

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
the Commission Staff and Commission-regulated)	
electric utilities to implement a statewide net)	Case No. U-14346
metering agreement.)	
_____)	

At the March 29, 2005 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

ORDER APPROVING CONSENSUS AGREEMENT

In the May 18, 2004 order in Case No. U-12915, the Commission found that the Commission Staff (Staff) should work cooperatively with representatives of regulated electric utilities to develop, in its next Michigan Renewable Energy Program (MREP) report, a net metering program¹ for the Commission’s consideration.

¹Net metering is an accounting mechanism whereby retail electric utility customers who generate a portion or all of their own retail electricity needs are billed for generation (or energy) by their electric utility for only their net energy consumption during each billing period. Net energy consumption during a billing period is defined as the amount of energy delivered by the utility and used by the customer, minus the amount of energy, if any, generated by the retail customer and delivered to the utility at the location of the eligible unit.

On December 3, 2004, the Staff and investor-owned and cooperative electric utilities regulated by the Commission² filed an application seeking approval of a consensus agreement for a voluntary, statewide net metering program. The consensus agreement incorporates the results of dialogue and negotiations among participants in a collaborative conducted by the MREP Ratemaking and Net Metering Committee (MREP Committee).³ If the consensus agreement is approved by the Commission, the investor-owned and cooperative electric utilities have agreed to offer net metering programs⁴ that comply with the consensus agreement. Tariff sheets will be filed with the Commission by each utility for its respective program following the issuance of this final Commission order approving the consensus agreement.

The draft consensus agreement incorporates an agreed upon definition of net metering, basic provisions for utility cost recovery, customer billing and credits for net excess generation, the total program size for each utility, the maximum size of eligible electric generators, eligible generator technologies, customer application fees and interconnection standards, the duration of the program, provisions for renewable energy certificates, utility reporting requirements, and program monitoring and evaluation, each of which is described more fully in the consensus agreement, which is attached to this order as Exhibit A.

²The signatories of the consensus agreement include representatives from the Staff, Alpena Power Company, Indiana Michigan Power Company, d/b/a American Electric Power, Edison Sault Electric Company, Upper Peninsula Power Company, Wisconsin Public Service Corporation, Wisconsin Electric Power Company, d/b/a We Energies, Northern States Power Company, d/b/a XCEL Energy, Consumers Energy Company, The Detroit Edison Company, the Michigan Electric Cooperative Association, and the Michigan Electric and Gas Association (MEGA).

³The MREP Committee concedes that they do not necessarily represent all interested parties. Accordingly, the committee cautions that it cannot be certain that all MREP collaborative participants necessarily agree with the consensus described or all of its details.

⁴The consensus agreement provides that multi-state utilities presently offering net metering in Michigan and other states through filed tariffs may continue those offerings in their present form as compliance with the agreement, subject to consideration of changes in future proceedings.

After considering the application and the consensus agreement, the Commission found that interested parties should be given an opportunity to submit comments on the proposal. Therefore, the Commission issued an order on December 21, 2004 allowing for the filing of comments in this docket by February 1, 2005.

The Commission received 26 comments on the consensus agreement. All of the comments were generally supportive of net metering, and ten of the comments were explicitly supportive of the terms of the consensus agreement. Comments generally supportive of the approval of net metering were received from Michael McGuire, Paul Feorene, Ilya Snyder, Andy Granskog, William Stockhausen, James Pratt, Sue Wright, Bryan Vanden Bosch, Sam and Christine Simonetta, Brian Moehring, Emily Whittaker, Art Toy and Sharon Crotser-Toy, Michael Evans, Jim Beyer, Matt Van Grinsven, Sierra Club Mackinac Chapter, State Representative Chris Kolb, Great Lakes Renewable Energy Association, Bill Holmberg, the Michigan Renewable Energy Program's Solar Committee, MEGA, International Brotherhood of Electrical Workers, Local No. 17 (IBEW), TECHBUILT Systems, the Farm Bureau Administration, The Michigan Environmental Council, and Ed Holt. The Commission wishes to thank the Sierra Club for its extensive analysis of the potential benefits of a net metering program. Like all the commenters, the Commission looks forward to evaluating the performance of the net metering program to see whether, and to what extent, those benefits materialize.

