

STEVENS & LEE
LAWYERS & CONSULTANTS

17 North Second Street
16th Floor
Harrisburg, PA 17101
(717) 234-1090 Fax (717) 234-1099
www.stevenslee.com

Direct Dial: (717) 255-7365
Email: mag@stevenslee.com
Direct Fax: (610) 988-0852

September 12, 2011

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Washington Gas Energy Services, Inc. is a copy of its Comments in the above-captioned docket, which were filed electronically through the Pennsylvania Public Utility Commission's e-File system today.

If you have any questions, please do not hesitate to contact me. Thank you.

Best Regards,

STEVENS & LEE


Michael A. Gruhn

Encl.

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A PROFESSIONAL CORPORATION

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Net Metering – Use of Third Party Operators

Docket No. M-2011-2249441

**COMMENTS OF
WASHINGTON GAS ENERGY SERVICES, INC.**

Washington Gas Energy Services, Inc. (“WGES”) provides these comments in response to the Tentative Order issued July 28, 2011 (“Order”) in the above-captioned docket seeking comments on a proposed net metering policy as set forth in the Order.

WGES is a licensed electric generation supplier (“EGS”) in the Commonwealth of Pennsylvania and is also engaged in the installation of solar photovoltaic systems on the properties of business customers in other jurisdictions.

WGES supports the adoption of the proposed net metering policy set forth in the Order as necessary to meet the objectives the Alternative Energy Portfolio Standards Act of 2004 (73 P.S. §§ 1648.1 – 1648.8 and 66 Pa. C. S. § 2814) (“AEPS Act”). These objectives include increasing the reliance on alternative energy sources, such as solar photovoltaic, to serve retail electric customers in Pennsylvania and providing increased opportunities for customer-generators to interconnect and net meter small alternative energy systems.

Net metering under the AEPS Act and Pennsylvania Public Utility Commission (“Commission”) regulations involves a service that measures “the difference between the electricity supplied by an electric utility and the electricity generated by a customer-generator when any portion of the electricity generated by the alternative energy generating system is used

to offset part or all of the customer-generator's requirements for electricity."¹ The Act permits net metering "on properties owned or leased and operated by a customer-generator and located within two miles of the boundaries of the customer-generator's property and within a single electric distribution company's service territory."²

The AEPS Act defines a customer-generator 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 3,000 kilowatts at other customer service locations, except for customers whose systems are above three megawatts and up to five 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 primary or secondary 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."³

A customer-generator facility is defined by regulation as the "equipment used by a customer-generator to generate, manage, monitor and deliver electricity to the EDC."⁴ EDCs are required by regulation to "offer net metering to customer-generators that generate electricity on the customer-generator's side of the meter using Tier I or Tier II alternative energy sources, on a first come, first served basis."⁵ EGSs may offer net metering to customer-generators under the regulations by contract, also on a first come, first served basis.

In the Order, the Commission indicates it is "aware of a business model employed in other states whereby an alternative energy system developer will install a system on a customer's premises while maintaining ownership and performing maintenance and operations functions of

¹ 73 P.S. § 1648.2.

² 73 P.S. § 1648.2.

³ 73 P.S. § 1648.2.

⁴ 52 Pa. Code § 75.12.

⁵ 52 Pa. Code § 75.13(a).

that system. The electricity generated by the installed alternative energy system is then sold to the consumer through a power purchase agreement.”⁶ The Commission indicates that proponents of the model are concerned “that the AEPS Act and the Commission’s corresponding Regulations could be interpreted as prohibiting such a facility from net metering.”⁷

Accordingly, to enable consumers to take advantage of the model in Pennsylvania the Commission proposes a policy of allowing alternative energy systems installed using the model to net meter. Specifically, the Commission proposes that the term “operator” as referenced in 73 P.S. § 1648.2 be interpreted “as including customer-generators with distributed alternative energy systems that contract with a third-party to perform the operational functions of that system.”⁸

WGES is a developer of solar facilities on the properties of host customers in Maryland, Delaware, and the District of Columbia based on the model described by the Commission and strongly supports the Commission’s proposed net metering policy in Pennsylvania. In particular, WGES supports the proposed interpretation of “operator” under 73 P.S. § 1648.2 as including third party owners of customer-generator facilities that contract with customers to install and operate such facilities and net meter the electricity generated by the facilities.

The Commission further proposes to limit the foregoing interpretation “to alternative energy systems installed on property owned or leased by the customer-generator and designed to generate no more than 110% of the customer-generator’s electric consumption” so that the system does not exceed the size limits defined in 73 P.S. § 1648.2.⁹ WGES suggests that the Commission consider a higher percentage to allow for growth in electricity usage and to

⁶ Order, at p. 4

⁷ Id.

⁸ Id.

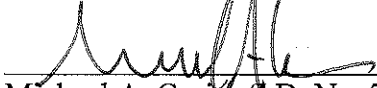
⁹ Id.

encourage efficient installation of facilities. In Maryland, the size limit adopted by that Commission is 200% of customer usage as meeting the sizing requirement that a customer-generator “primarily offset” the customer’s usage (COMAR 20.50.10.01 D).

WGES appreciates the opportunity to present these comments.

Respectfully Submitted

STEVENS & LEE



Michael A. Gruhn, (I.D. No. 78625)
17 N. 2nd St., 16th Fl
Harrisburg, PA 17101
Tel. (717) 255-7365
mag@stevenslee.com

Telemac N. Chryssikos
101 Constitution Ave.
Suite 319
Washington, D.C. 20080
Tel. (202) 624-6116
Counsel for Washington Gas Energy Services, Inc.