



DG Billing Process Overview

January 11, 2016

As of May 1, 2014, the method of metering an account with distributed generation switched from a “*net billing*” to a “*net metering*” format as outlined by amended Policy 5.26, which was approved by the board in January 2014.

Any electricity generated by your solar array in excess of your own usage will be “*banked* as a kWh energy credit.” Any “*banked*” kWhs will be used to offset purchased electricity in future months. For example:

January 2015	February 2015
Purchased (In) 700 kWhs	Purchased (In) 600 kWhs
Generated (Out) 800 kWhs	Generated (Out) 500 kWhs
Billed for 0 kWh and “ <i>banked</i> ” 100 kWhs to be used in future months.	Used 100 kWhs from “ <i>banked</i> ” kWhs therefore billed 0 kWh
Any off-peak (“OP”) energy used is billed at the OP rate for that current month.	Any OP energy used is billed at the OP rate for that current month.

This method allows you to realize the retail value of your generated kWhs from month to month on your main (net) meter.

At the end of the calendar year (typically in January), any remaining “*banked*” kWhs that have accrued over the past year will be paid to you via a check, direct deposit or as a credit to your account at the average “*avoided cost*” for the previous calendar year. Since Pierce Pepin purchases all of our wholesale energy (kWhs) from Dairyland Power Cooperative, their avoided cost is our avoided cost. This cost is generally in the range of \$0.027 to \$0.0375 per kWh.

Policy 5.26 has additional provisions for obtaining an offset of energy purchases on your off-peak meter, to the extent there is credit remaining in the “*bank*” at the close of the 12-month netting period for your main meter. Regrettably, the policy language does not clearly describe the offset calculation for off-peak meters or the use of average off-peak rate instead of a kWh credit. The annual reconciliation takes place in the first part of January to include December’s billing and moves the 12-month look back to a calendar year.

The intent of the Board in approving the 2014 policy amendment was to provide DG participants with the ability to apply leftover credit against off-peak purchases of energy from the prior 12-month period, before “*cashing out*” any remainder at *avoided cost*. This credit is not applied solely against off-peak

energy purchases made in the month when the account is reconciled. Rather, the Board's goal was to give members the opportunity to use *banked* kWhs to offset the full 12 months of prior off-peak energy purchases, as long as excess generation is first used to offset main meter energy purchases.

We do not credit (or "*net*") your off-peak purchase on a month by month basis because excess generation must first be applied to the extent possible against main meter energy purchases during that year. However, at the end of the 12-month period, the remaining *banked* kWhs are available to credit against the prior year's off-peak energy purchase. At the time the off-peak credit is applied, you've already paid for your off-peak energy purchases for the prior 12 months. Therefore, we cannot offset kWh for kWh, but must instead convert that credit to a dollar value.

The leftover *banked* kWhs are valued at a rate representing the average off-peak meter rate from the prior 12-month period. For example:

Banked Usage (remaining after netting against main meter energy purchases):

13,000 kWhs

Total Off -Peak Usage in the prior 12-month period: 10,000 kWhs

Average Off-Peak Rate: \$0.0633

OP credit issued: 10,000 kWhs X \$0.0633

Balance of "bank": 3,000 kWhs X "*average avoided cost*"

If your excess generation is sufficient to cover it, the formula we use gives you credit for the average retail value of your off-peak energy usage in the past 12 months. If you still have "*banked*" excess generation after crediting for off-peak purchases, we will credit your account at the "*avoided cost*" rate and a credit will be issued in the manner determined by the member. In the prior example, if you had "*banked*" 13,000 kWhs, you would receive credit for 10,000 kWhs (your full 12 months' usage) at the average off-peak rate, and then receive credit for 3,000 kWhs at avoided cost.

Our cooperative exists to serve all our members equitably. Although our members are individuals with specific circumstances at each account, PPCS strives to treat all members as equally as possible through board policy and rate designs. This policy was amended to reduce the financial subsidy that was occurring for interconnected DG systems and has brought everyone closer to paying their fair share of the costs.

Pierce Pepin is proud of our efforts to help members interconnect to our electric grid. We will continue to support renewable generation systems and their environmental benefits.