

3061

RECEIVED
IRRC

JUN 22 2016 PM 3:43



INTERNATIONAL, LLC
PO Box 4716 Berkeley, CA 94704
510-834-4568

June 22, 2016

Independent Regulatory Review Commission
333 Market Street, 14th Floor
Harrisburg, PA 17101

RE: IRRC #3061
PUC Docket #L-2014-2404361

Chairman Bedwick:

RCM has worked with Pennsylvania farms to install on-farm anaerobic digester systems. The farm digesters reduce pollution of the Chesapeake Bay, prevent methane emissions in to the atmosphere and produce renewable electricity. The electricity production is continuous and reliable. The sale of electricity is key to retaining environmental and economic benefits to the Pennsylvania rural economy. We are concerned that the new language in the PUC's amended final rulemaking order (# 57-304 (IRRC # 3061) "Implementation of the Alternative Energy Portfolio Standards Act of 2004") will damage the future of new on-farm manure management strategies.

Our concerns are as follows:

- 1) Definition of a Utility (Section 75.1 Definitions)
- 2) Definition of Biomass (Section 75.1 Definitions)
- 3) Requirements for "independent load" (Section 75.13 General provisions)
- 4) Definition of "merchant scale" or "merchant generator" (not in regulation)

Definition of a Utility (Section 75.1 Definitions)

We question if "any entity or person that generates electricity" can be used to disqualify entities from the benefits of net-metering? We propose the change of definition of Utility to specifically include customer generators.

We suggest including the following wording: **THIS TERM EXCLUDES CUSTOMER-GENERATORS GENERATING LESS THAN 3 MW** so that the definition of "utility" will read as follows,

Utility—A person or entity that provides electric generation, transmission or distribution services, at wholesale or retail, to other persons or entities. **THIS TERM EXCLUDES CUSTOMER-GENERATORS GENERATING LESS THAN 3 MW AND BUILDING OR FACILITY OWNERS OR OPERATORS THAT MANAGE THE INTERNAL DISTRIBUTION**



INTERNATIONAL, LLC
PO Box 4716 Berkeley, CA 94704
510-834-4568

SYSTEM SERVING SUCH BUILDING OR FACILITY AND THAT SUPPLY ELECTRIC POWER AND OTHER RELATED POWER SERVICES TO OCCUPANTS OF THE BUILDING OR FACILITY.

Definition of Biomass (Section 75.1 Definitions)

Most of New England is diverting organic waste from landfills. Pennsylvania favors this approach for protecting the Chesapeake Bay. RCM has a number of projects operating and others in the planning stages that will utilize all food-waste or Spent Mushroom Substrate for the production of electricity. We believe the definition of “biomass” could restrict the ability of these renewable energy systems to participate in net-metering.

We suggest modifying the definition of (vii) Biomass energy as follows: **(D) Generation of electricity utilizing by-products from farms such as animal manure, high strength organic material like pre-consumer excess or post-consumer food waste, and spent mushroom substrate.**

Requirements for “independent load” (Section 75.13 General provisions)

Excluding projects without independent loads from net-metering will significantly impact the flourishing of renewable energy projects under jurisdiction of the PUC.

Farms usually have an existing load independent of the digester energy production. However, a new community facility that takes manure from multiple smaller farms to a central site would be excluded from net-metering even though the contributing farms have existing loads.

The mushroom industry uses massive amounts of electricity and there are Pennsylvania customers interested in building food waste digesters or systems for Spent Mushroom Substrate as an environmental improvement project making renewable electricity. These developers plan Greenfield land for their projects. Once implemented, many of these projects will have very little or no load independent of the digester system. Are these projects restricted from participation in net-metering?

The PUC has pointed out on pg 39 (second paragraph) of the Amended Final Rulemaking Order that such customers “...could sell the power from the facility at an avoided cost of wholesale power...” This answer is unsatisfactory. Avoided cost of wholesale power is not sufficient to cover maintenance costs for any new investments in electricity production. Avoided cost of electricity as of the date of this letter is \$14-26/MWh¹. At this price, renewable energy projects limited to selling kWhs at “avoided cost of wholesale” will not cover maintenance costs, operator salaries or the initial capital investment.

