"Your Electric Cooperative's Rush Hour & The Cost Impact of Net Metering"

Digging Deeper on Points Raised in the Net-Metering Video

Q: In the video, the narrator talks about people with home-based renewable generators, referring to them as "net-meterers." What does that term mean?

A: The ability of members with home-based renewable generators to net their generation against power purchased from the co-op.

Q: The narrator says that under current rate structures (factors the co-op uses to compute charges for various costs) net meterers don't pay their fair share of the co-op's costs of building and maintaining the utility system. How is the net meterer able to bypass payment of these costs?

A: The cost bypass occurs as a result of how traditional rates were set. When net meterers' generators supply a portion of their energy needs, traditional rates are no longer fair but net meterers still rely much of the time on the co-op for 100 percent of their needs. Under current rate structures, most of the co-op's system costs, including poles and wires costs, are recovered through a charge based on the volume of electricity used for the month, measured in kilowatt hours (kWh). This kWh charge also includes the cost of the co-op's energy.

If the charge per kWh was only for energy, no change in rates would be needed. However, the kWh charge is used by the co-op to collect payment for much of the entire system above energy and that is how the cost shift occurs. By reducing the volume of energy they use, measured in kWh, net meterers not only avoid energy costs, they avoid payment for the co-op system they continue to use.

Q: If this bypass of costs results in a cost shift to those who aren't net metering, but hasn't caused a rate increase to these individuals, why is the cost shift a problem?

A: As indicated by the video narrator, this cost shift hasn't yet caused a rate increase because only a small number of co-op members currently own home-based renewable generators and are net metering them.

However, with these generators becoming increasingly popular, net metering is expanding. As growth in net metering continues and the total system-wide cost shift becomes greater, at some point a rate increase becomes inevitable. Changing the rate structure now ensures charges are fair to both net meterers and non-net meterers and prevents this rate increase.

Q: If the co-op does decide to change its rate structure to solve the problem, how will I be affected as a co-op member?

A: All co-op members – net meterers and non-net meterers – will pay for the system they are using. For an average user, the changes would be revenue neutral. Although solutions to this problem may vary from co-op to co-op, a diversified approach seems likely. This means these costs may be recovered in part by raising the base or fixed charge while lowering the kWh charge so that it's closer to just the cost of energy, and, possibly, establishing a new demand charge for all members to more accurately reflect each member's actual usage of the co-op system.

Q: Will net meterers lose the benefits of home-based renewable energy generation as a result of these changes?

A: Net metering will continue. However, net meterers and non-net-meterers alike would pay for that portion of the system they continue to utilize.

The Cost Shift of Net Metering on a 10 kW Generator[1]

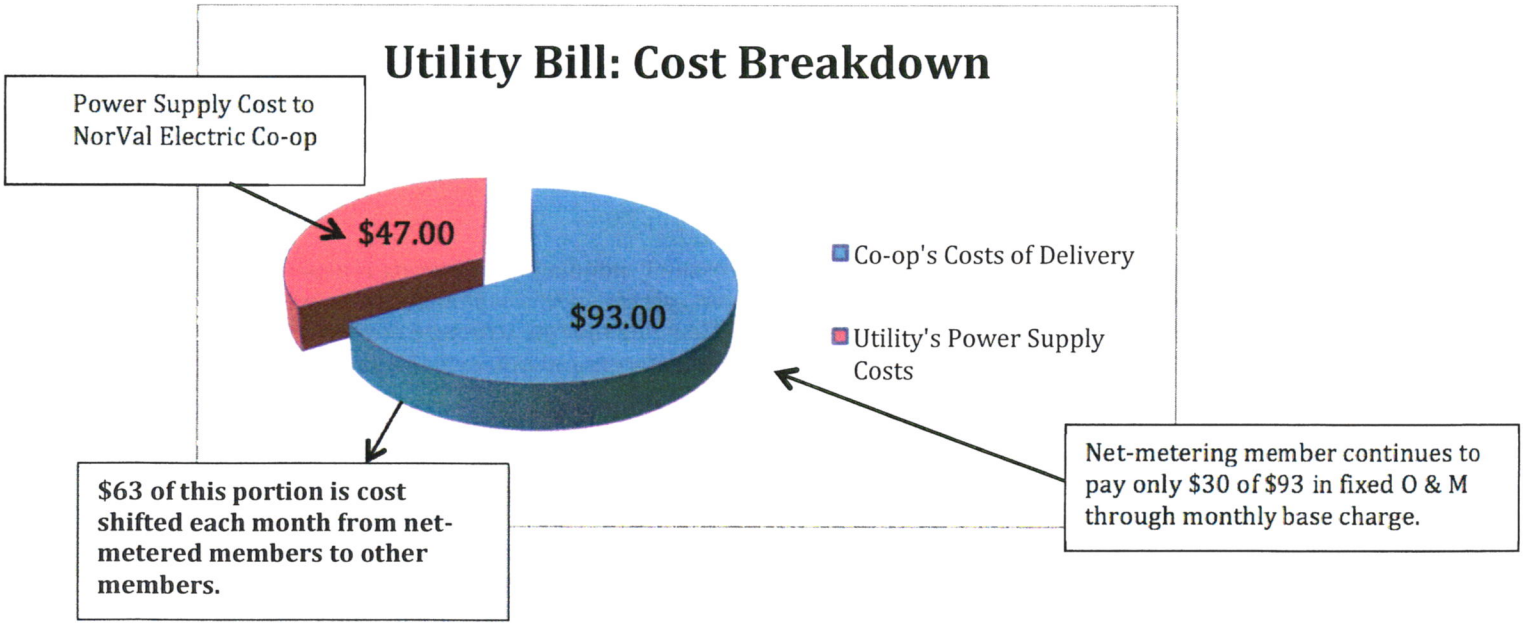
- **Question:** *What is the cost shift from co-op members with net-metering generators to other members?*

- Example for Net-Metering Member of Low-Density Montana Electric Cooperative

    - [Low-Density Co-op has higher poles and wires cost due to higher cost of serving sparsely populated areas and minimal electricity sales.]

    - **$140 =** Typical Total Monthly Co-op Residential Customer Power Bill
        - **$47** = Power Supply Portion
        - **$93** = Total Cost for Operation, Maintenance of Power Delivery System
            - **- $30** = Less Base Charge Paid by All Members (Including Net-Metering Members)
        - **$63** = Cost NOT recovered from the Net-Metering Member

- **$63 = TOTAL COST SHIFT TO OTHER CO-OP MEMBERS WITHOUT NET METERING ON JUST ONE METER UNDER THIS EXAMPLE[2]**



[1]Example based on 10 kW generator. Current Montana law allows for up to 50 kW generator.
[2]Net-metering member's cost burden to system does not change with net metering. Portion is cost shifted to other members even though net-metering member still fully dependent on co-op at highest usage times.