

1 Q. What impact, if any, will the use of the retail rate for the purchase of excess  
2 generation credits have on customers who are not participating in the Net Metering  
3 Service Option compared to the rate Hydro has proposed?  
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7 A. If the retail rate is materially greater than the marginal cost of energy, the use of  
8 the retail rate for excess generation credits during the settlement process will  
9 provide the incentive for new net metering participants to over-size their installed  
10 generation and sell additional energy in excess of their energy requirements to  
11 Hydro at a price in excess of its value. This incentive would be inconsistent with the  
12 objective of the net metering policy, which is to provide customers with the option  
13 to offset their own energy usage.

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15 If Hydro purchases energy from net metering participants at a price that materially  
16 exceeds its value, Hydro's cost of serving non-participants increases to recover the  
17 additional cost of serving net metering participants. Please see Hydro's response to  
CA-NLH-001(d).