¹ <http://www.pjm.com/about-pjm/learning-center/price-ticker.aspx>



INTERNATIONAL, LLC

PO Box 4716 Berkeley, CA 94704

510-834-4568

Request: Eliminate the “independent load” requirement.

If this requirement is upheld by the PUC and IRRC, RCM requests the PUC be ordered to develop a standardized Power Purchase Agreement (PPA) for these Alternative Energy Generators who would otherwise meet all requirements for net-metering save for having an “independent load.” For generators that qualify, the PPA price for electricity should be valued the same as net-metered electricity. Otherwise, the existing alternative to sell renewable kWhs at avoided cost of whole sale power will not stimulate the growth of renewable energy in the state.

Definition of “merchant scale” “merchant generator” (not in regulation)

The PUC placed the 3-5 MW size limit in the ruling. Therefore, using that size as a deal breaker is disingenuous. The PUC loosely uses the term “merchant scale” (pg 35 paragraph 1) as all-encompassing and synonymous with “customer generators.” RCM suggests that lacking a definition in the rulemaking, a “customer-generator...not larger than 3000 kW” is not a “merchant scale” system.

Conventionally, merchant generation and storage plants have been large scale – usually dozens or hundreds of MegaWatts (MW).

Rather than sacrificing farm and environmental benefits, the PUC can adopt a rule with a provision for PUC review of any digester system greater than 2 MW.

The largest operating Ag Digester in PA produces 450 kW and the largest food substrate digester in 750 kW; the largest reasonable farm digester being 1-2 MW.

We assert that any system of 3-5 MW or less is not classified as merchant scale and should not be referred to as such.

Net-Metering Subsidies is a non-issue for pollution controlling digester

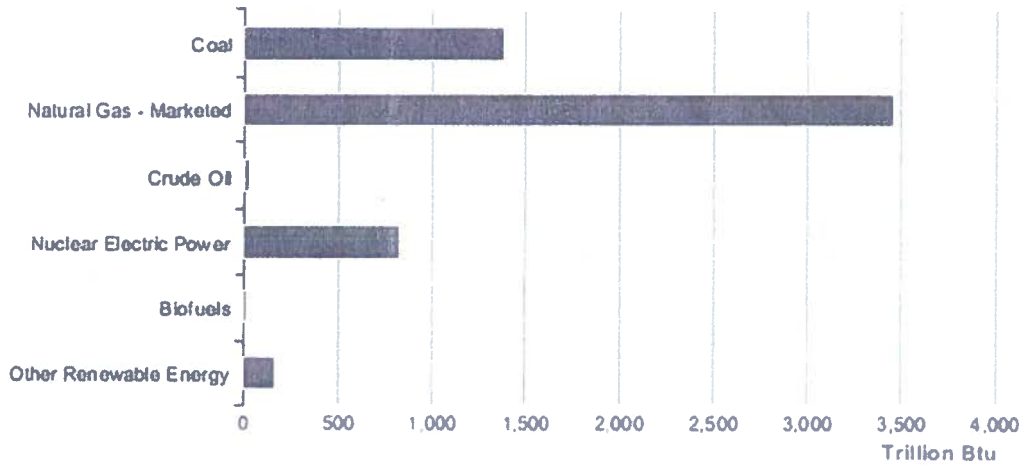
The PUC states that it is necessary to “avoid having default service customers pay substantial net metering subsidies to merchant scale alternative energy systems”

Given the extremely low percentage of renewable energy existing in PA shown in the following figure, the PUC’s concern for excess subsidies for renewables seems misguided.



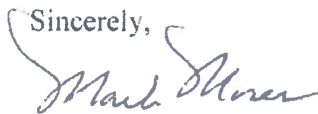
INTERNATIONAL, LLC
PO Box 4716 Berkeley, CA 94704
510-834-4568

Pennsylvania Energy Production Estimates, 2013



 Source: Energy Information Administration, State Energy Data System

RCM asks that the IRRC to promote the public interest by promoting renewable energy through effective and generous net-metering and PPA regulations.

Sincerely,


Mark Moser, President
mmoser@rcmdigesters.com
510-834-4568