

**Belmont Municipal Light Department  
Distributed Generation Policy  
August, 2011**

**Executive Summary of the General Manager's Statement of Principles on Emission-Free  
Renewable Generation Serving Customer Load on the Department's System**

*Scope:* The General Manager of the Department, with the advice and assistance of the Board, the Belmont Municipal Light Department Advisory Board and his staff, has reviewed the effects of distributed generation facilities on the planning, operations and rates of the Department's system. The effects of distributed generation can also extend to other social, economic and energy policies within the scope of the Department's consideration. As a result, distributed generation of a variety of types and sizes was reviewed by the General Manager. Specific attention was directed to the impacts and values of renewable resources, with particular emphasis on emission-free renewable resources such as wind and solar power.

*Guiding Principles:* The controlling rule of the General Manager's review was serving the best long-run interests of the ratepayers of the Department. Applying that rule resulted in the principles adopted at this time. These principles include limitations on the allowed size of distributed generators, the types of transactions into which customers of the Department may enter and the fuels permitted to take advantage of the Department's new practices. At the same time, these principles now expand the ability of customers to enter into more transactions of their choosing when adding emission-free renewable generation equipment to serve their electric needs at their premises. Giving customers more transactional flexibility is intended to make implementation of these specific resources easier and more common. The General Manager accepts the principle that the addition of emission-free renewable sources of electricity in quantities consistent with their intermittent character is in the best long-run interest of ratepayers and the public at large. Retaining other historic limitations on the allowable forms of competition with the electric supply duties of the Department is designed to preserve the long-run stability of the rates of the Department. Rate stability and control require careful management of the loss of revenues from customer sales displaced by distributed generation and the cross-subsidization of customers who install distributed generation by customers who prefer not, or are unable, to install distributed generation at their premises.

*Expanded Transactional Flexibility:* The General Manager has now decided that in addition to the right that customers have had to own distributed generators and install them on their premises<sup>1</sup>, customers should explicitly be allowed to lease distributed generators that use solar and wind energy and, subject to conditions in our principles, to enter into retail purchase agreements, at their own risk and of their choosing, with third party owners or operators of such emission-free renewable sources of electricity installed on the customer's premises. Host customers would be responsible for the terms and conditions of any equipment purchase and

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<sup>1</sup> This right has not been recognized in the general policies or practices of the Department to include an associated right to force the Department to buy, or give credit for, any electricity generated in excess of the customer's own usage. The limited principles adopted at this time include this associated right and monetize that right to inject excess electricity into the system of the Department for two, and only two, forms of emission-free renewable sources of electricity.

installation agreement, any lease or any retail power purchase agreement into which they enter. This expansion of past practices, within the conditions adopted, can benefit the other ratepayers of the Department in the long-run.

*Unacceptable Risks to Rate Stability:* Limiting the forms and types of competition for the retail sales revenues of the customers of the Department is still viewed by the General Manager as being in the long-run best interests of all customers in rate stability and rate equity. Historic limitations are being retained on distributed generators using other fuels, on the unit sizes of the allowed distributed generators and on the type of transactions allowed. Unrestricted sizes for distributed generation, use of any fuel source and most importantly, access to the distribution system by competitive retail sellers to make potentially large retail sales in competition with the Department were each determined by the General Manager to create unacceptable risks that

- (i) the wholesale supply planning operation of the Department would be undermined and made unreasonably difficult to manage;
- (ii) the loss of the sales revenues from customers with distributed generators, which revenues presently recover necessary contributions from such host customers to the fixed and unavoidable energy, transmission and distribution costs incurred by the Department in operating its system, would unduly increase the costs required to be recovered from the other customers;
- (iii) the overall costs of customers with distributed generation would be unreasonably cross-subsidized by the customers without distributed generation; and
- (iv) the financial stability of the Department would be unreasonably threatened.

