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27 August 2007

Jaclyn A. Brillling, Secretary  
Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223-1350

**COMMENTS ON CASE 07-E-0437**  
**Expansion of the Photovoltaic Net Metering Limit for Central Hudson**  
**And the June 21, 2007 ORDER RAISING THE NET METERING CEILING**  
**AND PROVIDING FOR ADDITIONAL PROCEEDINGS**

Dear Secretary Brillling,

Hudson Valley Clean Energy, Inc. (HVCE) has reviewed the July 31, 2007 filing from Central Hudson Gas and Electric Corporation (CH) relating to the financial losses it would incur from additional net metering of small residential solar systems, and wishes to file the following comments.

1. Calculation of Lost Revenues

We believe Central Hudson's calculation of lost revenues is inaccurate and overstated. The errors appear to be primarily due to unclear or improper assumptions regarding the size of the installed base of net metered systems at this time, and unclear or unstated assumptions of its future growth rate and the monthly addition of new capacity. It is important to note that only connected PV could possibly cause lost revenue, not applied for or permitted levels.

Details of HVCE's calculations are attached to this letter, and summarized below.

On August 1, 2007, there was 1009.14 kw of connected solar net metering capacity in Central Hudson's territory, according to an email from the company to solar installers active in the area. From similar emails throughout 2007, it can be calculated that net metered capacity is currently being added at a rate of about 41 kw per month. Using the demonstrated 30% annual PV industry growth rate in the region for the last two years, it can be estimated that the connected net metered capacity will be as follows:

July 1, 2007: 969 kw  
July 1, 2008: 1,519 kw  
July 1, 2009: 2,235 kw

In its July 31, 2007 filing, CH states “A level of residential net metered PV penetration of 0.8 Mw (800 kw) was assumed in the rates set in the Commission’s last rate plan for Central Hudson”. They proceed to state that revenue loss would only occur on the 2.2 Mw difference between 0.8 and 3.0. The incremental lost kwh revenue for CH can therefore be estimated to be:

Rate year July 1, 2007 to June 30, 2008: 475,561 kwh  
 Rate year July 1, 2008 to June 30, 2009: 1,167,426 kwh

Using the dollar values per kwh from CH’s filing, the incremental lost sales for CH are:

	<u>CH’s Filing</u>	<u>HVCE Calculation</u>
Rate year July 1, 2007 to June 30, 2008:	\$ 93,581	\$ 18,390
Rate year July 1, 2008 to June 30, 2009:	\$103,528	\$ 49,942

HVCE’s estimate of the actual two year revenue impact on Central Hudson is 65% lower than that presented in the company’s July 31, 2007 filing. Again, the differences appear when actual installed base and industry growth rate data are used.

## 2. Lost Revenue Recapture

Central Hudson asserts that it be allowed to recapture in some future way lost revenues it experiences due to increased net metering of small residential solar systems in its territory. HVCE does not agree.

Customers who invest in solar systems no longer want to purchase all of their electricity from the local utility; they want to generate some of it themselves instead. They choose to do this because they are unhappy with what the utility offers, both in how the electricity from the utility is generated, and with the certainty of its continued, unpredictable price inflation. They want to know that some of their electricity is coming from a clean renewable resource, and is fixed at a known price far into the future, both of which are product attributes the utility can not offer them. If a supplier of a product can not offer what the customer wants, then by what marketplace rationale should that supplier be compensated for the customer choosing to go elsewhere?

Installing a net metered PV system has the same revenue effect on the utility as a customer investing in energy saving lighting or appliances. It would be absurd to allow a utility direct lost revenue compensation when customers implement efficiency improvements.

In the quarter ended June 30, 2007, Central Hudson Gas and Electric’s revenue from electricity sales grew \$42.5 million over the same period in 2006. Operating income increased \$1,596,000 in that quarter alone. Unfortunately the company claims this was due to increased cold weather electricity usage and lack of additional conservation by its

customers, meaning these increases came at the expense of its ratepayers. It is not in the public's interest to charge the same ratepayers another \$68,000 over the next two years because CH may lose some revenue due to additional small residential solar systems.

### 3. Net Metering Costs and Benefits

HVCE's analysis of the growth of connected net metered solar systems in CH territory indicates that about 2 Gwh of electricity will be generated annually in 2008/2009 from solar. This is only 0.03% of the electricity delivered by CH in 2006. This is a very small percentage and does not warrant compensating the utility at the expense of ratepayers or growth of the solar industry.

Rather than focus on lost revenue replacement, HVCE urges the Commission to request that Central Hudson explore both the maintenance and distribution costs and the potential benefits due to distributed PV generation. For example, it is recognized that the Hudson Valley area has a looming voltage support issue, which PV can help with. PV can also be used to reduce peak load. These and other benefits should be quantified and included in any study detailing the possible loss of maintenance and repair dollars or capital expenditure funds caused by net metered PV.

