

Legal Department

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**Business Services
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November 19, 2007

VIA FED EX

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd floor
Harrisburg, PA 17120

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU


**Re: Request for Comments on Revisions To the Net Metering and
Interconnection Regulations at 52 Pa. Code §§75.1 et seq. To Conform with
the Language of Act 35 of 2007
Docket Nos. M-00051865, L-00050174 and L-00050175**

Dear Mr. McNulty:

Enclosed are an original and fifteen copies of the Comments of PECO Energy Company. Kindly file the original of record with your office and acknowledge same by date-stamping and returning the additional copy of this letter in the self-addressed stamped envelope provided.

Thank you for your assistance in this effort.

Sincerely,


Adrian D. Newall
Assistant General Counsel

ADN/jml
Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Request for Comments on Revisions :
To the Net Metering and Interconnection : Docket Nos. M-00051865,
Regulations at 52 Pa. Code §§75.1 *et seq.* : L-00050174 and
To Conform with the Language of : L-00050175
Act 35 of 2007 :

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COMMENTS OF PECO ENERGY COMPANY

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PECO Energy Company ("PECO") hereby submits these comments in response to the Secretarial Letter published by the Pennsylvania Public Utility Commission ("Commission") on October 19, 2007. The Secretarial Letter requested comments regarding the effect the enactment of Act 35 of 2007 had on the Commission's final regulations regarding net metering and interconnection. PECO's comments to the specific issues raised by the Commission are below.

1. What is the meaning of "full retail value for all energy produced"? Act 35 does not specifically define this term. The term could be interpreted as meaning the fully bundled retail rate for generation, transmission, distribution, and any applicable transition charges. Alternatively, given the Legislature's use of the terms "excess generation" and "energy" it also could be interpreted as being limited to the generation component of the retail rate.

PECO does not believe that the Legislature intended for the term "full retail value" to include the generation, transmission and distribution as well as competitive transition charge components, of a retail rate. Rather, PECO believes that the plain language of Act 35 supports the interpretation of "full retail

value” to mean the generation portion of a retail rate only. Act 35 states specifically: “[e]xcess generation from net-metered customer-generators shall receive full retail value for all *energy produced* on an annual basis.” (Emphasis added) PECO believes that the use of the terms “excess generation” and “energy” define the words “full retail value” and the Commission should ensure that their final regulations are consistent with this interpretation. Net-metered customer-generators should receive the full retail value of their excess energy at the generation retail rate.

The alternative interpretation – which would pay the customer-generator not only the generation component, but also the transmission and distribution rate as well as any transition charges – is inconsistent with the plain language of Act 35. Moreover, allowing customer-generators to bypass transition charges directly contradicts the Electric Generation Customer Choice and Competition Act. Competitive Transition Charges (“CTCs”) are non-bypassable charges that must be paid by all customers that access an Electric Distribution Company’s (“EDC’s”) distribution or transmission system. By allowing a customer-generator to receive the fully bundled retail rate for their excess generation, the CTC portion would be redistributed to other customers - an unfair result.

It is also imperative that EDCs be fully compensated for the use of their system. When a customer-generator is interconnected to a distribution system, they receive distribution services and utilize distribution equipment. Therefore, the customer-generator should pay for such services and equipment. In addition, when a customer-generator produces excess energy, they rely on the EDCs

distribution system to move that energy. In these circumstances, the customer-generator should be compensated for the excess energy but should not receive a credit for distribution, transmission and transition charges. Providing a credit for transmission and distribution is akin to having a parking lot owner pay you to park your car in their lot. As Act 35 makes clear, a customer-generator should be credited for the excess energy they produce under the Commission's final net metering regulations.

2. What are the projected costs associated with these competing interpretations, i.e., given a projected level of net metered generation (kwh) what are the projected costs to the remaining customers of an EDC if net-metered customer-generators receive x cents per kwh versus y cents per kwh?

If a customer-generator were compensated for their excess energy at the fully bundled retail rate, he would receive for illustrative purposes, 10 cents per kwh. If the customer-generator were compensated at the full retail value of generation, he would receive approximately 6 cents per kwh. The 4 cents per kwh differential would have to be multiplied by the excess generation by all net-metered customer-generators and recovered from other customers of the EDC. The CTC specifically would be redistributed and effectively, the revenue requirement would have to be collected over fewer sales. Depending on the number of customer-generators and the size of their facilities, these costs could be significant.

3. How should any residual stranded cost charges be treated in the annual reconciliation?

Stranded cost charges or CTCs should be recovered from customer-generators as they are recovered from all other EDC customers. CTCs should be reconciled through the regular process unless a customer-generator can show a significant reduction, defined as 10% or more, in their usage. In such cases, PECO's current tariff provisions regarding CTC/ITC true-up would apply.

4. Are there any additional issues to be addressed by moving the reconciliation of excess energy from a monthly to an annual basis?

Moving the reconciliation period from a monthly to an annual basis could distort price signals if applied incorrectly. The generation value of any excess energy produced (i.e., in dollars) in a month, must be carried to the next month and at the end of the annual period, they should be paid to the customer-generator.

5. Act 35 does not define the phrase "annual basis". Does this phrase mean a calendar year, fiscal year or does it correspond with the AEPS compliance period of June 1 through May 31?

PECO asserts that due to the fact that Act 35 amends the original AEPS legislation, "annual basis" should conform to the AEPS compliance period, which is based on the PJM planning year.

6. Should demand charges for distribution transmission and generation services paid by net-metered customers be adjusted? If so, should each component of the demand charge be adjusted to reflect the net flow of energy through a meter? How should the adjustment be calculated?

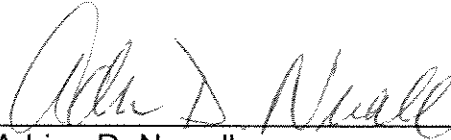
PECO asserts that demand charges paid by customer-generators do not require an adjustment. By allowing demand charges to remain in tact, the Commission is providing the correct price signal for generation, i.e., to generate during the peak. Demand is the amount of energy used over a fifteen minute, thirty minute or sixty minute period. To the extent a customer-generator is operating in a given hour, the demand will be lower. Therefore, a customer-generator will be able to reduce their demand charges by producing a surplus at the peak. The demand charge is self-regulating and does not require further adjustment.

7. Should the Commission provide monthly credits for net-metered accounts, and carry over monthly excess generation to the next billing month, with any remaining excess energy (where total annual generation of energy exceeds total annual usage) cashed out at the end of the year? Alternatively, do the net metering regulations only provide for annual compensation for excess generation in any month?

PECO believes that in order to be consistent with the plain language of Act 35, the net metering regulations should only provide for annual compensation for excess monthly generation, as explained more fully above. The value of excess energy produced should be carried forward each month and at the end of the annual reconciliation period, the dollars are to be paid to the customer-generator. This interpretation reflects actual usage and is the most practical

application of the net metering regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adrian D. Newall", written over a horizontal line.

Adrian D. Newall
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Counsel for the Exelon Companies

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing documents upon the participants listed below via First Class Mail in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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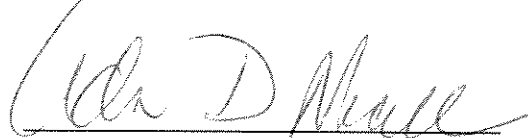
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Respectfully submitted,



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Dated: November 19, 2007