



Citizens for Pennsylvania's Future
Energy Center for Enterprise and the
Environment
1500 Walnut St., Suite 502
Philadelphia, PA 19102
info@pennfuture.org
www.pennfuture.org

September 12, 2011

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Net Metering -- Use of Third Party Operators
Docket No. M-2011-224941

Dear Secretary McNulty:

Enclosed please find an original and three (3) copies of PennFuture's Comments in the above-referenced proceeding.

Please do not hesitate to contact me should you have any questions.

Sincerely,

Courtney Lane
Senior Energy Policy Analyst
Citizens for Pennsylvania's Future (PennFuture)
Energy Center for Enterprise and the Environment

Enclosures

RECEIVED
2011 SEP 12 PM 12:27
PA PUC
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION:**

Net Metering : Docket No. M-2011-2249441
Use of Third Party Operators :

COMMENTS OF

CITIZENS FOR PENNSYLVANIA'S FUTURE (PENNFUTURE)

I Introduction

PennFuture is a statewide public interest membership organization, working to enhance Pennsylvania's environment and economy, with offices in Harrisburg, Philadelphia, Pittsburgh and Wilkes-Barre. We appreciate the opportunity to provide comments on Net Metering – Use of Third Party Operators, Docket No. M-2011-2249441.

The Pennsylvania Public Utility Commission has developed best-in-class net metering regulations that promote the development of distributed alternative energy generation. Distributed generation provides benefits not only to the participating customer-generator but to all electric customers. Distributed generation like solar, helps to increase grid security by reducing congestion and providing generation on the hottest days of the year when sky rocketing demand can cause brownouts and blackouts. These resources also help to relieve load on the utility's transmission and distribution systems, helping to increase capacity and defer capital investments in infrastructure improvements.

We commend the Commission for continuing to support the development of alternative energy by allowing for third party ownership of net metered systems in its Tentative Order. One of the largest obstacles to the development of distributed alternative energy is the required large upfront capital cost. Third party ownership models have become an increasingly popular tool to address this barrier, allowing more consumers to install on-site alternative energy systems. According to a 2009 report by the Lawrence Berkeley National Laboratory, non-residential systems

RECEIVED
2011 SEP 12 PM 12:27
PA PUC
SECRETARY'S BUREAU

2011 SEP 12 PM 12:27

RECEIVED

financed through this model have grown from roughly 10% in 2006 to an estimated 90% in 2008.¹ The third party model is also gaining more traction in the residential sector with entities like SunRun entering the marketplace.

Providing all customers access to net metering is critical at this point in time with federal and state funding for alternative energy drying up and prices for both solar renewable energy credits (SRECs) and Tier I alternative energy credits (AECs) decreasing. Customer-generators rely on net metering credits at the full retail rate to make an investment in an alternative energy system financially viable.

PennFuture supports the Commission's Tentative Order but cautions how it will apply to customer-generators participating in meter aggregation. We also believe additional steps are needed to ensure that all consumers have access to net metering by encouraging electric generation suppliers (EGS) to offer net metering. We will further highlight the above issues and possible solutions below.

II Comments on Tentative Order

A. General Comments

PennFuture supports the recommendations set forth in the Tentative Order and commends the Commission for allowing customer-generators to net meter an alternative energy system owned and operated through a contract with a third party entity.

The third party ownership model is an innovative tool for customer-generators to overcome the large upfront cost of alternative energy systems. By clarifying the term "operator" to include customer-generators that contract with a third party to perform the operational functions of their alternative energy system, the Commission is opening the door for more customers to have access to distributed clean generation which will benefit our economy, electric grid and environment.

The third party ownership or power purchase agreement (PPA) model not only helps residential and commercial customers afford an alternative energy system, it provides a means for government entities, schools, religious organizations and non-profit groups to capture federal tax credits and depreciation benefits that would otherwise be unavailable. These tax credits can greatly

¹ Bolinger, Mark, "Financing Non-Residential Photovoltaic Projects: Options and Implications", Lawrence Berkeley National Laboratory Environmental Energy Technologies Division, January 2009

reduce the cost of a system. Since the third party owns and operates the alternative energy system, they are able to fully capture the available tax credits and incentives and pass along the savings in a long-term power price that is less than the price of retail electricity. Additionally, many customers are hesitant to be responsible for performing operations and maintenance on an alternative energy system. Under this model, the third party is responsible for the maintenance of the system, thereby reducing the customer's liability.

