

1 **Q. Please explain why the rate to be applied to the annual settlement of credits should**
2 **be different than the rate applied for monthly billings for the value of the energy**
3 **supplied from customer-owned generating sources.**
4

5 A. Conceptually, net metering programs, can be described as a "...billing arrangement by
6 which customers realize savings from their systems where 1 kWh generated by the
7 customer has the same value as 1 kWh consumed by the customer."¹ For this reason, on
8 monthly bills, use of retail energy rates is generally the approach taken in net metering
9 programs. It reflects the fact that the *customer-utility exchanges of energy* are offset in
10 the monthly billing period.

11
12 By contrast, the annual settlement of excess customer energy credits is not in the nature
13 of an offset of energy exchanges. At settlement, the utility is compensating the customer
14 for energy taken by the utility (and consumed by the utility's customers) which will not
15 be offset. As indicated in the Company evidence, the annual settlement of excess energy
16 credits are, in effect, *energy purchases by the utility* from the customer that were used to
17 provide service to the utility's customers.² The appropriate considerations for valuing
18 these excess energy credits are, in Newfoundland Power's view, (i) the least cost
19 principle and (ii) fairness between participating net metering customers and non-
20 participating customers.

21
22 It is Newfoundland Power's view that widespread acceptance of these differences is the
23 reason that the rates applied to monthly billing typically vary from those used for annual
24 settlement in Canadian net metering regimes.

¹ See Navigant Study, page 5.

² See Company Evidence, page 22, lines 4-8.