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**BEFORE THE PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

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INDEPENDENT REGULATORY
REVIEW COMMISSION

**Comments of
Representative Gibson C. Armstrong**

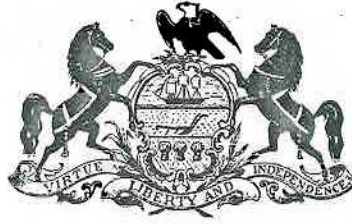
**Regarding
Docket No. L-00050174/M-00051865
Proposed Rulemaking Re Net Metering for Customer-generators
pursuant to Section 5 of the Alternative Energy Portfolio Standards
Act, 73 P.S. 1648.5.**

GIBSON C. ARMSTRONG, MEMBER
100TH LEGISLATIVE DISTRICT

ROOM 147A EAST WING
HOUSE BOX 202020
HARRISBURG, PENNSYLVANIA 17120-2020
PHONE: (717) 783-6424
FAX: (717) 705-1947

209D EAST STATE STREET
QUARRYVILLE, PENNSYLVANIA 17566
TELEPHONE: (717) 786-4551
FAX: (717) 786-3645

www.repgibarmstrong.com



House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

March 6, 2006

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I am a State Representative from Lancaster County. I serve on the Environmental Resources and Energy Committee and the Governor's Agriculture Energy Commission (check the official name). In addition, I chair the bi-partisan Alternative Energy Caucus and serve as Secretary of the Pennsylvania Energy Development Authority. Since I represent one of the most productive agricultural regions of the state, I have a keen interest in seeing net metering rules that encourage profitable distributed generation that benefits agriculture, among other industries. I generally support Penn Future's draft language.

The current regulations favor the electric company monopolies, not a free market driven by a maximum number of participants and choices. We need to move away from the former and toward the latter. Existing rules discourage traditional customers from generating power. For example, I understand that present regulations require a farmer producing power from a manure digester to pay fees like stand-by charges, stranded costs, wires charges, interconnection fees, manual billing costs, etc. when he sells it back to the grid. All these added costs mean he can only reduce his bill by about 35 percent, even if he is a net *producer* of electricity. It is time to move away from the highly-regulated environment of the past that favors monopolies and embrace a future with a maximum number of producers and options.

The PUC should adopt net metering rules that strongly encourage distributed generation to flourish because:

1. Maximizing distributed generation will encourage competition, a more redundant and resilient grid, more consumer choices, a greater supply of electricity, and relatively lower prices for consumers—it will unleash the power of the free market in an industry that has only ever known monopoly.
2. It will significantly increase the amount of environmentally-friendly energy Pennsylvania produces.
3. Such rules are needed to comply with the new Alternative Energy Portfolio System (AEPS) law.
4. The regional market (especially New Jersey) is moving in this direction. Pennsylvania is already a net exporter of energy, and can exploit this and other advantages to become a regional, and even a national, leader in energy development. Adopting net metering rules that promote distributed generation is a critical next step.



The Commissioners should not arbitrarily cap the amount of power one can generate (proposed at 40kW and 200kW for agriculture). Atlantic City, NJ is building wind turbines under their new net metering rules to power a sewage treatment plant. Building this facility in Pennsylvania will be impossible under the arbitrary caps proposed. If we want to harness the power of the free market via net metering, rules must be free of arbitrary caps—let the market decide. Imposing an arbitrary ceiling will further prevent things like large, industrial fuel cell and solar projects and non-agriculture biomass from ever getting past the thinking stages. The only winners will be legacy electron producers; the losers will be the other 12 million Pennsylvanians.

Renewable Energy Credits should belong to the power generator, not the utility company. Any other arrangement will significantly undermine net metering. Excess production should be accounted for monthly. Farms and other facilities with multiple meters should be calculated as an aggregate.

New Jersey already has net metering rules that promote advanced, clean, distributed generation. Generation companies like First Energy and Exelon, which sell power in both states, are now or soon will operate under these advanced rules. Therefore, the PUC should use PJM's existing Mid-Atlantic Distributed Resources Initiative Working Group (MADRI) interconnection recommendations as a foundation to ensure that "plug and play," safety, engineering and other technical considerations are addressed from a regional perspective. Furthermore, the Commission should review New Jersey's uniform interconnection standards that allow a single meter to go both directions (retail in, retail out).

When dealing with agriculture, all barns, buildings and residences owned and operated by an agricultural customer-generator, even if geographically non-contiguous, should all be accounted in a common, lowest, rate class, via virtual meter aggregation. This is vital to ensuring the profitability of new technologies, and their profitability is essential to our state achieving the mandated AEPS standards.


Without sound net metering regulations, we will miss an historic opportunity to take a quantum step forward toward advanced, clean, renewable, and reliable energy production in Pennsylvania.

The Commissioners must remember that the AEPS regulations they write must benefit *all* Pennsylvanians to the maximum degree, and they must be vigilant to prevent any special interest from mitigating the potential positive impact of distributed generation. The flourishing of such is critical to our future economic competitiveness, our security and our environment. If we do this right, net metering will become a foundation stone that will help Pennsylvania become a regional energy leader.

Finally, please petition the IRRC to expedite their part of process so implementation of these common sense and needed changes can be in place in weeks and months, not years.

Lady and gentlemen, I do not envy your task: while net metering is a simple concept, its execution will be quite complex. Now that the legislature passed AEPS, it falls to you to implement net metering and other portions. As I wish you well in your work, a saying from my days at Navy comes to mind: "Fortune favors the bold." AEPS is a bold step in a necessary direction, for our Commonwealth and our nation. It will take bold and innovative leaders to ensure we meet our obligations; may we be among them. As always, please let me know if I can be of service to you in any way. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Gibson C. Armstrong". The signature is written in dark ink and is positioned above the printed name.

Gibson C. Armstrong
State Representative
100th Legislative District

GCA/chh