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INDEPENDENT REGULATORY
REVIEW COMMISSION

September 2, 2014

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

RE: **Opposition to Proposed Net Metering Changes**
Docket L-2014-2404361

Dear Commissioners:

Our firm is involved in numerous projects where investors & developers are spending private capital to install and operate anaerobic digestion, biomass, waste to energy, landfill gas to energy, wind, and solar projects in the Commonwealth of Pennsylvania. We have great concern over the recent Proposed Rulemaking Order proposing revisions to the Commission's Regulations implementing the Alternative Energy Portfolio Standards Act of 2004 (AEPS Act), 73 P.S. § 1648.1, et seq, 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 Act by facilitating the development of local and numerous renewable power projects. In our opinion, however, the proposed modifications will undermine these objectives and slow the acceptance of these environmentally responsible technologies.

Biogas and Biomass have numerous benefits that the Commonwealth benefits beyond Net Metering. Specifically, anaerobic digestion generates numerous benefits:

- ✓ Provide high paying jobs (much needed in rural PA)
- ✓ Diversification of our energy portfolio
- ✓ Generation of decentralized electricity, heat and/or "Green Gas"
- ✓ Reduces organic disposal in landfills
- ✓ Strengthen Dairy Operations in Rural Economies
    - Increase operational efficiency
    - Support financially sound return on investment
    - Creation of Bedding & Compostable products for on-farm and off-farm use
    - Controls strong odors for encroaching development

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- ✓ Improve Chesapeake Bay Watershed Nutrient & Water Quality Management
    - Modify the form of Nitrogen and Phosphorus so it can be removed more efficiently (supported by Chesapeake Bay Commission)
- ✓ Proven Greenhouse Gas (GHG) reduction (methane destruction)
- ✓ Economic Driver for Community
- ✓ Improves Air & Water quality

Several 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 (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.
2. 110% limitation – While the capital cost of renewable projects is limited 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.
3. 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.

Significant investment decisions, benefiting both the environment and the local economy, were and are being made, relying on the original understanding of the statute. Changing the rules is unfair to 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 revision.

Both 'on-farm' and off-farm anaerobic digester systems need to sell kilowatt hours (kWhs) well in excess of site load requirements in order to payback the capital investment on these projects. Limitations on size (megawatts) and a proportion to power consumption will deter private investment. In short, if this proposed role is enacted these high quality projects will be shut down. The Commonwealth cannot afford that.

Please contact me directly at Keith.Henn@tetratech.com or (412) 921-8398 if you have any questions on this letter.

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

Sincerely,

Keith W. Henn, PG
Vice President, Tetra Tech Bioenergy

c:

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