

January 14, 2004

To: The Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission

Re: Implementation of the Alternative Energy Portfolio Standards Act of 2004
Docket No. M-00051865

RCM Digesters, Inc. respectfully submits these comments to support the implementation of fair and equitable retail net metering tariffs that would support the proliferation of farm digester projects in the Commonwealth of Pennsylvania, and help implement the Alternative Energy Portfolio Standards Act of 2004. The existing pseudo-net metering tariffs put forward by Pennsylvania Power and Light are limited in the amount of savings farmers would be able to keep, by producing their own power, due to non-bypassable charges calculated under Rule 6. The savings generated by the existing net metering laws make the implementation of farm digesters uneconomical.

As a case in point, the Schrack Farms Dairy Digester has received funding from the Pennsylvania Energy Harvest Grant. Despite this high level of support at the State level this project may still not go forward due to the fact that Schrack Farms would have to pay 2/3 or more of its current utility bill while producing all of its own electricity.

At this time the Dairy pays an average of 8.06 cents/kWh for its power. According to Pennsylvania Power and Light (PP&L) once the dairy starts producing all of its power it would only save 2.7 cents/kwh. Any excess power produced by the Dairy would need to be sold into the PJM system. PP&L has proposed that Schrack sell all of its power to PJM. This system is designed such that power producers need to be dispatchable: where their power generation is turned on when the locational marginal price (LMP) of electricity matches their asking price and turned off when the LMP falls below the asking price. The LMP varies hourly and its average value has ranged from a low of 2.6 cents/kWh in 2002 to a high of 4.5 cents/kWh in 2004. The option of selling all electric output to PJM has the same limitations.

Dairy digesters are not designed to be dispatchable. Biogas production happens 24 hours a day, seven days a week, and dairy farmers are focused on milk production rather than power production. Dairy digester power production lends itself to baseloaded power production. A baseloaded power contract may be available with specific customers on the PJM system however these contracts are typically in the megawatt size range rather than the hundreds of kilowatts produced by a dairy digester. In addition, wheeling charges may be assessed to transfer the power from the dairy to the customer making the contract financially less attractive.

The existing utility environment creates a strong disincentive to the implementation of dairy digester projects in Pennsylvania. At the present time there are no clear rules for distributed generation in the State for generators between 10 kW and 1 MW in size. The 100 to 300 kW size range is typical of dairy digester power production through out the nation. Despite the support and funding from agencies such as Pennsylvania's Department of Environmental Protection and the USDA these project are not financially viable unless dairy farmers can get a reasonable return on their investment through the sale of electricity or through savings on their utility bills.

RCM Digesters, Inc. recommends a net metering tariff in Pennsylvania that adopts the best characteristics of net metering tariffs in California and New York. Net metering in California allows the aggregation of the meters on a farm for the purpose of net energy metering. In other words net metering only the energy portion of the rate. Net metering in New York allows the net metering of the full retail rate, including the netting of the demand, distribution and other charges and also compensates the farmer for the energy produced in excess of their own usage at the avoided cost of electricity to the utility. However, New York only allows net metering on a single meter. We believe a combination of these two approaches allows the farmer to get the full value for the electricity they are producing on the farm. This would mean net metering at the full retail rate, compensation for the net energy generated at the utilities avoided cost and aggregation of the meters on the farm. We believe this approach would promote the proliferation of on-farm biogas energy projects in Pennsylvania and assist in the implementation of the Alternative Energy Portfolio Standards Act of 2004.

Respectfully,

Mark A. Moser
President
RCM Digesters, Inc.