Many of the comments focus on net metering rules that might be applied to only the smallest scale solar photovoltaic and wind energy systems, and almost exclusively to residential users. While the Commission is not persuaded that the consensus agreement should be changed to incorporate these concerns and apply them to all net metering participants, the Commission encourages utilities to review the public comments received and consider offering net metering for

the smallest solar photovoltaic and wind energy systems that will meet as many of the expressed concerns as possible. For example, one set of net metering tariff rules might apply to photovoltaic systems up to 5 kilowatts (kW) and wind generators up to 25 kW, and different rules might apply to larger systems.

Seven commenters indicated that the overall program limit of 0.1% of each utility's peak load is too small. The Staff indicates that many states have set similar limits in their net metering programs. Moreover, the limits appear unlikely to be reached, let alone exceeded. According to data provided by the U.S. Department of Energy, Energy Information Administration, it does not appear that placing a limit of 0.1% on Michigan's net metering program at this time will act as a constraint on customer participation. *See, Green Pricing and Net Metering Programs 2003*, USDOE, <http://www.eia.doe.gov/cneaf/solar.renewables/page/greenprice/grnprcreport.pdf>. The Commission will continue to monitor the net metering program, and will consider raising this limit in the future, should that become necessary.

In addition, with respect to the size of generators to be included in the net metering program, the Staff contends that the size limits are reasonable. For facilities utilizing solar or wind power, the size limits are based on the customer's total annual energy use (in kilowatt-hour), rather than demand (in kW). The proposal also provides that utilities may apply for higher system size limits. At the four-year review, the Commission will examine whether the generator-size and program-size limitations have become constraining factors.

Five commenters suggested that the consensus agreement could result in net metering programs that are overly complex. The concern was also raised that under the agreement as presented, Michigan could end up with many different net metering programs – conceivably

different programs for each regulated utility – rather than a single, standardized statewide program.

The Commission does not agree that the program, as proposed, will be overly complex. The entire net metering program is described in the eight pages of the consensus agreement, and provides a good starting point for this program in Michigan. The consensus agreement contains the primary necessities for such a program and does not appear to impose undue costs or undue complexities on any participant. With respect to the desire for a single, statewide program, the Commission notes there is nothing in the consensus agreement application that would prohibit utilities from offering identical programs. The consensus agreement provides enough of the groundwork so that all of the programs will be substantially similar.

Representative Kolb suggested that a public comment period should precede the approval of any net metering tariffs. The Commission finds that the signatory utilities should file their proposed tariffs consistent with the consensus agreement within 30 days of the date of issuance of this order. However, because the terms of the consensus agreement have been subject to public comment already, and those terms provide the basis for the tariffs, the Commission does not agree that another round of public comments on the tariffs is necessary.

Seven commenters suggested that the consensus agreement does not put into place a program of true net metering. Some of the commenters consider true net metering to require the use of a single bi-directional meter that spins in both directions but does not separately record the energy consumed by the customer and the energy generated by the customer. The Commission notes that the consensus agreement allows for the use of such a bi-directional meter, as well as for the use of a single meter which can record both measurements, or two meters used to record both measurements. The Commission is not persuaded that only a single bi-directional meter that spins in both

directions (without recording the inflow and outflow of energy) yields true net metering, and the Commission supports the use of other modes of metering that can accurately reflect the amount of energy generated by the utility and consumed by the customer, and the amount of energy generated by the customer and transmitted to the utility. Such a system is capable of providing data necessary to produce a net result.

Six commenters indicated that the consensus agreement should provide greater incentives for customer participation in net metering. The Commission recognizes that, while participation in net metering programs is extremely low across all 38 states that currently offer it, the states with greatest participation also appear to offer the most customer incentives. Although not as significant as some state programs, an incentive is offered in the consensus agreement in the form of the mechanism of net metering itself, which provides net metering customers a built-in buyer for the excess power that they generate without incurring transmission or distribution costs, and obviates the need for any storage capacity to be purchased or maintained by the net metering customer.

During the initial four-year phase of the net metering program, the Commission invites proposals for creating additional incentives, that could rely on funding sources such as the 5¢ per meter per month renewable resource funds recently adopted by the Commission in Case Nos. U-13843 and U-13808, the Commission administered Low Income and Energy Efficiency Funds, or other state or federal funds.

