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SolareAmerica
Your Solar Solutions Company

July 16, 2014

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PA.P.U.C.
SECRETARY'S BUREAU

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

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INDEPENDENT REGULATORY REVIEW COMMISSION

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

Dear Commissioners:

As a participant in the Commonwealth's net metering program, 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 AEPS by facilitating the development of local renewable power projects. In our opinion, however, the proposed modifications will undermine these objectives and slow the acceptance of these environmentally responsible technologies.

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

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

2. (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 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.
3. 110% limitation – While the capital cost of renewable projects, particularly solar, has 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.
4. 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, 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.

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 an exception for power projects that were developed under the original interpretation of the net metering rules. Loss of net metering qualification will have a significant and immediate impact on a customer-generator's economics. The local utility will no longer "bank" any monthly excess energy provided by the customer. All energy obtained from the utility will be charged to the customer at the applicable retail price. And, at year end, the customer-generator will receive no compensation for the cumulative excess energy generated. To receive any revenue for its contribution to the grid supply, a customer-generator will need to apply to the PJM interconnection queue, pay for an engineering study on its facility ($50K-$150K), and wait 6 to 12+ months for PJM approval.

Significant investment decisions, benefiting both the environment and the local economy, were made, relying on the original understanding of the statute. 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.

We hope the PUC will protect the public interest from the corrupting powers of the Utility industry and their fossil fuel cronies who want nothing more than to destroy Solar Energy in the common wealth.

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

Sincerely,

John Scorsone
President