon the amount of water used during one billing period.

B. Wastewater User Fees.

1. User Base Fee. The monthly user base fee is intended to cover the costs of the operation, maintenance and expansion of the Municipal Wastewater System, including but not limited to: 50% of the labor, benefits and administrative costs, and any other necessary amounts required to be collected to comply with outstanding lending requirements and 100% of DEQ fees, insurance, training, and short-term depreciation. The minimum monthly user fee shall be assessed to each Property. The monthly user base fee shall be calculated by dividing the yearly operation, maintenance and expansion costs of the Municipal Wastewater System described herein by the number of Wastewater Users. Property with two or more services extended to it shall have the choice of paying a single monthly user base fee (for all services connected to the Property) or establishing separate accounts for each service with a Landlord/Tenant agreement as described in Section 13.04.150.

2. Metered Wastewater Fee. The monthly metered fee is intended to cover the variable costs of the Municipal Wastewater System, including the operation and maintenance costs which consist at least of, but not limited to: 50% of the labor, benefits and administrative costs, and any other necessary amounts required to be collected to comply with outstanding lending requirements, and 100% of parts, fuel, utilities, vehicle maintenance, lab tests and chemicals. The monthly metered wastewater charge shall be assessed to each separate Property based upon the average amount of water used by that Property between November 1 and March 31 of the following year. During the following month of April, the monthly wastewater metered charge shall be adjusted based upon the average use of water used by each Property owner except as provided under Section 13.04.130(D)(3) and (4).

3. Non-Metered Account Fee. The new construction Wastewater user accounts, where an average winter water use has not been established, shall pay a set monthly charge to cover all fixed and variable costs of the Municipal Wastewater System.

4. Bond Payment Fee. The monthly bond payment is intended to cover the cost of bond and note retirement costs which are the legal indebtedness the City is obligated to retire on a set schedule. The monthly bond payment is determined by taking the bond and note retirement cost and dividing by the number of Wastewater Users utilizing the system during the twelve month period. The monthly bond payment fee shall be assessed to each Property based upon a standard $\frac{3}{4}$ " water service connection. Bond payment fees will continue even if sewer services are discontinued at any point.

Section 3. All Ordinances or Resolutions or parts thereof in conflict herewith are hereby repealed and rescinded.

Section 4. If any section, paragraph, sentence or provision hereof or the application thereof to any particular circumstances shall ever be held invalid or unenforceable, such holding shall not affect the remainder hereof, which shall continue in full force and effect and applicable to all circumstances to which it may validly apply.

Section 5. This Ordinance shall be in full force and effect after its passage, approval and publication according to law.

PASSED AND ADOPTED BY THE HAILEY CITY COUNCIL and approved by the Mayor this ___ day of June, 2013.

ATTEST:

Fritz X. Haemmerle, Mayor

City of Hailey

Mary Cone, City Clerk