Twelve commenters suggested that the provisions of the consensus agreement dealing with net excess generation (NEG) should be changed to allow NEG credits to roll-over at year's end, rather than allowing the NEG credits to be retained by the utility. The consensus agreement provides that the NEG credits are valued at the retail price of generation. If there are any cumulative NEG

credits remaining at the end of a 12-month billing cycle, the utility retains these credits and must use them to offset costs associated with operation of the utility's net metering program. Because the NEG credits continue to benefit participants in the program in this way, the Commission is not persuaded that this provision must be amended at this time.

Seven commenters offered a critique of the interconnection standards and fees. The IBEW stated its concerns regarding the safety of utility workers performing interconnections and the need for licensed electricians to install and connect these devices. However, the net metering program does not in any way change the existing requirements that apply to interconnections, as provided in the Commission's Rules. R 460.481-460.489. These rules must continue to be followed in accomplishing interconnections, whether for net metering purposes or otherwise.

The program, as proposed, would allow customers to request participation any time during a five-year eligibility period, and customers would be allowed to participate for at least ten years from their starting date. Also, as proposed, the program will be fully evaluated in the fourth year. Two commenters felt that evaluation of the program should occur prior to the fourth year. One commenter felt that the program is too short. The Commission believes that the annual reports that are required under the consensus agreement from participating utilities, and the Staff's continuing review of the net metering program, provide sufficient oversight of the program at this time. The program needs this initial four-year period in which to develop enough experience to yield any generally reliable data or findings, which can then form the basis for guiding improvements to the program, should that appear necessary.

Eight commenters suggested that the renewable energy certificates (REC) should belong to the customer and not to the utility. The Commission is troubled by certain aspects of the proposed creation and handling of RECs, including mandatory transfer of ownership of the RECs to the

utilities, the double-counting of the RECs held by utilities, and the failure to allow small owners to aggregate RECs. In addition, there is no evidence that a 2-for-1 REC would be accepted in the marketplace.

The Commission is not persuaded that the provisions regarding RECs are necessary to the initiation of the net metering program, and the Commission finds that Subsection I., Provisions for Renewable Energy Certificates (RECs), should be deleted from the consensus agreement. The Commission also finds that, because the subsection on RECs stands alone, its deletion does not affect other provisions and should not make the consensus agreement void. The Commission acknowledges that the consensus agreement contains an interdependence provision. In light of the Commission's modification to the consensus agreement, any signatory that is aggrieved by the deletion of the REC provisions from the consensus agreement and withdraws its signature, may initiate a contested proceeding in this matter. The Commission recommends that the Staff re-examine the initiation of a procedure for establishing and trading RECs during the first review of the net metering program.

Two commenters indicated that there was insufficient public notice regarding the consensus agreement. The Commission notes that the information regarding the net metering proposal was posted on the Commission's website, a press release was issued, and MREP announced it through its e-mail distribution list and on the MREP website. In each of these notices, interested public was invited to participate. The Commission finds that there was sufficient public notice.

The Commission wishes to thank all of the commenters for their thoughtful comments and for taking the time to participate in this process. The Commission believes that the consensus agreement is a valuable starting point, and observing the performance of the net metering program as proposed will allow the Commission to learn more about all aspects of net metering.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*

b. Subsection I. (Provisions for Renewable Energy Certificates (RECs)) should be deleted, and the remainder of the consensus agreement for a voluntary, statewide net metering program should be approved.

c. The signatory utilities should file their proposed tariffs within 30 days of the date of issuance of this order.

d. Any signatory to the consensus agreement that is aggrieved by the deletion of the REC provisions from the consensus agreement may withdraw its signature, and should initiate a contested proceeding in this matter.

e. The provisions of the consensus agreement making the agreement void in the event of any modification to the agreement should be null and void.

THEREFORE IT IS ORDERED that:

A. The consensus agreement for a voluntary, statewide net metering program, attached to this order as Exhibit A, is approved, with the exception of Subsection I. (Provisions for Renewable Energy Certificates (RECs)), which is hereby deleted.