To manage the risks associated with any competition for retail revenues, emission-free renewable sources of energy are being singled out due to the offsetting benefits they represent for all ratepayers. The preference adopted here for wind and solar power is based upon the following factors, each of which was deemed by the General Manager, after review, to be an important public policy consideration:

- The adverse impacts of global warming;
- The long-term value of reducing dependence on non-renewable sources of power; and
- The security benefit to the public in reducing dependence on fossil fuels imported from unstable sources of supply.

### **General Principles regarding Distributed Generation**

**Allowed Forms of Transactions:** A customer shall be allowed to own or lease distributed generation or enter into a retail power sales agreement of the customer's choosing with a third party owner/operator of such generation as long as wind or solar energy is used and the generation is entirely located on that customer's premises and is used to serve only the customer's needs behind-the-meter of its applicable account at the premises.

**Interconnection Standards:** Interconnection of wind and solar generation to the distribution facilities will be allowed subject, in all cases, to the Department's approval, which approval shall be based on its principles respecting size of the generation, its impact on the reliability of the distribution system, its impacts on the cost to other customers, the credits to be paid to the customer and other factors deemed to be in the best interests of customers. Such interconnection is also subject to the installation at the expense of the customer of new metering at the location, which shall be a requirement after a 12-month first phase during which existing meters will be relied upon. For the second phase, the Department shall choose meters with the capability simultaneously to record or calculate power generated, power delivered by the Department, power consumed by the host customer, and power generated at the premises and injected in the system. Meters shall otherwise satisfy the Department's other metering requirements and policies at the time. No credit paid to such customer may be assigned to any other customer of the Department or to any other entity, except for collateral purposes in connection with the financing of the generation.

**Retail Access:** No use of the distribution facilities of the Department may be made in order to make retail or wholesale sales to other customers or any other entities from wind and solar generation approved for interconnection to the system under the Department's new practices. No other vendor or supplier of retail or wholesale electricity shall use the distribution facilities for any purpose except in accordance with the policies in effect at the time, if any, respecting the wholesale transmission of electricity on its system.

**Size of Emission-Free Renewable Generators:** The maximum size of the wind or solar generator for an existing customer shall be based on a percentage of the annual use of the customer in question. For a new customer, the maximum size shall be estimated by the Department in its sole discretion in accordance with the same percentage standard.

**Aggregate Additions of Emission-Free Renewable Generators to the System:** The Department announces an aggregate limitation to the amount of allowed wind or solar generation equal to 2% of the Department's highest historic energy consumption in a calendar year. At least once a year, in connection with its supply planning process, the Department will review the aggregate limit and give notice of any changes in such limit. The Department shall determine such limits based on all factors deemed by it in its sole discretion to affect the best interests of all of the customers of the system.

**Requests for Interconnection:** Requests shall be considered on a "first come, first served" basis.

**Credit for Excess Generation from Emission-Free Renewable Generation:** After a 12-month initial phase when net metering will be used with the existing metering of the Department, electricity injected during the second phase of this program into the distribution system shall result in a credit to the account of the customer where the generation is located, and only to such account, in an amount determined as follows: (i) metering installed at the customer's expense as a condition to the interconnection approval shall record the amount of the total generation at any time which is injected into the distribution system and the amount which is simultaneously

consumed by the customer;<sup>2</sup> and (ii) for each hour, the amount of the generation injected into the system shall be given a value equal to the hourly Day Ahead locational marginal price (DA-LMP) per kilowatthour applicable to the Department for wholesale power purchased from ISO-NE in the regional energy markets for the hour in which the excess power is injected into the system. For simplicity and efficiency, the Department will have the discretion to have installed meters which do not record hourly data and/or to use averages for the DA-LMP based on the Billing Period in question or based on prior calendar quarters or years.

**Curtailement of Acceptance of Excess Generation:** As a part of its interconnection standards, the Department may interrupt receipt of excess generation at any time when an emergency exists which threatens the integrity of the system or the safety of the Department's customers or the public or whenever necessary to perform needed maintenance on its system. BMLD shall have no liability for any cost, damages or other charges incurred by the host customer on account of such interruption or curtailment.

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<sup>2</sup> Such metering shall additionally record the amount of power consumed at any time by the customer.