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INDEPENDENT REGULATORY
REVIEW COMMISSION

July 21, 2014

Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265
Attention: Secretary

RE: Docket L-2014-2404361
Proposed Net Metering Changes

Dear Commissioners:

As a participant in the Commonwealth's net metering program through our 3,200 kilowatt landfill gas project, we read with concern the recent proposed net metering changes 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 Alternative Energy Portfolio Standards (AEPS) Act which "was designed to foster economic development, encourage reliance on more diverse and environmentally friendly sources of energy". In our opinion, however, the proposed changes to the current rules will undermine these objectives and slow the acceptance of these environmentally responsible technologies.

Aspects of the proposed net metering changes are particularly troublesome to organizations, like ours, that are involved in renewable energy projects:

- Utility exclusion – We are concerned that all renewable projects involving "parties in the business of providing electric services" will be disqualified from the net metering program.

  In many cases, power consumers do not have sufficient access to the capital required or the ability to use tax subsidies for renewable energy projects. 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 generation companies provide valuable services to the energy consumer. By selling renewable energy under a power purchase agreement, third party 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 third party participation by a company that provides electric services.

- 110% limitation – While the capital cost of renewable projects, particularly solar, has declined significantly in recent years, these technologies remain higher cost. 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 retail priced energy sales may be necessary to justify the renewable facility capital investment.

- Emergency Resource Requirements – "Large" renewable projects (3 MW – 5 MW) can qualify for net metering 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 grid emergencies.. And, generally, other renewable technologies (biomass, biogas) 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. So this requirement to limit generation to PJM called emergencies is, effectively, a limitation on renewable project capacity to less than 3MW and not a realistic route to larger (3MW-5MW) projects.

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

If, however, the Commission does not concur with the arguments provided above, then, at minimum, if should provide "grandfathering" for power projects that were developed under the current interpretation of the net metering rules.

Significant investment decisions, benefiting both the environment and the local economy, were made, relying on this understanding. Changing the rules after the fact is unfair to current 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 regular revision.

A timely response to the concerns noted above (no rule changes and grandfathering) to my attention would be appreciated.

Sincerely,

James D. Warner
CEO