



Pennsylvania Public Utility Commission
400 North Street
Commonwealth Keystone Building, 2nd Floor
Harrisburg, Pennsylvania 17120

February 16, 2016

PUC Docket Number: L-2014-2404361

Dear Commissioner Powelson,

This letter is in response to your statement RE: the PUC's final rulemaking order implementing the Alternative Energy Portfolio Standards Act of 2004 (AEPS Act). Respectfully, I disagree with your characterization of the events leading up to this rulemaking. It is important that the facts are captured accurately, which is the reason for my letter. In my opinion, your statement is revisionist, and would be misleading if left unchallenged.

You correctly stated that the debate over your new net metering rules has been contentious. What you left out is that the majority of your support comes from the electric utility companies; the ones you are tasked with regulating under the AEPS Act. The Act was written to protect the renewable energy industry from the predatory practices of the electric utility industry. It is not surprising that they eagerly support your rulemaking, but they are in the minority. The vast majority of stakeholders oppose your actions; a fact you neglected to mention.

The biggest issue with your rulemaking is that the premise is factually inaccurate. What you have created is a "solution in search of a problem." I am comfortable your misguided assumptions will be flushed out when the IRRC and the standing committees review your final rulemaking. You have failed to provide any evidence of any kind to support the need for new regulations. The Regulatory Review Act requires evidence.

The claim that consumers are paying retail subsidies caused by what you refer to as merchant generators is not true and is easily disproven (see below). Despite the IRRC specifically asking you to produce evidence of this claim, and despite the statutory mandate under the Regulatory Review Act to do so, you have refused to comply. Instead you have provided what amounts to a hunch, and then asked our industry to trust you. Meanwhile, the damage you are causing is real, and can be measured in the millions of dollars.

Here are some facts that were turned up after only a few days of research. This information was derived from PUC-approved tariffs and regulatory reports that have been reviewed by your staff.

- Contrary to your claim, large scale renewable energy projects (what you refer to as merchant generators) do not impact the default service rate for consumers. Cost recovery is constrained to a given rate class. Since consumers are in a completely different rate class, they are immune to costs from the systems you oppose. Net metering costs for commercial rate classes cannot be borne by consumers who are on residential rates.
- While you correctly state that net metering costs are a subsidy borne by consumers, you never bothered to quantify the amount. Based on published 1307e reports from 2015, a typical household in Pennsylvania paid approximately five cents last year in net metering expenses; pennies per consumer. How much had you anticipated that they should pay? What amount would you consider to be acceptable?

Your entire premise of consumer harm is built on a flawed foundation. And because of that, the need for the rulemaking is called into question. You imply that consumers are being unduly burdened, but the evidence says otherwise. When the PA General Assembly wrote the AEPS Act in 2004, it is doubtful that they thought it would come with no cost. But if we could have asked them back then, I think they would have agreed that pennies per year per household would be a worthwhile goal (and a resounding success, if achieved).



You highlighted in your statement that you sought considerable input for your rulemaking, but you left out the fact that this only happened after you were urged to do so by the IRRC. You initially assured them via your Regulatory Analysis Form that 10 years of implementing the AEPS Act made it unnecessary to solicit further stakeholder comment. If the IRRC had not insisted on it, there is a good chance that no stakeholder input would have been sought out at all.

And finally, you hold up the states of Nevada and Arizona (and their net metering policies) as examples that presumably Pennsylvania should follow. I wonder if you have read the news stories lately coming out of Nevada. What is happening there right now should be avoided at all cost. Surely you would agree.

After many years of investment by tens of thousands of customer-generators, the Nevada PUC did a regulatory bait and switch. They changed their net metering rules, and in the process negated the benefits that encouraged people to invest in renewables in the first place. Most Nevada customer-generators will be left with a stranded investment that will take decades to pay down. These are people who did nothing more than trust their government. As a result of the Nevada PUC's actions, a large class action suit has just been filed to recoup damages. This sort of regulatory whipsawing is precisely why we have the protections built into the Pennsylvania Regulatory Review Act.

The situation unfolding in Nevada is a cautionary tale; not something to be imitated. Yet you are presenting it as a forward-thinking game plan that our state should willingly pursue. Everyone is entitled to their opinion Commissioner Powelson. But with all due respect, I believe most people (other than your supporters in the electric utility industry) would disagree with your assessment and the course you are charting for us. Do you really want a situation like the one in Nevada to play out here in our state?

We are on the cusp of the next leg in renewable energy here in the United States. The federal government recently extended the Investment Tax Credit, which will support 5 more years of renewable energy investment. Our state is poised to capture our share of that investment. I know of \$70 million in projects that are ready to go this year. But the risk of a Nevada-style bait and switch will drive that investment elsewhere. I can't believe that is your intent.

Please give this letter some thought, Commissioner Powelson. I am able to back up my claims, and I'm happy to work with your staff to show them my research. I look forward to hearing from you, and to hopefully getting things back on track here in our state.

Regards,

David N. Hommrich
President
Sunrise Energy, LLC

CC: Pennsylvania Public Utility Commission
Senate Consumer Protection and Professional Licensure Committee
House Consumer Affairs Committee
Independent Regulatory Review Commission
Secretary Hanger
Secretary Quigley
Governor Wolf