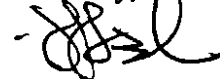
### 4. Net Metering Limit Increase

Central Hudson's decision in May 2007 to stop accepting new applications for small net metered residential solar systems caused a serious disruption to the market. The Commission's order increasing the limit to 1.8 Mw July 1<sup>st</sup> has helped it recover. This new limit will be reached sometime in early 2008, which is not far off.

This uncertain regulatory environment is confusing for customers. Some rush to buy and some hold off because the debate creates uncertainty and doubt about the readiness of the technology and products. Some are concerned they will, for some reason, lose their ability to net meter shortly after they buy a system. From a system designer and installer's point of view, the uncertainty makes business planning very difficult. Should we hire or not? Should we buy a new truck or wait?

HVCE urges the Commission to increase the net metering limit for Central Hudson immediately to 3.0 Mw to stabilize the market. We would like to see the limit increased further right now. If this is not possible, then we request that Central Hudson continue to report monthly its connected and in process PV capacity so that the industry can have visibility on the marketplace going forward.

Sincerely,



Jeff Irish, PE  
President

Hudson Valley Clean Energy, Inc.

<u>Date</u>	<u>Actual Connected Solar Net Metered Capacity (Central Hudson data) kw</u>	
25-Jan-07	758.42	
28-Feb-07	797.22	
3-May-07	845.82	
1-Aug-07	1,009.14	
2007 YTD Connection Rate	41 kw / month	
Industry Growth Rate	30% per year	
Industry Growth Rate	2.21% per month	
		<b>Monthly Increment</b>
1-Jul-07	969	41
1-Aug-07	1,009	41
1-Sep-07	1,050	42
1-Oct-07	1,093	43
1-Nov-07	1,136	44
1-Dec-07	1,180	45
1-Jan-08	1,226	46
1-Feb-08	1,272	47
1-Mar-08	1,319	48
1-Apr-08	1,368	49
1-May-08	1,417	50
1-Jun-08	1,467	52
1-Jul-08	1,519	53
1-Aug-08	1,572	54
1-Sep-08	1,626	55
1-Oct-08	1,681	56
1-Nov-08	1,737	58
1-Dec-08	1,795	59
1-Jan-09	1,853	60
1-Feb-09	1,914	61
1-Mar-09	1,975	63
1-Apr-09	2,038	64
1-May-09	2,102	66
1-Jun-09	2,168	67
1-Jul-09	2,235	69

<b>1-Jul-07 to 30-Jun-08 Rate Year</b>						
		<b>kw</b>	<b>Months of Impact</b>	<b>Rate Year Generation kwh</b>	<b>Energy Delivery + MFC</b>	<b>Lost Revenue</b>
Connected at Beginning of Period		969	12.0	1,065,900		
Connected during the month	Jul	41	11.5	42,761		
	Aug	41	10.5	39,906		
	Sep	42	9.5	36,904		
	Oct	43	8.5	33,749		
	Nov	44	7.5	30,437		
	Dec	45	6.5	26,961		
	Jan	46	5.5	23,318		
	Feb	47	4.5	19,500		
	Mar	48	3.5	15,502		
	Apr	49	2.5	11,318		
	May	50	1.5	6,941		
	Jun	52	0.5	<u>2,365</u>		
Subtotal				1,355,561		
Less 0.8 Mw of PV assumed in rate plan		-800	12.0	<u>-880,000</u>		
Total				475,561	0.03867	<b>\$18,390</b>

<b>1-Jul-08 to 30-Jun-09 Rate Year</b>						
		<b>kw</b>	<b>Months of Impact</b>	<b>Rate Year Generation kwh</b>	<b>Energy Delivery + MFC</b>	<b>Lost Revenue</b>
Connected at Beginning of Period		1518.97	12.0	1,670,867		
Connected during the month	Jul	53	11.5	55,590		
	Aug	54	10.5	51,878		
	Sep	55	9.5	47,975		
	Oct	56	8.5	43,874		
	Nov	58	7.5	39,568		
	Dec	59	6.5	35,050		
	Jan	60	5.5	30,313		
	Feb	61	4.5	25,350		
	Mar	63	3.5	20,152		
	Apr	64	2.5	14,713		
	May	66	1.5	9,023		
	Jun	67	0.5	<u>3,074</u>		
<b>Subtotal</b>				<b>2,047,426</b>		
<b>Less 0.8 Mw of PV assumed in rate plan</b>		<b>-800</b>	<b>12.0</b>	<b><u>-880,000</u></b>		
<b>Total</b>				<b>1,167,426</b>	<b>0.04278</b>	<b>\$49,942</b>