B. The signatory utilities shall file their proposed tariffs within 30 days of the date of issuance of this order.

C. Any signatory to the consensus agreement that is aggrieved by the deletion of the REC provisions from the consensus agreement shall withdraw its signature and shall initiate a contested proceeding in this matter.

D. The provisions of the consensus agreement making the agreement void in the event of any modification to the agreement are hereby null and void.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chairman

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of March 29, 2005.

/s/ Mary Jo Kunkle
Its Executive Secretary

C. Any signatory to the consensus agreement that is aggrieved by the deletion of the REC provisions from the consensus agreement shall withdraw its signature and shall initiate a contested proceeding in this matter.

D. The provisions of the consensus agreement making the agreement void in the event of any modification to the agreement are hereby null and void.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of March 29, 2005.

Its Executive Secretary

In the matter of the application of)
the Commission Staff and Commission-regulated)
electric utilities to implement a statewide net)
metering agreement.)
_____)

Case No. U-14346

Suggested Minute:

“Adopt and issue order dated March 29, 2005 deleting the provisions regarding renewable energy certificates, and otherwise approving the consensus agreement for a voluntary, statewide net metering program, as set forth in the order.”

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
The Commission Staff and Commission-regulated)	Case No. U-14346
electric utilities to implement a statewide)	
net metering proposal.)	
_____)	

MREP CONSENSUS AGREEMENT ON STATEWIDE NET METERING PROGRAM

I. INTRODUCTION

Michigan investor-owned and cooperative electric utilities regulated by the Michigan Public Service Commission (collectively "Utilities") and the Commission Staff present the following consensus proposal for a voluntary statewide net metering program and apply for its approval. This consensus incorporates the results of dialogue and negotiations among participants in the Michigan Renewable Energy Program (MREP) Collaborative's Ratemaking and Net Metering Committee. The Utilities agree to offer net metering programs that comply with the consensus, if this proposal is accepted by the Commission. Tariff sheets will be filed with the Commission by each party Utility for its respective program following the issuance of a final Commission order approving this consensus proposal and expiration of the period for timely appeal.

The terms and conditions of this consensus agreement are interdependent. If this agreement is modified in whole or part by the Commission or as the result of a judicial action, then the agreement is void and Utility participants shall not be required to offer net metering programs. Participants enter into the consensus as a voluntary act and reserve all rights under existing law, including those regarding the existence and scope of regulatory authority over net metering. Upon approval of the filed tariffs by the Commission, Utilities are prepared to offer net metering service in accordance with the terms and conditions specified in their respective Net

Metering Tariffs. Multi-state Utilities presently offering net metering in Michigan and other states through filed tariffs may continue those offerings in their present form as compliance with the consensus, subject to consideration of changes in future proceedings.

II. HISTORY OF PROCEEDINGS

The Commission gave directives to Staff and the MREP Collaborative through orders issued in MPSC Case No. U-12915. In the May 18, 2004 Order, the Commission stated:

In addition to establishing a net metering subcommittee, the Commission finds that the Staff should work cooperatively with members of the subcommittee to develop a net metering program for the Commission's consideration in its next MREP report. Accordingly, the Commission directs the Staff to include in its evaluation of net metering a proposal for statewide implementation of net metering in Michigan. If consensus cannot be reached on a statewide net metering proposal on the part of MREP collaborative members, the Commission directs Staff to put forth a proposal of its design. (U-12915 Order dated May 18, 2004, p. 5).

This application proposes a consensus for a voluntary statewide net metering program, in response to that Commission directive.¹

Participation in the MREP Collaborative and all MREP committees is open to all interested parties, and the participants at Ratemaking and Net Metering Committee meetings in 2004 do not necessarily represent all interested parties. Thus, the parties to this consensus agreement cannot be certain that all MREP Collaborative participants necessarily agree with the consensus described or all of its details. However, the proposal does represent agreement on the part of Utilities and Staff, and no participant at the MREP Ratemaking and Net Metering Committee meetings in 2004 has actively opposed the filing of this consensus for the Commission's consideration.

¹ The 2004 MPSC Staff Evaluation Report on Net Metering will also be filed in this docket, as soon as the Report can be finalized.

