

September 3, 2014

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

RE: **Opposition to Proposed Net Metering Changes**
Docket L-2014-2404361

Dear Secretary:

The PA Biomass Energy Association (PBEA) is a non-profit, industry-driven organization working to advance the use of biomass for clean heat and for combined heat & power (CHP) applications. The association is focused on the use of biomass in the residential, small business, commercial, institutional, agricultural, and industrial sectors.

Our members operate and are working to install and operate additional biogas and biomass energy projects across the Commonwealth of Pennsylvania. We have great concern over the recent Proposed Rulemaking Order proposing revisions to the Commission's Regulations implementing the Alternative Energy Portfolio Standards Act of 2004 (AEPS Act), 73 P.S. § 1648.1, et seq, published on July 5, 2014 in the Pennsylvania Bulletin.

Our understanding is that the net metering rules were established to promote the use of renewable energy in the Commonwealth under the AEPS Act by facilitating the development of local and numerous renewable power projects. In our opinion, however, the proposed modifications will undermine these objectives and slow the acceptance of these environmentally responsible technologies.

Biogas and biomass projects have numerous benefits to the Commonwealth beyond power generation. However, net metering is essential to its development. Biogas generation utilizing anaerobic digestion generates numerous benefits for 'on-farm', 'off-farm', and in waste water treatment plants (WWTP) situations. Recently the US

PABIOMASS
ENERGY ASSOCIATION

Mission

- ✓ Represent businesses, organizations, and individuals that share a common vision that *biomass is an abundant, affordable natural resource that should be used in an environmental responsible manner.*
- ✓ Promote and support the use of Pennsylvania's sustainable biomass feedstocks;
- ✓ Promote and provide guidance on clean, efficient, biomass heat and CHP technologies and installations; and
- ✓ Educate end users and policy makers on how biomass can be used to meet the heat and power needs of Pennsylvania in a cost-effective, environmentally responsible manner.

Federal Government outlined the benefits of biogas¹ and provided a roadmap for better implementation². Several of these benefits of biogas are summarized below:

- ✓ Provide high paying jobs (much needed in rural PA)
- ✓ Diversification of our Commonwealth's energy portfolio
- ✓ Generation of decentralized electricity, heat and/or "Green Gas"
- ✓ Reduces organic disposal in landfills
- ✓ Strengthen Livestock Operations (dairy, hog, and poultry) in Rural Economies
 - Increase operational efficiency by management of manure
 - Support financially sound return on investment by converting manure a waste into a beneficial products
 - Creation of dairy bedding and compostable products for on-farm and off-farm use
 - Controls strong odors that are critical for mitigation as farm size increase and development encroach on farm "buffer zones"
- ✓ Improve Chesapeake Bay Watershed Nutrient & Water Quality Management
 - Modify the form of Nitrogen and Phosphorus so it can be removed more efficiently protecting the watershed (a process supported by Chesapeake Bay Commission)
- ✓ Proven Greenhouse Gas (GHG) destruction (methane consumption by combined heat and power)
- ✓ Economic driver for solid waste and agricultural sectors as well as surrounding communities
- ✓ Improves air & water quality

There are several aspects of the proposed net metering changes that are particularly troublesome to the PBEA and its members. These concerns include, but are not limited to:

1. Utility exclusion – We are concerned that all renewable projects involving "parties in the business of providing electric services" (merchant generators) will be disqualified from the net metering program. In many cases, power consumers do not have sufficient access to the capital required for these energy projects. And their ability to benefit from the significant tax subsidies associated with renewable investment may be limited. Additionally, realizing the value of any environmental attributes (RECs or other credits) can also be difficult for entities that do not normally participate in these markets. Renewable facilities built, owned, and operated by experienced merchant generators, on the other hand, provide valuable services to the energy consumer. By selling

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<http://www.usda.gov/wps/portal/usda/usdamediafb?contentid=2014/08/0166.xml&printable=true&contentidonly=true>

² http://www.usda.gov/oce/reports/energy/Biogas_Opportunities_Roadmap_8-1-14.pdf

renewable energy under a power purchase agreement, merchant generators secure the necessary financing, reduce the retail customer's exposure to operating and resource risks, and monetize the environmental benefits more efficiently. Recognizing these services, it would be a serious mistake to disqualify a project simply for merchant generator participation.