B. 110% Limit and Meter Aggregation

PennFuture believes that the Commission's proposal to limit the alternative energy system to 110% of the customer-generator's electric consumption is fair and reasonable given the fact that net metering is designed to offset all or part of a customer-generator's electricity requirements. However, depending on how it is applied, the 110% limit could negatively impact many customers who engage in virtual and physical meter aggregation, where the costs and benefits of an alternative energy system are spread across multiple meters. For example, a farmer that has multiple buildings with individual meters virtually net metered to one alternative energy system. In the case of a customer-generator participating or planning to participate in virtual or physical meter aggregation, it is critical that the Commission apply the 110% limit to the aggregate electric usage of all participating primary and secondary net metered accounts. If the Commission applies the 110% to the usage from a single meter instead of the aggregate load of all participating meters, the alternative energy system will look as if it is designed to over-supply when it is not.

III Additional Recommendations

As stated in the Tentative Order, "to prevent prejudice to consumers"² wanting to take advantage of the third party ownership model, the Commission will allow for alternative energy systems installed using this model to net meter. The Order also reads that it is "the policy of this Commission to support access to alternative energy systems to as broad an array of consumers as possible."³ While we are encouraged by these comments, there is still prejudice against customers that switch from an electric distribution company to an electric generation supplier (EGS) for

² Commission's Tentative Order, June 30, 2011, pp. 4

³ Commission's Tentative Order, June 30, 2011, pp. 4

generation service. As currently written, the Commission's net metering regulations allow for but do not require EGSs to offer net metering.⁴

If an EGS does not offer net metering, a customer-generator will no longer receive monthly credits for power produced at the full retail rate (distribution, generation and transmission). The customer-generator will only be credited by the electric distribution company (EDC) at the distribution rate and will no longer receive payment for any excess generation at the end of the year. The reduced net metering compensation greatly reduces the customer's ability to repay debt on the alternative energy system and therefore creates a disincentive to switch to a competitive supplier, thus inhibiting retail electric competition. It also creates a barrier to those customers currently being served by an EGS to install a distributed clean energy system.

The difference between being credited at the full retail rate versus just the distribution rate is significant. For example, a 3 kilowatt (KW) solar system generates approximately 4,000 kilowatt-hours (kWh) per year. For the average residential customer, credit at the full retail rate of \$0.12/kWh would result in a savings of as much as \$480 per year. If that credit is reduced to just the distribution rate, the savings would only be \$160 per year. This is even more pronounced for a farmer who has installed a methane digester. A 100 KW anaerobic digester generating 700,000 kWh per year would receive a credit for power produced at the average full commercial retail rate of \$0.097 per kWh. This equals a savings of \$67,900 per year. If that farmer is only able to receive credit at the distribution rate, his annual savings would be reduced to \$28,000. Reducing compensation levels will make these projects unattainable for most customers and harm those trying to pay back the debt on their existing system. To make matters worse, there is little transparency surrounding this issue creating confusion in the marketplace and harming competition.

In order to allow for as many customers as possible to have access to alternative energy systems, the Commission should move beyond simply allowing EGSs to offer net metering to strongly encouraging EGSs to offer full net metering benefits through issuing a policy statement. This includes: encouraging that the customer-generator receives credit at the full retail rate (distribution, generation and transmission) for each kilowatt-hour produced, up to the amount consumed; allowing for carry-over credits from one month to the next; and paying the customer-generator for any accumulated excess generation at the end of the year at the price-to-compare.

⁴ 52 Pa. Code §75.13(a)

In order to foster EGS net metering offerings, the Commission should provide information on which EGSs offer net metering on shopping websites like PAPowerSwitch to increase transparency and promote electric retail competition. This should include information on what type of net metering benefits are offered including willingness to roll over credits and pay for excess generation at the end of the year. The Commission should also work with EGSs and EDCs to develop common streamlined data sharing of customer-generator output and consumption.

Statewide there are 1,329,468 customers being served by an EGS representing 51% of all electric load in Pennsylvania.⁵ Shopping customers served by an EGS that does not offer net metering will most likely not be able to afford to install an alternative energy system and will either drop their contract with the EGS or not install the system. This situation is an extreme detriment to a customer's access to retail competition and to installing an alternative energy system. Now is the time to address this issue and work to urge more EGSs to offer full net metering benefits.

REC'D
2011 SEP 12 PM 12:27
PA PUC
SECRETARY'S BUREAU

⁵ PAPowerSwitch Update, September 7, 2011