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April 5, 2006

Via Fed Ex

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building, Room 206
Harrisburg, PA 17105-3265

**Re: Proposed Rulemaking re: Net Metering for Customer – generators
Pursuant to Section 5 of the Alternative Energy Portfolio Standards Act,
73 P.S. § 73 1648.5
Docket No. L-00050174**

**Implementation of the Alternative Energy Portfolio Standards Act of 2004:
Net Metering
Docket No. M-00051865**

Dear Mr. McNulty:

Enclosed is an original and 15 copies of PECO Energy Company's Comments for filing in the above referenced matter.

As proof of filing, please return a date-stamped copy of this letter in the enclosed envelope.

Sincerely,

Adrian D. Newall
Assistant General Counsel

Enclosures

cc: Carrie Beale (via e-mail)

INDEPENDENT REGULATORY
REVIEW COMMISSION
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Proposed Rulemaking Re: Net Metering : Docket No. L-00050174
For Customer-generators pursuant to :
Section 5 of the Alternative Energy :
Portfolio Standards Act, 73 P.S. §1648.5 :

Implementation of the Alternative : Docket No. M-00051865
Energy Portfolio Standards :
Act of 2004 :

COMMENTS OF PECO ENERGY COMPANY
REGARDING PROPOSED RULEMAKING ORDER

PECO Energy Company ("PECO") hereby submits comments in response to the Pennsylvania Public Utility Commission's ("PUC" or "Commission") *Proposed Rulemaking Order regarding Net Metering for Customer-Generators pursuant to Section 5 of the Alternative Energy Portfolio Standards Act, 73 P.S. § 1648.5*, published in the Pennsylvania Bulletin on February 4, 2006 ("Proposed Rulemaking").

PECO generally agrees with the Commission's Proposed Rulemaking and commends the Commission for its thoughtful consideration of the difficult issues raised by net metering. PECO's concerns are limited to a small number of sections, as provided in more detail below.

I. Comments

PECO's has organized its comments in accordance with the headings provided in the Proposed Rulemaking.

A. Subchapter A: General Provisions

i. 75.1 Definitions

The Proposed Rulemaking's definition of Customer-Generator refers back to the definition in the Alternative Energy Portfolio Standards Act, 73 P.S. § 1648.2 ("Act 213"). The term is then used in Section 75.11 of the Proposed Rulemaking under the heading "Scope". When these two Sections are read together, in order to qualify for net metering, a resource must fit under the definition of customer-generator in Act 213. The definition of customer-generator in Act 213 includes a size limitation, but does not require that the facility be a traditional renewable resource, as is required under the New Jersey Net Metering regulations. Specifically, Customer-Generator is defined in Act 213 as:

A nonutility owner or operator of a net metered distributed generation system with a nameplate capacity of not greater than 50 kilowatts if installed at a residential service or not larger than 1,000 kilowatts at other customer service locations, except for customers whose systems are above one megawatt and up to two megawatts who make their systems available to operate in parallel with the electric utility during grid emergencies as defined by the regional transmission organization, or where a microgrid is in place for the purpose of maintaining critical infrastructure, such as homeland security assignments, emergency services facilities, hospitals, traffic signals, wastewater treatment plants or telecommunications facilities, provided that technical rules for operating generators interconnected with facilities of an electric distribution company, electric cooperative or municipal electric system have been promulgated by the Institute of Electrical and Electronic Engineers and the Pennsylvania Public Utility Commission.

73 P.S. § 1648.2.

PECO recommends the definition of Customer-generator and Section 75.11 Scope need to include a kW/MW size limitation as set forth above for clarity. PECO believes that

this will allow potential customers to reference the final net metering rules as opposed to having to refer back to Act 213 to determine whether or not they qualify.

In addition, the Commission should follow the New Jersey regulations and only permit facilities that generate electricity using renewable energy resources to qualify for net metering. As the Proposed Rulemaking is currently drafted, a Distributed Generation System, defined in Act 213 “as a small scale power generation of electricity and useful thermal energy” could choose a net metering option regardless of the system’s fuel source. Exelon submits that the Proposed Rulemaking is inconsistent with the directives of Act 213. Section 5 of Act 213 specifically requires the Commission to “develop technical and net metering interconnection rules for customer-generators intending to operate **renewable** onsite generators ...”. Therefore, the Act itself places additional limits on the scope of net metering rules promulgated by the Commission. Exelon submits that the only reasonable interpretation of “renewable” in Section 5 would limit the application of net metering to Tier I resources.

B. Subchapter B: NET METERING

i. § 75.11 Scope

PECO’s concerns regarding Section 75.11 are discussed above. Act 213 defines net metering as “...intended primarily to offset part or all of a customer-generator’s requirements for electricity.” PECO asserts that the Section 75.11 should be modified to include a peak MW limitation to be consistent with this definition as well as with New Jersey’s net metering regulations.