2. 110% limitation proposed change §75.13(a)(3) – While the capital cost of renewable projects is limited declined significantly in recent years, these technologies remain expensive. Given today's market prices for electricity and renewable attributes, a distributed generation project may not be financeable, if its capacity is limited to the load of the retail customer. Additional and higher priced energy sales (provided under a net metering program) may be necessary to justify the renewable facility capital investment.
3. Emergency Resource Requirements – “Large” renewable projects (3 MW – 5 MW) can qualify for net metering for baseload power or peak power. It may also qualify if PJM can call upon these resources during grid emergencies. By their very nature the intermittent renewable technologies, such as solar and wind, are not suitable for addressing baseload power or grid emergencies. And, generally, the other renewable technologies are operating 24/7 at their maximum capacities. To the extent these projects are producing in excess of their host requirements, energy is already being provided to the grid. Emergency grid supply is only possible to the extent the host can turn back its own loads. So this requirement is, effectively, a limitation on renewable project capacity and not a realistic route to larger (3MW-5MW) projects.
4. We oppose the changes in §75.13(k) that would give the Commission authority to allow utilities to charge a new special monthly fee to customers with solar. We believe this new fee would violate the AEPS guarantee that net metered customers receive the full retail rate for all generation of their solar installation up to their annual usage. A fee would erode that right to receive credit at the full retail rate. Moreover, the proposed change fails to provide any basis for determining this fee. If there is to be a fee, it should be based on a full cost of service study that evaluates both the costs and the benefits of each.
5. We believe the proposed new definition for “utility” §75.1 is overly broad and threatens the third-party ownership model for solar and other distributed generation which the Commission has approved in prior dockets. While the discussion section of the Proposed Rulemaking Order (page 7) indicate the new definition of “utility” is designed to allow non-electric utilities such as water and wastewater utilities to qualify as a customer-generator, the “utility” definition could be interpreted to apply to solar and other alternative energy developers who build and own systems and sell the output to the host customer through a long-term power purchase agreement. We urge the Commission to amend the definition of “utility” so the ability to use a third-party ownership business model is preserved.

6. We oppose the proposed change in §75.12 to the definition of “virtual meter aggregation” that adds a requirement that all service locations must have separate existing measurable load. It should be sufficient that the customer-generator have measurable electric load, not that each meter of the customer-generator have measurable load. This proposed change would prevent appropriate siting for virtual net metered systems as it requires systems to be installed in proximity to customer-generator’s existing meters that have a measurable load. This violates the AEPS legislation’s intent to promote new clean distributed generation.

Each of these proposed modifications creates a new hurdle for project development and limits the potential for additional renewable resources for Pennsylvania.

Significant investment decisions, benefiting both the environment and the local economy, have been and are in the process of implementation, relying on the original understanding of the statute. Changing the rules is unfair to net metering participants and threatens the viability of their businesses. In addition, it undermines public trust in the Commonwealth and the Commission. Pennsylvania will have difficulty attracting investment, if its announced long term policies are subject to revision.

Both 'on-farm' and off-farm anaerobic digester systems need to sell kilowatt hours (kWhs) well in excess of site load requirements in order to payback the capital investment on these projects. Limitations on size (megawatts) and a proportion to power consumption will deter private investment. In short, if this proposed rule is enacted these high quality projects will be shut down. The Commonwealth cannot afford to make these proposed changes.

However, if the PUC proceeds changes we request that each of the renewables be dealt with independently. It is evident that the numerous benefits of biogas and biomass exceed those of other renewables and the proposed rules are unfair and unjust.

A timely response to the concerns noted above would be appreciated.

Sincerely,



Bruce Lisle
Chairman of the Board
PA Biomass Energy Association

cc:

George D. Greig, Secretary, Pennsylvania Department of Agriculture
2301 North Cameron Street, Harrisburg, PA 17110-9408

E. Christopher Abruzzo, Secretary, Pennsylvania DEP
Rachel Carson State Office Building, 400 Market Street, Harrisburg, PA 17101

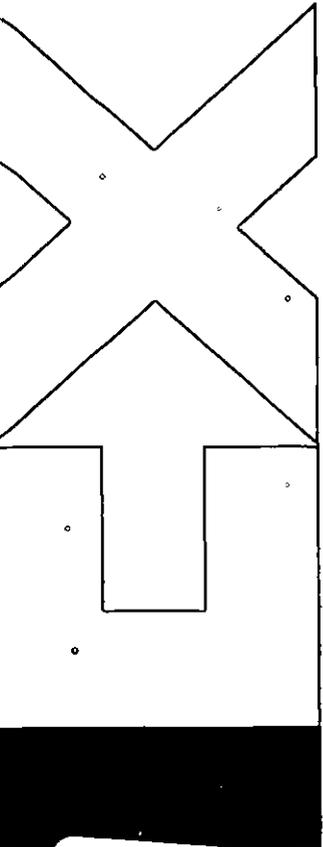
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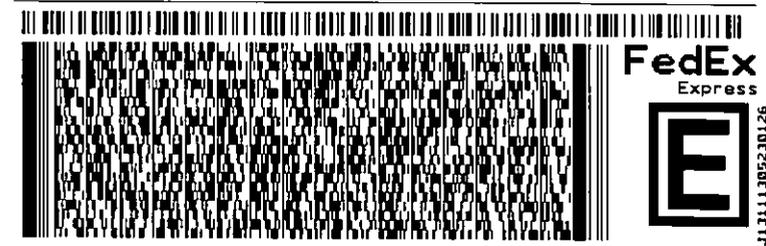
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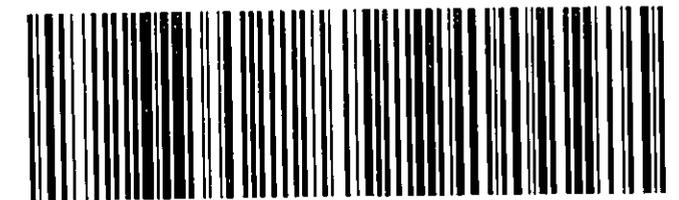


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