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**Before the Public Utilities Commission of the State of
Pennsylvania**

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**Proposed Rulemaking Re Net Metering for Customer-Generators pursuant
to Section 5 of the Alternative Energy Portfolio Standards Act,
73 P. S. § 1648.5; L-00050174**

INDEPENDENT REGULATORY
COMMISSION

**Implementation of the Alternative Energy Portfolio Standards Act of 2004:
Net Metering; M-00051865**

RCM Biothane's Comments on Proposed Rulemaking

RCM Biothane (formerly RCM Digesters) wishes to comment on the Pennsylvania Public Utility Commission (the Commission) Proposed Rulemaking for Net Metering published in the Pennsylvania Bulletin on February 3, 2006; specifically the treatment of Stranded Costs.

Imposition of Stranded Cost recovery charges on agricultural customer-generators will adversely impact the economics of on-site generation of renewable energy; imposition of Stranded Cost recovery charges will prevent many otherwise feasible small anaerobic digestion projects from being built. These projects typically generate less than 1 megawatt (MW) of renewable energy for on-site consumption and will not create costs that the Investor Owned Utilities (IOUs) will need to transfer to the rate payers.

RCM Biothane designs anaerobic digesters for hog and dairy farms that capture the methane and send it to an engine-generator set, effectively reducing GHG emissions by 24x while producing on-site power for farm use. Digester projects that are eligible for net-metering under the Commission's proposed rule offer many public benefits, which include but are not limited to, distributed generation, greenhouse gas (GHG) emission reductions, pollution prevention, alleviation of reliance on fossil fuels, and odor reduction. Energy projects that include these sorts of public benefits should not be saddled with costs that only serve to benefit the shareholders of the IOUs.

Anaerobic digesters are capital intensive projects and farmers often depend on power sales as a source of revenue to compensate for the capital investment. Thus, Stranded Costs should not be incorporated into the net-metering legislation in Pennsylvania because it will cause a hardship on Pennsylvania's dairymen, who are trying to be environmental stewards. Stranded Cost will make otherwise economically feasible environmentally beneficial projects infeasible, and are a detriment to Pennsylvania's citizenry.

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Anaerobic digestion of agricultural waste and manure is crucial to agricultural business retention at the urban rural interface because digestion produces the desirable public benefits of pollution and odor control as well as distributed power production. These benefits enjoy strong public support. The Gypsy Hill digester in Willow Street, PA is a 20 year old demonstration of the public benefit of manure digesters. Gypsy Hill has a Pioneer rate for its electricity sales without the Stranded Cost charge. The farm would not be there today if they did not have a digester, and they would not have a digester if they had to pay Stranded Cost recovery charges to the utility.

The States of California, New York and Vermont do not have Stranded Costs, Stand-by Charges or Departing Load fees incorporated into their Net-metering Rules and the IOUs in those states have not had to increase their rates due to entry into Net-metering. Neither will Pennsylvania's Net-metering Rule cause a cost to Pennsylvania's IOUs that would need to be shifted to the ratepayers. It is appropriate to recognize that agricultural anaerobic digesters, which typically generate far less than 1 MW, are a public benefit. The Commission should exempt less than 1 MW agricultural digester energy projects from Stranded Cost charges, as other states have.



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