III. DESCRIPTION OF CONSENSUS AGREEMENT

The consensus agreement incorporates: (A) an agreed upon definition of net metering; (B) basic provisions for utility cost recovery; (C) customer billing and credits for net excess generation (NEG); (D) the total program size for each Utility; (E) the maximum size of eligible electric generators; (F) eligible generator technologies; (G) customer application fees and interconnection standards; (H) duration of the program; (I) provisions for renewable energy certificates (RECs); (J) Utility reporting requirements; and (K) program monitoring and evaluation. Each of these elements of the consensus is described more fully in the following sections of this proposal.

A. Definition of Net Metering

The parties agreed on the following definition of Net Metering for the consensus:

Net metering is an accounting mechanism whereby retail electric utility customers who generate a portion or all of their own retail electricity needs are billed for generation (or energy) by their electric utility for only their net energy consumption during each billing period.

Net energy consumption during a billing period is defined as the amount of energy delivered by the Utility and used by the customer, minus the amount of energy, if any, generated by the retail customer and delivered to the utility at the location of the eligible unit.

B. Utility Cost Recovery

The foundation for this consensus agreement is that each Utility will be allowed to recover from its customers all costs associated with its net metering program.

Three kinds of recoverable costs must be considered (eligible costs): program operating costs, transmission and distribution (T&D) costs attributable to the net metering customer, and the above-market costs, if any, of generation credits provided to net-metered customers. Lost generation revenues, associated with a customer's displacement of Utility generation with the customer's own generation, are not eligible for program recovery. Utilities may design their programs to assign all eligible costs to participating customers. If needed, eligible cost recovery

may be through a separate fixed charge in the rates of participating customers. This agreement and the individual Utility net metering programs shall not affect the ability of a Utility to seek recovery of just and reasonable costs of service in other regulatory proceedings.

A Utility may track its eligible costs that are not assigned directly to participating customers. Because all customers may ultimately benefit from the availability of the net metering program, it may be reasonable to recover some eligible costs from all Utility customers, through a non-bypassable distribution charge,² subject to hearing and approval by the Commission.

Any eligible costs not determined to be appropriate to recover from all customers will be assigned to and recovered from participating customers.

C. Customer Credits for NEG

Net excess generation (NEG) represents the amount of electric generation by the customer, beyond the customer's own metered usage, which is delivered to the Utility during the billing period. Net-metered customers will be credited for NEG at the Utility's retail price of generation.³ If a Utility chooses to utilize a single meter that is not capable of directly measuring the output of the customer's generator, then the customer shall be billed and pay for their net energy consumption using the same method ordinarily applied to a customer of the same class, absent net metering. For such customers, T&D and other eligible costs are recoverable through a separate rate charge designed to assure that the Utility recovers the same share of T&D costs it would have received from the customer absent net metering. If a Utility chooses to utilize a meter or meters capable of measuring the output of the customer's generator, then the customer shall be billed and pay for their total measured usage using the same method ordinarily applied to

² Potential costs and benefits of net metering programs are discussed in the 2004 MPSC Staff Evaluation Report on Net Metering.

³ For Cooperative Utilities, the "retail price of generation" is equal to the cooperative's wholesale cost of energy, adjusted to include line losses.

a customer of the same class, absent net metering.⁴ In this situation, the customer would be credited for total generation by applying the full unbundled retail unit price of generation to the measured total generation.⁵

NEG credits, if any, will be carried over from month to month, limited to a 12-billing-month cycle. At the end of each 12-billing-month cycle, cumulative NEG credits, if any, will be retained by the Utility and the customer's credit reset to zero. A Utility may voluntarily propose a program where customers are awarded a cash payment for NEG. The value of cumulative NEG credits retained by the Utility will be used to offset costs associated with the Utility's operation of the net metering program.

D. Total Program Size for Each Utility

Each Utility will offer a net metering program with a maximum program limit of either 0.1% (one tenth of one percent) of the Utility's previous year's peak demand (measured in kW), or 100 kW, whichever is greater. Any Utility that seeks an alternative maximum program limit, either higher or lower, shall request and obtain Commission approval prior to implementing any other program limit.

A Utility will provide notice through the MREP when and if it reaches its maximum program limit, and the Commission will be informed through the usual MREP reporting practices.

E. Maximum Size of Eligible Electric Generators

⁴Additional meter costs will be recoverable on an actual cost basis as an eligible cost.

