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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Comments Of
Citizens for Pennsylvania's Future
(PennFuture)**

Regarding

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

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**Submitted by:
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President and CEO
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April 4, 2006**

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PennFuture is a statewide public interest membership organization working to enhance Pennsylvania's environment and economy, with offices in Harrisburg, West Chester, Philadelphia and Pittsburgh. We appreciate the opportunity to provide comments on the Commission's Proposed Rulemaking Order on net metering as published in the Pennsylvania Bulletin on Saturday, February 4, 2006.

PennFuture worked for 3 years to pass a state law that set portfolio standards for renewable and alternative electricity generation technologies. We provided testimony to the Pennsylvania Senate and House of Representatives as they drafted legislation. We have had numerous conversations about this topic with the Governor and his representatives as well as many Republican and Democrat members of the General Assembly. PennFuture enjoyed a close working relationship with key members of the General Assembly such as Senator Erickson, Representative Adolph, Representative Ross, and Representative Veon, as they played decisive roles in writing and passing Act 213.

PennFuture has been hard at work with both customer-generators and the renewable energy industry to fully develop the net metering benefits enabled by Act 213. Dr. Thomas Tuffey, Director of our Center for Energy, Enterprise and the Environment is a member of the Governor's Agriculture Renewable Energy Council and Chairman of the Development and Finance Committee of the Council. Through the Council we have had numerous exchanges with the farm community and the obstacles they are currently encountering with their attempts to net meter manure biodigester generation projects.

PennFuture, with grants supplied by the Pennsylvania Department of Environmental Protection (DEP), is also working on distributed generation net metered projects for community scale wind energy in Hazelton and solar energy for the Turkey Hill processing center in Lancaster. Our comments are informed by hands-on project experience.

As a result of our work in policy, regulation and markets, PennFuture understands what policy makers intended Act 213 to accomplish and how viable net metering regulations will help to fulfill the goals of the Act.

Introduction:

We would like to commend the Commission for drafting net metering regulations that will help to promote the development of alternative energy resources in accordance with Act 213.

The Commission's proposed rulemaking will allow customer-generators to receive significant credit for the power they produce, thereby encouraging more customer-generators to install renewable energy technology like wind and solar that will help to meet the requirements of Act 213.

Encouraging customer-generators to invest in alternative energy systems through net metering will help realize the benefits of Act 213 which include: increased jobs and economic development, increased investment for alternative energy technologies, environmental

improvements, a reduction in pollution that causes sickness and death in Pennsylvania citizens, diversification of the fuels used to make electricity in Pennsylvania, and increased distributed generation which can help reduce or avoid transmission and distribution bottlenecks, increase reliability of the electric system and/or delay or avoid required transmission and distribution investments.

§ 75.14. Meters and Metering:

While the Commission has improved upon existing regulations, the way in which the proposed regulations address the use of multiple meters and multiple rate classes will not work.

The proposed regulations currently deal with the issue of multiple meters through physical and virtual "meter aggregation". This was defined in the proposed rulemaking order as:

"the combination of readings and billing for all meters in a particular rate class on contiguous and adjacent properties owned and operated by a customer-generator"

Although this proposed definition will prohibit many net metering projects, it is particularly apparent for farmers. This definition will negate the benefits of Act 213 for Pennsylvania farmers. Farmers have a wide variety of structures on their lands: barns, buildings, shops and residences. These structures have their own meters, some with residential rate schedules and others with commercial schedules. In addition, a livestock or dairy farmer will have a primary facility at which the manure digester generator will be located, plus nearby farm parcels that support the primary operation but are not located on contiguous or adjacent parcels. It is also not unusual for a farmer to lease these parcels instead of having full ownership.

With PennFuture participating, the Pennsylvania Department of Agriculture recently confirmed this point by conducting a survey of 26 farms in the state that have either a manure digester operating, under construction, or in the planning stages. Of the 21 farm operations that responded, the Department discovered the average farm to contain seven meters and three separate rate classes. In addition nineteen of the 21 farm operations have multiple farms that are not contiguous.

There are many related applications besides farming where net metering will encompass multiple rate classes. These could include instances in which a fuel cell is providing critical power to a community cluster including traffic signals, hospitals, police stations and other critical core facilities. Another example is an abandoned waste coal site that may be reclaimed for a mixed-use land development project to benefit a local community. A community scale wind or other renewable distributed generation project could power critical community infrastructure. As in the case of farm land, these development projects frequently have structures of differing rate classes and in non-contiguous locations and would not be able to participate in virtual or physical meter aggregation under the current definition. The ability to net meter the entire project may be the difference between recovering the site to benefit the local economy and environment and leaving the land as abandoned.

