



**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Comments of
Mesa Environmental Sciences, Inc.
A PA WBE**

**Docket No. M-00051865
Implementation of the Alternative
Energy Portfolio Standards Act of 2004**

And

**Docket No. L-00040169
Rulemaking Re Electric Distribution Companies'
Obligation to Serve Retail Customers at the Conclusion of the
Transition Period Pursuant to 66 Pa. C.S. § 2807(e)(2)**

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Mesa Environmental Sciences, Inc. respectfully offer these comments in response to the February 8, 2006 notice of the Public Utilities Commission regarding implementation issues arising from the Alternative Energy Portfolio Standards Act of 2004 (Act 213), 73 P.S. 1648.1-1648.8, Mesa appreciates the opportunity to submit these comments in response to the questions regarding cost recovery.

Mesa Environmental Sciences Inc. is a PA Woman Owned business enterprise that provides environmental and energy consulting services. Mesa provides energy efficiency auditing, solar photovoltaic (PV), solar thermal and small wind design and installation. With the advent of the Sustainable Development Fund (SDF) grant program for solar PV in the PECO service territory and the solar PV rebate program in New Jersey, Mesa has become one of PA's leading solar PV design and installation companies. We have designed over 1000kw of solar power and installed 300kw of solar photovoltaic power. Due to the two grant programs discussed above Mesa has been able to employ 16 people in PA including design engineers and solar installers. Mesa has designed and installed solar PV systems for the Borough of Media, the Townships Willistown, Trediffryn and Wrightstown, the Governor's Residence and 60 residential systems. With the Alternative Energy Portfolio Standard, we anticipate doubling our staff in the next two years. Interest in alternative energy is flooding our phones from residential, commercial and farms businesses all across the state. Helping renewable energy innovators offset the upfront capital cost to install these systems is critical to driving the market, establishing an infrastructure of qualified service providers and developing jobs in PA and meeting our AEPS.

The Alternative Energy Portfolio Standard (AEPS) with a solar share, enacted to diversify renewable energy supply, if structured effectively can capture the full value of solar power and deliver its benefits for all Pennsylvanians.

With regard to the solar share, the most effective policy should:

- Encourage a balance of residential and commercial system deployments, leveraging investment of homeowners, businesses and others.
- At least 60% of installations should be dedicated to systems <10 kw and 40% dedicated to systems >10 kw to promote the most effective balance. Participation by homeowners promotes program visibility, equity, and maximum economic development and job creation. This approach ensures broad participation and shared benefits in line with the supporting and affected rate-base.



- Encourage deployment in areas of high value, especially in areas of grid-congestion, air quality and development/growth issues to optimize the value of solar power.
- Support stable and predictable competitive market and infrastructure development to most effectively promote market sustainability, long-term investment, system cost reduction, and economic growth and jobs.

Response to Questions

Mesa Environmental Sciences, Inc. supports the comments of Citizens for Pennsylvania's Future (PennFuture) and BP Solar. Below are important points of emphasis or further clarification on questions most relevant to solar power.

1 - A. Should Act 213 cost recovery be addressed in the Default Service regulations as opposed to a separate rulemaking?

Act 213 cost recovery should be addressed in its own rulemaking and remain separate from the Default Service regulations.

1 - B. Is it necessary to consider Act 213 cost recovery regulations on a different time frame in order to encourage development of alternative energy resources during the "cost recovery period"?

Yes. Act 213 cost recovery regulations need to be addressed on a different time frame to expedite their implementation and provide utilities with a structured time frame.

2 - A. Do the prevailing market conditions require long-term contracts to initiate development of alternative energy resources?

Yes. Prevailing market conditions absolutely require long-term contracts to initiate development of alternative energy resources.

4. Given that Act 213 includes a minimum solar photovoltaic requirement as part of Tier I, should these resources be treated differently from other alternative energy resources in terms of procurement and cost recovery?

The creators of Act 213 thought advancing the solar photovoltaic market was important enough for it receive a set aside requirement under Tier I. Therefore, PennFuture believes that the terms of procurement and cost recovery for solar photovoltaics should also be distinct.



We urge the Commission to use even greater scrutiny when reviewing a force majeure claim for the solar share requirement. Some may argue that force majeure should be triggered through “rational economics” or a price trigger for the solar share. We strongly recommend that the Commission take into account both price per kilowatt hour and the number of kilowatt hours in making any decision on force majeure. For example, Act 213 requires that in the first four years the total percentage sold from solar photovoltaic technologies equal 0.0013 percent, which translates to roughly 1 megawatt per year of installed capacity. However, this 1 megawatt will be distributed across each of the Commonwealth’s utilities and will only equal approximately 150 to 200 kilowatts for each of the first four years per utility. At a cost of \$7.30 per watt, the cost of compliance should be minimal at only \$1.5 million per utility territory and should not create a basis for force majeure.

We also share concerns with the solar industry regarding the calculation of solar photovoltaic share Alternative Compliance Payments (ACP).

In calculating the ACP level for Act 213, based on a comparison to prices of solar renewable energy credits (SREC’s) in New Jersey or other PJM states, it is important to account for the fact that solar project owners in New Jersey or other states may receive both an up-front capital rebate, as well as revenue from the sale of SREC’s. In Pennsylvania, solar project owners are not in most cases expected to receive an up-front capital rebate, and therefore must finance their solar projects solely on the basis of the sale of SREC’s from the project.

This difference becomes significant because of the statutory language on how the ACP should be calculated:

- (4) The alternative compliance payment for the solar photovoltaic share shall be 200% of the average value of solar renewable energy credits sold during the reporting period within the service region of the regional transmission organization.

The AEPS rule should make clear that the “average value” used in this calculation should include not only the SREC value received by solar project owners but also the levelized value of capital rebates received by the solar project owners. For example, in New Jersey an SREC trading for 20 cents/kWh actually has an average value of two-times that amount or 40 cents/kWh because of the subsidy that was provided