⁵As each utility, including cooperative utilities, adopts unbundled rates for all customers, the T&D charges and average generation rate shall be based on those unbundled rates. Until a utility's rates are unbundled, unbundled distribution charges have been incorporated into each utility's retail access service tariff, and those charges for site use shall be subtracted from full bundled retail charges for site use to determine the appropriate generation credit for displaced energy. The average generation rate for displaced energy will be applied to any NEG to determine the NEG credit.

The maximum size of electric generators eligible for net metering treatment will be either less than 30 kW, or a Utility may voluntarily set its limit at less than 150 kW.⁶ Customer generation systems also will be limited in size, not to exceed the customer's self-service needs. Non-dispatchable generation systems (e.g., wind and solar) shall be sized not to exceed the customer's annual energy needs, measured in kilowatt-hours (kWh). Dispatchable systems shall be sized not to exceed the customer's capacity needs, measured in kilowatts (kW).

F. Generator Technologies Eligible for Participation in Net Metering Program

A Utility's net metering program will be open to all electric generating technologies as provided in 2000 PA 141, section 10g(1)(f) (MCL 460.10g(1)(f)), which defines "renewable energy source" as "energy generated by solar, wind, geothermal, biomass, including waste-to-energy and landfill gas, or hydroelectric."⁷

At its option, a Utility may voluntarily expand eligibility in its net metering program to other energy conversion technologies, including fuel cells, Stirling engines and other new fossil fueled technologies with the potential to be enabling technologies for the use of hydrogen as a primary fuel source. The Utility shall identify those other technologies it seeks to include and must receive Commission approval prior to expanding eligibility.

Eligibility for participation in the net metering program is limited to energy customers of the Utility. The eligible facilities must be installed on the customer's premises. The customer need not be the owner or operator of the eligible facilities.

G. Customer Applications, Application Fees and Interconnection Standards

⁶ These limits match size categories established in the Commission's Electric Interconnection Standards Rules (R 460.481–460.489).

⁷ For systems fueled by biomass, provisions shall allow blending up to 25% fossil-fuel, as needed to ensure safe, environmentally sound system operation. Associated renewable energy credits (RECs) will be prorated, if necessary, to account for only the amount of renewable fuel used. (See the discussion about RECs on page 7.)

For purposes of Utility net metering programs, all application fees, procedures, and requirements for interconnecting net metering customer generators will be those contained in the Commission's Electric Interconnection Standards Rules (R 460.481–460.489) and the Utility's associated Commission-approved Generator Interconnection Requirements. In accordance with those rules and requirements, facilities must be designed and operated in parallel with the utility system without adversely affecting the operation of equipment and service or presenting any safety hazards.

The interconnection rules and requirements will be applied to determine whether any additional equipment is required to complete the interconnection and the calculation and assignment of equipment costs. Line extensions for new customers or facilities may be subject to other applicable tariffs which are not affected by the consensus agreement or the interconnection rules and procedures. Except as specifically provided in this agreement and the associated Utility net metering programs, the existing legal rights and obligations of parties regarding interconnection of merchant plants and other facilities are not affected or modified. A Utility is not obligated to interconnect customer generators with capacity of 100kW or less except as provided in this consensus agreement, or as otherwise required by law.

H. Duration of the Program

The net metering program shall be open for customer enrollments for a period of at least 5 years, and customers who enroll shall be eligible to continue their participation for a period of at least 10 years. A participating customer may terminate their participation in a Utility's net metering program at any time for any reason.

I. Provisions for Renewable Energy Certificates (RECs)

A customer with onsite generation interconnected to the Utility has the option of choosing to either net meter its energy flow for credit under a net metering tariff, or to enter into

a contract to deliver its net excess generation to the utility under a distributed generation tariff or purchase power contract. If the customer chooses to operate under a net metering tariff, the Utility shall have ownership of all renewable energy certificates (RECs)⁸ associated with the customer's net metered generation capacity. If the customer chooses to operate under a distributed generation tariff or a purchased power contract, the Utility shall have ownership of only RECs associated with NEG while RECs associated with generation used on-site by the customer remain with the customer. A Utility may incorporate such provisions in its net metering tariff so that the transfer of RECs from the customer/generator to the utility becomes a condition of and a prerequisite to the customer entering into the net metering agreement with the utility. Failure to do so does not eliminate the utility's entitlement to the RECs.