For all of these reasons we strongly encourage the Commission to change the definition of: 1) Meter aggregation; 2) Physical meter aggregation; and 3) Virtual meter aggregation so each definition reads “*regardless of rate class on properties owned and/or leased and operated by...*” so that all buildings and demand load are included and the full economic benefits are applied.

Language also must be changed in §75.14(e) from “Meter aggregation within a particular rate class on continuous and adjacent properties owned and operated by” to “*Meter aggregation regardless of rate class on properties owned and/or leased and operated by...*”. We understand that removing the terms “contiguous” and “adjacent” could lead to a broad interpretation of geographic scope. We therefore recommend that the Commission limit meter aggregation to customer-generator’s owned and/or leased parcels within 2 miles of their property lines. This will allow for farmers and others with nearby parcels to participate in virtual net metering without opening the door for unreasonable requests.

To address concerns raised by the Office of Small Business Advocate (OSBA) in response to the August 3, 2005 Net Metering Regulation Draft Proposal, the issue of multiple rate classes can be addressed by first applying onsite generation to the meter through which the system feeds. Then all excess should be applied equally to other meters in the farm operation, allowing each meter to maintain its current rate class.

Changing the definitions to allow for net metering as envisioned by Act 213 should not place a significant burden on any other rate classes. Using the agricultural sector as an example, if all manure from the 600,000 producing dairy cows in Pennsylvania were converted to energy it would create 200 megawatts in the state.¹ But that won’t happen!

Instead, a study completed by Dr. James Cobb, Professor Emeritus, Pittsburg University, in 2005, for the Pennsylvania Biomass Working Group, titled *Anaerobic Digesters on Dairy Farms*, indicates a potential of 50-60 biodigesters being developed on Pennsylvania dairy farms in the foreseeable future with the potential of less than 10 megawatts of total production. The EDC or EGS would recover the lost net metering costs from other ratepayers with insignificant impact on those other classes of ratepayers.

The benefits of allowing such projects to participate in net metering clearly outweigh any costs. Increasing the incentive for farmers to install biodigesters will reduce water and air environmental impacts from improved manure management associated with those systems, provide economic benefits by reducing energy costs and help build resources to comply with the requirements of Act 213.

§75.13. Net metering general provisions:

Section (a)

The Commission states in this section that net metering will be available on a first-come first-serve basis. We interpret this to imply that a cumulative net metering capacity “cap” may be

¹ Cobb, James T. Jr., and Ronald D. Neufeld. “Pennsylvania Biomass Working Group: Anaerobic Digesters on Dairy Farms” University of Pittsburgh School of Engineering. July 19, 2005.

established in the future. We share the concern of those in the solar industry that larger Tier II resources may take up the allotted net metering capacity under the "cap" and not leave room for clean Tier I resources to participate in net metering.

If Tier I resources like solar, wind and biodigesters are not allowed to net meter, this will become a barrier to achieving the Tier I and solar share compliance requirements of Act 213. We therefore strongly encourage the Commission to take steps to ensure that net metering capacity is available for clean distributed Tier I resources as required under Act 213.

Section (i)

We agree with the Commission that alternative energy credits should remain with the customer-generator and not the utility. We recommend, however, that the Commission make one additional clarification in this matter.

The owner of the customer-generator facility may not necessarily be the user, operator or land lord of that system, as is the case for a renter of a property that has a solar photovoltaic system installed. We ask the Commission to therefore clarify that it is the owner of the customer-generator facility, who invested in the technology, who should be the default owner of the alternative energy credits produced, unless the owner enters into a contract to do otherwise.

Other Issues

Section D. "Net metering general provisions" of the proposed rulemaking's Discussion Section indicates that EDCs shall not discriminate against net metering customers. We believe a continuing process needs to be implemented to monitor, make determinations and provide rules on this issue.

For example, our staff has been involved in farm digester net metered projects for over 3 years. Many discriminatory rules have been applied to these projects and addressed in this rule making. Yet, we continue to encounter new, unforeseen utility policies that function to discriminate against such projects.

In the third week of March 2006, two DEP funded advanced farm digester projects were told they must complete gas quality studies before interconnection, at a cost of \$25,000 a piece. Although such studies are typical for landfill gas projects in the tens-of-megawatts range before a power purchase agreement is signed, they relate to production reliability, not safety or meter connection, and seem to have no functional applicability to a 150 KW customer-generator net metered farm project. This new requirement functions to unreasonably discriminate against the customer-generator. The Commission needs to implement a continuing process that does not allow for the discrimination of net metering customers.