COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
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#2519

November 1, 2006

The Independent Regulatory Review Commission
14th Floor
333 Market Street
Harrisburg, Pennsylvania 17101

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INDEPENDENT REGULATORY
REVIEW COMMISSION

> Re: Pennsylvania Public Utility Commission
> Final-Form Net Metering Regulations
> L-00050174/57-244

Dear Commissioners:

The Pennsylvania Public Utility Commission received a copy of a letter dated October 30, 2006, from PV NOW to your Commission requesting disapproval of the above noted final-form regulations on net metering. The Public Utility Commission has directed that I respond to this letter and request that the final-form regulations be approved as submitted. Please be advised that Vice Chairman Cawley will be filing a separate letter expressing a different point of view.

Initially, the Commission wants to point out that this rulemaking was initiated through a stakeholder process during which all participants, including PV NOW, had several opportunities to discuss their respective points of view and endeavor to persuade the Commission to conform the regulations to those positions. That process included several meetings and several rounds of comments before the project took the form of a proposed rulemaking. Accordingly, we submit that the issues and the various parties' positions have received far more consideration than a more typical rulemaking.

Our review of PV NOW's letter indicates that they advance two distinct concerns. The first concern involves the Commission's selection of a monthly billing cycle true-up, in which a customer-generator will be paid the avoided wholesale cost of energy for any energy produced above that customer-generator's usage during the billing cycle in question. Sections 75.12 and 75.13 of the proposed net metering regulations had provided that the true-up would occur at the end of a twelve-month annualized period.

After reviewing the comments to the proposed rulemaking, the Commission determined that a billing cycle true-up would provide for an avoided wholesale cost of

power figure that more accurately reflected the value of the power produced. In balancing the interests of all concerned, including the electric distribution companies who would purchase the excess power, the ratepayers from which these costs are recovered, and the solar energy community, the Commission determined that the public interest would be served by utilizing a methodology that more closely reflected wholesale costs. As a billing cycle true-up would be more accurate than an annualized true-up, this change was made to Sections 75.12 and 75.13 of the final-form regulation.

PV NOW also expresses concerns regarding the logistics involved in a billing cycle true-up, asserting that it would be time consuming and costly. We would point out that the use of a billing cycle true-up was supported by the very parties responsible for these monthly calculations: the electric distribution companies. We do not believe that a billing cycle true-up presents the magnitude of problems suggested by PV NOW.

The second issue presented by PV NOW is that Section 75.13(c) of the final form regulation gives unreasonable preference to customer-generators that can aggregate meters. PV NOW asserts that those who aggregate meters will receive prices for excess generation at the full retail rate while those who do not aggregate will receive a lesser rate of compensation. This is simply a mistaken reading of Section 75.13. Section 75.13 (c) provides that customers who aggregate meters will receive a retail credit (kWh for kWh) only up to the level of their own usage. Section 75.13(d) identifies the compensation standard for all customer-generators who generate excess energy, whether they aggregate or not:

> At the end of each billing period, the EDC shall compensate the customer-generator for kilowatt hours generated by the customer-generator over the amount of kilowatt hours delivered by the EDC during the billing period at the EDC's avoided cost of wholesale power.
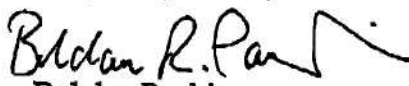
Section 75.13(d) of the final form regulation applies to all customer-generators, including those involved in meter aggregation. Accordingly, there is no two-tier system of compensation to customer-generators for their excess generation in these regulations. All customer-generators will be compensated at the avoided cost of wholesale power for their excess generation, whether they aggregate or not.

PV NOW has asserted that Pennsylvania's net metering regulations are vastly different and "significantly worse" than several other states. We do not believe that to be the case. First, we have already demonstrated that one of PV NOW's criticisms is illusory, as it is based on a misreading of the regulation. Second, Pennsylvania's overall approach to net metering is consistent with neighboring states, particularly on the most important issues. For example, both the Pennsylvania and New Jersey net metering rule provide for a credit at full retail value up to the customer's usage. Also, both Pennsylvania and New Jersey provide that excess power generated by the customer will be paid for at the avoided cost of wholesale power, which is defined as the average locational marginal price in the customer's service territory. The only real difference cited to by PV NOW is our choice of a monthly-true up. We do not anticipate that this

choice will negatively impact the development of clean distributed generation resources in Pennsylvania.

We hope this letter satisfied any concerns you have regarding this final-form regulation. We do request the opportunity to respond to any comments offered by PV NOW at the Public Meeting of November 2, 2006. Thank you for your continued attention to this matter.

Very Truly Yours,

Bohdan Pankiw
Chief Counsel

cc: Wendell F. Holland, Chairman
        James H. Cawley, Vice Chairman
        Kim Pizzingrilli, Commissioner
        Terrance J. Fitzpatrick, Commissioner
        Representative Robert Flick, Chairman, House Consumer Affairs Committee