Separate metering of the output of the energy generator may be required by any agency certifying RECs in order to document the existence of the associated RECs. At the Utility's discretion, the Utility can install and the customer must allow installation of a meter for the purpose of measuring the output from a customer's net-metered energy generator. If the customer chooses to sell excess generation to the Utility rather than participate in a net metering program, metering of the electric generator to provide verification of the RECs will be the responsibility of the customer.

In any net metering tariff approved by the Commission, a Utility will be authorized to count two credits for each kilowatt-hour generated by qualifying generators.

Revenues from a Utility's sale of RECs derived from net-metered electric generators, if any, will first be used to offset eligible costs⁹ associated with operating its net metering program.

⁸ RECs are sometimes also known as tradable renewable credits (TRCs), Green Certificates, or Green Tags.

⁹ Costs include, but are not limited to, unrecovered T&D costs and generation subsidies determined as: NEG credits (\$) minus [NEG (kWhs) multiplied by the utility's average top

The remaining proceeds of the net-metered electric generator RECs sold by the utility will be split on a 50/50 basis with the net-metered customers. Each net-metered customer existing on the anniversary date of the net metering program will be paid a prorated share of one half of the excess REC value based upon metered generation. This accounting and payment will be made annually within 90 days after the anniversary date of program approval by the Commission. The Utility is under no obligation to sell the RECs and may donate them at zero cost for inclusion in a Commission approved green pricing program.

A Utility that does obtain RECs associated with the generation being used in its net metering program shall keep a separate accounting of those RECs and the value, if any, received through the sale of those RECs. That accounting shall be included in annual reports on the net metering program, as described in Section J.

J. Utility Reporting Requirements

Each Utility shall use reasonable efforts to obtain and report to MPSC Staff representatives of the MREP Collaborative all data needed to monitor and evaluate its net metering program. This shall include, at least: (a) total number of participating customers; (b) 5-digit zip code for each participating customer; starting month and year for each participating customer; (c) technology type and size in kW for each participating customer; (d) total NEG by technology type and cumulative total for each Utility's program (at the end of each 12-billing-month cycle); and (e) any additional information the Utility believes is necessary in order to properly monitor and evaluate its net metering program.¹⁰

incremental cost (TIC) during the period being evaluated (\$/kWh)]. Other costs the utility seeks to recover must be approved by the Commission.

¹⁰ Customer privacy and confidentiality shall be protected. These Utility reports are not expected to include any data that could be used to identify specific participating customers. A utility shall not release to the MPSC Staff or MREP Collaborative any data identifying a specific participating customer, unless it has previously obtained the customer's consent.

Each Utility will submit to MPSC Staff representatives of the MREP Collaborative by September 30 each year its net metering program data for the previous 12 months, ending June 30.¹¹ MPSC Staff will include data and status reports of Utility Net Metering Programs in each year's MREP Annual Report to the Commission.

K. Program Monitoring and Evaluation

Each Utility's net metering program will be monitored and evaluated through the MREP process. After the fourth year of the program, the MREP Collaborative will present to the Commission a Michigan Net Metering Evaluation Report, including recommendations about the continuation and any proposed alterations of the program.

A Utility may, at its discretion, petition the Commission for an extension of its program.

IV. RELIEF REQUESTED

It is the opinion of all signatories that this consensus agreement satisfies the Commission directive to develop a net metering proposal. This consensus agreement is intended to be a final disposition of the Commission's directive to develop a net metering proposal. Each signatory agrees not to appeal, challenge or contest the Commission's order accepting and approving this consensus agreement without modification. If the Commission does not accept the consensus agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever. The consensus agreement and all prior proposals and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein. All signatories agree to waive Section 81 of the APA, as amended MCL 24.281, as it applies to the issues in this proceeding.

¹¹ It is understood that each utility may, at its own discretion, accumulate and report its net metering program data on the basis of either calendar- or billing-months. Each utility shall, however, indicate the basis used and notify MPSC Staff if the basis used changes.

WHEREFORE, the signatories to the application respectfully request that the Commission approve this consensus agreement.

