

3061

HARD EARNED ACRES INC
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Independent Regulatory Review Commission
333 Market Street, 14th Floor
Harrisburg, PA 17101

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

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IRRC

Chairman Bedwick:

Our farm has had an anaerobic digester since 2013. 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 a key component to the success of our digester investment.

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)

Will the revised wording for the definition of "Utility" be used to disqualify our farm from the benefits of net-metering? We, along with the PDMP and others, propose the change of definition of 'Utility' to specifically include customer generators such as our farm.

The PUC could revise the definition of "utility" to 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 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. We believe the definition of “biomass” could be used to restrict the ability of these renewable energy systems utilizing non-defined wastes to participate in net-metering.

We suggest modifying the definition of (vii) Biomass energy to include:

(D) Generation of electricity utilizing by-products from farms and including dairy manure, hog manure, poultry litter, spent mushroom substrate and off farm waste such as pre-consumer and post-consumer food waste.

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 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 \$0.014-0.026/kWh¹. 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.

We request that the PUC Eliminate the “independent load” requirement for net-metering.

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

The PUC loosely uses the term “merchant scale” (pg 35 paragraph 1) as all-encompassing and negatively synonymous with “customer generators.” The limitations placed on size in the PUC rule making eliminates every possibility of any such “merchant scale” generator from participating in net-metering.

The PUC placed the 3-5 MW size limit in the ruling. They then describe this size as “merchant scale” in a negative context. Any system of 3-5 MW or less is not merchant scale and should not be referred to as such.

Conventionally, merchant generation and storage plants have been large scale – usually dozens or hundreds of MegaWatts (MW). The PUC has limited eligible project size to 3-5 MW which is hardly merchant scale.

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

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

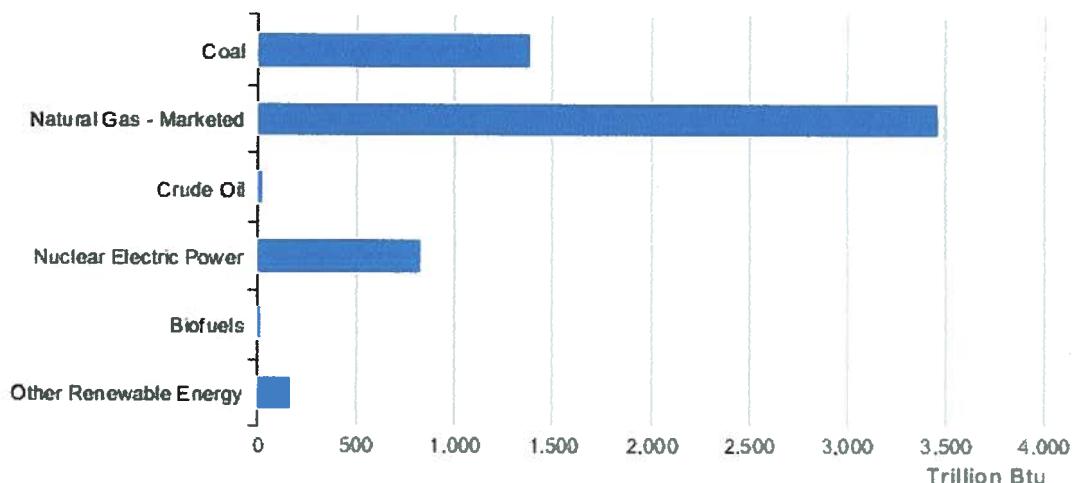
Rather than sacrificing farm and environmental benefits, the PUC can adopt a rule with a provision for PUC review of any farm digester system greater than 2 MW.

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.

Pennsylvania Energy Production Estimates, 2013



Source: Energy Information Administration, State Energy Data System

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

Sincerely,

*Robert O'Day
Barbara J. Keefer*