



**Pennsylvania Farm Bureau**

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## **Testimony Before the Public Utility Commission**

**By Caressa Crone**

**On Docket No. M-00051865**

**Implementation of the Alternative Energy**

**Portfolio Standards Act of 2004**

My name is Caressa Crone, and I represent Pine Hurst Acres, a family farm owned and operated by Stanley & Richard Crone. Pine Hurst Acres is a 2,300-acre livestock and grain farm near Danville, in Northumberland County. I am involved in our county Farm Bureau and currently serve as a Director and Secretary for our Board of Directors. I am testifying here today on behalf of Pennsylvania Farm Bureau, a statewide general farm organization representing more than 34,000 farm and rural families in the Commonwealth. We would like to thank you for the opportunity to speak here today at this technical hearing on implementation of Pennsylvania's new Alternative Energy Portfolio Standard as was enacted in November of 2004.

During the summer of 2001, we constructed two 2180-head hog barns with a modified pit design to accommodate a methane digester, which was constructed on the site during the summer of 2004. During the planning stages of construction of the digester, we researched the possibility of selling electricity generated from the digester to our local power supplier, PP&L. They informed us that they would not be able to advise us of the specifics of putting power on the grid through their affiliates since they are a carrier, and not a buyer or seller of electricity. PP&L visited our farm in the fall of 2004 after the digester was completed with an interconnection agreement for purchasing the power through their affiliate, but the terms offered negated any savings we had hoped to have by generating our own electricity.

The interconnection agreement included a rate of two cents per kilowatt-hour the buyer was willing to pay for the electricity we generate, plus a base monthly figure we would have to pay for using their equipment and to cover administrative fees. Due to the fact that we anticipate we would not use any power from them, except on a minimum usage basis when we cannot produce enough for our own barns, we would automatically have to pay the highest amount per kilowatt-hour for any electricity we do end up pulling down since the rates decrease progressively with increasing energy usage.

Our average monthly electrical bill for the two swine facilities is \$815. If we start our digester and generate enough electricity to reduce our electrical demand by fifty percent, the monthly bill would drop only to \$566, a savings of about thirty percent. When you take into account payments and interest on loans we secured to pay for the system, it results in no net savings for the farm.

A second problem we have encountered results from an agreement PP&L has with the PUC called the Rule 6 tariff. It is my understanding that, under this rule, when a customer begins generating electricity, there is an additional charge levied to cover the additional cost of metering, load profile infrastructure, software, program development and administration required for billing. This charge is a flat rate of \$225 per month plus tax, regardless of the size of the customer's account. Despite this flat fee, the reduction would be very significant for a larger account. As a small generator, however, dealing in kilowatts rather than megawatts, the Rule 6 tariff greatly reduces our savings, and PP&L

would be in violation of PUC rules if a special case were made to reduce or exempt the charge for us or another small generator.

Two other options have been presented to us. One was to sell the power we generate to the broker who in turn sells the electricity to PP&L. After discovering that we would need to pay a \$5000 yearly membership fee, we calculated that this also negates any savings from generating your own electricity. The other option is to sell power through a member generator who is already selling electricity to brokers. We have contacted several of these members, but have found that none are interested due to the small size of our system.

As someone who has been through this process, I feel qualified to say that the existing utility environment in Pennsylvania creates absolutely no incentive for the implementation of methane digester projects. While public funding made available in the form of Energy Harvest grants has made it more feasible for family farmers like myself to install methane digesters at their own farm, once installation of the digester is complete, the inability to generate any savings from producing our own electricity makes it difficult to successfully amortize the cost of a digester.

Tier I of the Alternative Energy Portfolio Standards Act of 2004 requires that utility companies derive 8% of their electricity from “traditional” renewable sources, including animal waste digesters, by 2010. I have a valuable product to offer; the electricity generated by my methane digester should benefit me, and it can also help the utility

companies meet their requirement to utilize alternative energy. Any efficient source of renewable energy reduces our dependence on fossil fuels and ensures that we will have the ability to continue to meet our energy demands.

I believe farmers with methane digesters should be able to sell electricity back to their supplier at a rate equal to the cost of generation of the supplier at the very least. To accomplish this, Pennsylvania must adopt a net metering law that is friendlier to agriculture. My fellow farmers agree with me; at the Pennsylvania Farm Bureau's 2004 Annual Meeting, delegates from 54 County Farm Bureaus adopted a policy in support of the implementation of a net metering law that applies to farm waste systems. Pennsylvania's current net metering rule in the Public Utility Code does not include farm waste systems as an eligible system for net metering. Furthermore, the limit on the size of a net metering system, overall enrollment, interconnectivity standards and the treatment of net excess electricity generated seem to vary by utility, making the system harder to navigate.

We believe New York's net metering law is a strong example to follow for agricultural waste systems such as methane digesters. Initially in 1997, the New York law only recognized residential photovoltaic systems of 10 kilowatts or less. However, this law has since been updated specifically to include farm waste generating systems with a capacity of 400 kilowatts or less. Biogas must make up a minimum of 90% of the fuel used by these systems on an annual basis, and livestock manure must make up a minimum of 75% by weight of the feedstock used in the digester. The equipment must

be manufactured, installed and operated in accordance with applicable standards, and it must be connected to the electric system and operated in conjunction with the utility's transmission and distribution facilities.

The consistency of interconnection requirements is also addressed in New York by standardizing the requirements for connecting customer electric generating equipment to the grid. The New York Public Services Commission has written these standardized requirements and ordered the utilities to use the language in their own tariffs. In terms of cost, if a utility determines it is necessary to install a dedicated transformer to protect the electricity supply to other customers, the customer-generator must pay the utility's actual purchase and installation costs up to \$3000 per farm operation. In return, the utilities are not able to require the customer-generator to purchase additional liability insurance.

In order to recover capital investments, it is important that customer-generators who produce a net excess of electricity during the course of a year be compensated for the excess electricity that is made available to the grid. In New York, monthly excess generation of a customer-generator is credited toward the following month's bill. At the end of the annual billing cycle, the customer-generator is paid for net excess generation in an amount that is equal to the utility's avoided cost for the generation of that electricity. A farmer who is a net excess generator should be compensated fairly for electricity that is sold at a retail rate to other customers.

Farm waste systems are a win-win situation for Pennsylvania's agricultural industry and for the public utilities of this state. We urge the PUC to adopt an expanded net metering rule to include farm waste systems, and a net metering billing system that would compensate net excess generators at the end of the annual billing cycle at a rate at least equal to the utility's avoided cost of production of the excess electricity that was supplied. We would also welcome a slightly higher amount for renewable energy to substantially increase the incentive to build and operate anaerobic digesters.

Thank you for the opportunity to speak here about this important topic. At this time, I would be happy to answer any questions you may have.