Respectfully submitted,

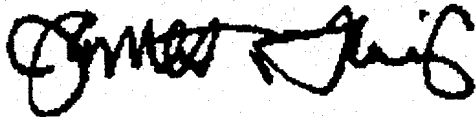
**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

✓ Steven Hughey

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Hughey, c=US
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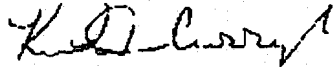
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AMERICAN ELECTRIC POWER



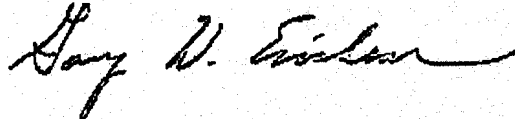
Kent D. Curry, Director
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UPPER PENINSULA POWER CO.



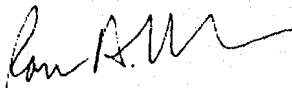
Gary W. Erickson, President
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XCEL ENERGY



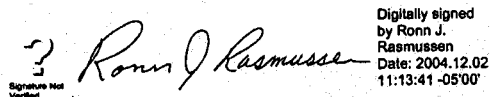
Brian R. Zelenak, Manager
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**MICHIGAN ELECTRIC
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Telephone: (517) 351-6322

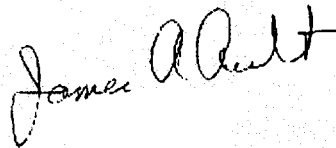
CONSUMERS ENERGY



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by Ronn J.
Rasmussen
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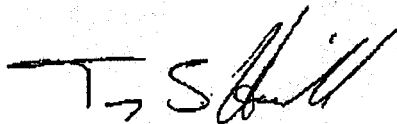
Ronn Rasmussen, Executive Director of
Rates and Business Support
One Energy Plaza
Jackson, MI 49201
Telephone: (517) 788-2937

**MICHIGAN ELECTRIC AND GAS
ASSOCIATION**



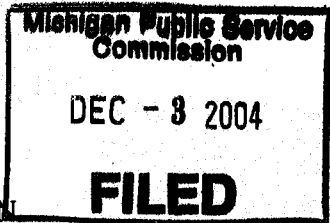
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THE DETROIT EDISON COMPANY



Terry Harvill, Director
Regulatory Affairs
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Detroit, MI 48226
Telephone: (313) 235-6440

Dated: December 2, 2004



STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of the Commission Staff and Commission-regulated electric utilities to implement a statewide net metering proposal.

Case No. U-14346

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF INGHAM)

Pamela A. Walters, being first duly sworn, deposes and says that on December 3, 2004, she served a true copy of the MREP Consensus Agreement on Statewide Net Metering Program upon the following parties by depositing the same in a United States postal depository enclosed in an envelope bearing postage fully prepaid, plainly addressed as follows:

Donald Sawruk
Edison Sault Electric Company
725 E. Portage Avenue
Sault Ste. Marie, MI 49783

James D. Florid
Gillard, Bauer, Mazruk, Florip
109 E. Chisholm Street
Alpena, MI 49707

Gary W. Erickson
Upper Peninsula Power Company
500 W. Washington Street
P.O. Box 357
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Kent D. Curry
American Electric Power
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Fort Wayne, IN 46801

Dennis M. Derricks
Wisconsin Public Service Corp.
P.O. Box 19001
Green Bay, WI 54307-9001

Roman Draba
WE Energies
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Milwaukee, WI 53203

Brian R. Zelenak
Xcel Energy
10 E. Doty Street, Suite 511
Madison, WI 53703

Michael W. Peters
Michigan Electric Cooperative Assoc.
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Ronn Rasmussen
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James A. Ault
Michigan Electric and Gas Assoc.
110 W. Michigan Avenue, Suite 1000B
Lansing, MI 48933

Terry Harvill
The Detroit Edison Company
2000 Second Avenue
Detroit, MI 48226

✓ *Pamela A. Walters*

Pamela A. Walters

Subscribed and sworn to before me
this Third day of December, 2004.

✓ *Carol Ann Dane*

Carol Ann Dane, Notary Public
State of Michigan, County of Eaton
Acting in the County of Ingham
My Commission Expires: 07/23/2011