Section 75.11 should be revised to read as follows:

This subchapter sets forth net metering requirements that apply to EGSs and EDCs which have renewable customer-generators intending to pursue net metering opportunities in accordance with the Alternative Energy Portfolio Standards Act (“AEPS”), 73 P.S. §§ 1648.1 - 1648.8. The generating capacity of the customer-generator’s facility must have a nameplate capacity of not greater than 50 kilowatts if installed at a residential service or not larger than 1,000 kilowatts at other customer service locations, except for customers whose systems are above one megawatt and up to two megawatts who make their systems available to operate in parallel with the electric utility grid and does not exceed the customer’s peak electric needs.

ii. § 75.12 Definitions

The Proposed Rulemaking includes a definition of *Virtual Meter Aggregation*. As discussed more fully below under Section 75.14(e), PECO does not agree with the Commission’s inclusion of virtual meter aggregation in the Proposed Rulemaking. PECO proposes that this definition should be deleted in its entirety. Alternatively, if the Commission is attempting to permit aggregation in the agricultural industry, the definition of Virtual Meter Aggregation should be modified to reflect a more limited application.

PECO notes that the definition included in this section 75.12 for “net metering” is not consistent with the definition of net metering in Act 213. In addition, the definition of “net metering” included in this section seems to be more of a description of the metering and billing process required to accomplish net metering. To avoid confusion, PECO suggests that the definition of “net metering” be moved to Section 75.1 and defined as “this term has the same meaning as defined in 73. P.S. 1648.2” The metering/billing process included in this section is already described in detail in section 75.13 c-f and therefore can be deleted from this section.

ii. § 75.13 Net Metering General Provisions

Section 75.13(a) of the Proposed Rulemaking allows Electric Generation Suppliers (“EGSs”) to offer net metering to customer-generators on a first come, first served basis. However, the provision does not require EGSs to coordinate net metering offerings with the EDC. PECO is concerned that without such coordination it would be impossible for EDCs to ensure that their distribution systems were not compromised. Section 75.13(a) must be modified to require EGS to coordinate any net metering offering with the appropriate EDC. Consistent with the rationale described earlier in our comments, the words “or tier II” shall be stricken from 75.13(a).

In the same vein, Section 75.13(g) states that when a customer-generator who is net metering switches suppliers, the EDCs must treat the end of the customer-generators service period as if it were the end of an annualized period. The Proposed Rulemaking does not place that same obligation of EGSs should they have customer-generators who net meter and ultimately switch suppliers. PECO contends that Section 75.13(g) should apply to both EGSs and EDCs in the same manner.

iii. §75.14 Meters and metering.

Section 75.14(a) provides that a dual meter arrangement can be substituted for the single-meter approach if the customer-generator agrees. PECO appreciates the Commission’s flexibility regarding the two-meter option, however, it does not believe that the customer-generator should have the ultimate authority as to whether or not the dual meter arrangement is utilized. If the EDC bears the cost of the second meter, a requirement included in the Proposed Rulemaking, and the dual meter option permits the customer-generator to receive a monthly credit at the retail rate for any excess generation,

the EDC should have the sole discretion to install a second meter. PECO asserts that Section 75.14(a) should delete the modifier “[i]f the customer-generator agrees,” from the second sentence and the words “at the discretion of the EDC” should be inserted at the end of the sentence.

Section 75.14(e) allows for both physical meter aggregation and virtual meter aggregation. As highlighted in these comments above, PECO does not believe that there is a basis for the Commission to permit aggregation or conjunctive billing in excess of what is permitted under current EDC tariffs. Physical meter aggregation can be utilized but only for the energy and capacity portion of a customer-generator’s bill. Virtual meter aggregation must not be permitted due to the fact that it violates the fundamental rules of rate design. In addition, it unfairly shifts costs to other customers and therefore, is unfair and discriminatory. Moreover, virtual meter aggregation creates serious billing issues. It would require PECO to perform all billing and tracking manually creating severe administrative burdens requiring additional resources. . The Commission should disallow virtual meter aggregation in its final net metering regulations.

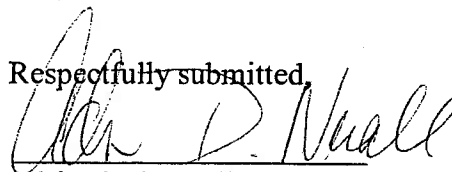
Alternatively, if the Commission believes that virtual meter aggregation is absolutely necessary for the farming industry, Section 75.14(e) will need to be revised to reflect a more limited application of virtual meter aggregation. Specifically, the provision must state clearly and unequivocally that virtual meter aggregation is only permitted in agricultural settings employing renewable onsite generators. PECO is concerned that customer-generators in its service territory, may attempt to take advantage of this broad provision without inclusion of this limitation.

II. Conclusion

PECO commends the Commission for its thoughtful consideration of this technical and important issue. PECO commits to assist the Commission in its execution of final net metering regulations, and all other rules affecting the implementation of AEPS.

Dated: April 5, 2006

Respectfully submitted,



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