



Testimony

Hearing of the House
Consumer Affairs Committee

Issues Related to Net Metering
and House Bill 1349

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Offered by
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Good morning, Chairman Godshall, Chairman Daley, and members of the House Consumer Affairs Committee.

I am Grant R. Gulibon, and I serve as Director of Regulatory Affairs with the Pennsylvania Farm Bureau (PFB), on whose behalf I am testifying today. Thank you for the opportunity for us to share our views relative to net metering in Pennsylvania in general and to House Bill 1349 in particular.

PFB is a general farm organization, with a membership of more than 61,400 farm and rural families in the Commonwealth. Since 1950, PFB has provided support, advocacy and informational and professional services for agriculture and farm families, including those operating Tier I energy generation systems on farms. Our organization includes 54 local organizations (County Farm Bureaus) that actively operate in 64 of Pennsylvania's 67 counties.

I think most people would agree that House Bill 1349 is a legislative response to the Alternative Energy Portfolio Standards Act regulations recently proposed by the Pennsylvania Public Utility Commission (PUC). These regulations will determine who among home-grown generators of electricity will qualify for net metering treatment.

Eligibility of on-farm electrical generation systems for net metering is a very important issue to numerous farmers who have and operate these systems. And it will become an even more important issue for Pennsylvania agriculture in the future, as today's farm families work to keep their farms viable for future generations.

Essentially, the PUC is proposing to establish a single standard for determining who qualifies for net metering, based strictly on the generating system's capacity to make electricity. That standard will be applied across-the-board to all home-grown generating systems, including systems developed and operated on farms. While better than what was first proposed, the PUC's proposed net metering eligibility standard is strictly based on the generating capacity of the system being operated.

We understand that the primary purpose behind the PUC's regulations is to prevent public utilities or other entities that are truly in the business of generating electricity from receiving net metering treatment through some legal loophole. But the PUC's strict use of the "capacity" standard doesn't make sense in situations where systems are developed and operated on working farms. And application of this standard may significantly hurt the future ability of Pennsylvania's farm families to adapt their operations to keep their farms viable.

There are three main types of generating systems that farmers have primarily developed and operate on farms, which have qualified for net metering: methane digestion, solar energy and wind energy.

Size and environmental management are the key reasons why many farmers have decided to develop and operate an electrical generation system. Generally, these farmers don't want to be in the electricity business. They want to be in the business of farming and want to make their profits from agriculture, not electricity.

Development of on-farm electrical generation helps farmers manage the overall cost of operating their farms. Consumption of electricity is a

major component of cost in operating a viable farming operation. So, on-farm electrical generation helps farmers reduce the net amount of electricity they consume, and the rate applied to generated electricity under net metering provides a fair and equal credit to the net volume of electricity they ultimately consume and have to pay for.

It should be pretty obvious to you that it is expensive to have and operate one of these systems on the farm. Indeed, farmers need to make substantial on-farm income to repay the significant debt incurred in their construction and operation. Lenders give serious consideration of the farm's overall ability to generate income in determining whether or not to approve a loan on a farm project. Net metering plays an important role, not only in increasing farmers' ability to show potential financiers that the generation system will improve the farm's income potential, but also in allowing the farmer to obtain more feasible terms of financing and repayment of debt.

Last, but certainly not least, on-farm electrical generation systems contribute significantly to the ability of those operating larger farms to specifically meet legal obligations established under state and federal environmental laws, and generally be more effective environmental stewards.

The U.S. Department of Agriculture, U.S. Environmental Protection Agency and the U.S. Department of Energy have recognized the many environmental benefits and opportunities that on-farm anaerobic methane digesters, in particular, provide to effective environmental management of animal manure generated on farms, and have instituted programs

(particularly those in the Chesapeake Bay Watershed) to help farmers build, operate and finance on-farm digestion systems.

For many larger farms, the biggest reason for installing or increasing the capacity of the farm's methane digestion system is environmental, not economic. These systems are critical components of nutrient and manure management planning that farmers must propose, implement and have approved by reviewing agencies to comply with environmental laws and maintain environmental integrity.

It is also important to remember that those farms located in the Chesapeake Bay Watershed are subject to requirements for reduction of nitrogen and phosphorus imposed under the federal EPA's Total Maximum Daily Load. So, farmers in the Bay Watershed have even more incentive than those in other watershed areas to improve their environmental management through methane digestion.

For farms predominantly engaged in crop production, development of solar and wind energy systems provide farmers the opportunity to manage and use marginally productive, high erosion land areas in an economically and environmentally efficient manner. Use of these lands for solar and wind generation makes these areas economically productive, and allows the farmer to direct the growing of crops to more fertile, less erodible areas, which should provide greater yield and income from field crop production.

The PUC regulations, as proposed, essentially limit farmers' ability to qualify for net metering. An on-farm system will no longer qualify for net metering if that system's generating capacity is more than 200 percent of the farm's consumption of electricity. This limitation seriously impedes

farmers' ability to use on-farm electrical generation systems and provide all of the agricultural benefits I have just described that make that farm more viable, both now and in the future. When a larger farm reaches or gets close to that capacity cap, that farm's opportunity to adapt size and operation and manage increased economic and environmental challenges through use of the generation system will be seriously reduced. And the family operating that farm will have much more difficulty in maintaining the viability of that farm in the future.

House Bill 1349 would prohibit the PUC from imposing caps or similar limitations on eligibility of farmers and others who develop and operate systems that generate electricity through anaerobic methane digestion. PFB strongly supports legislative action to ensure on-farm methane digestion systems generating electricity qualify for net metering without exception. So, to that extent PFB supports House Bill 1349's specific objective.

But we also believe that the scope of on-farm systems that qualify for net metering without limitation should be broader than what is proposed under House Bill 1349. As I mentioned earlier, farmers also have built and operate solar and wind generation systems on their farms—and in many cases, the reasons for farmers' operating these systems on their farms are the same as those of farmers operating methane digestion systems. They are driven by desires to improve viability of their operation as a working farm and improve the farm's environmental quality and compliance with environmental standards.

We believe any legitimate farm operating on-farm systems generating electricity from *any* Tier 1 resource should receive net-metering treatment, not just methane digesters. PFB recommends that the Committee amend House Bill 1349 to, in effect, establish this agricultural exemption from limitation in eligibility of these on-farm generation systems to qualify for net metering.

PFB again thanks the members of the Committee for the opportunity to share our views on this critically important issue, and will continue to work with all interested parties to develop regulatory policy and legislation that encourages the continuing efforts of Pennsylvania farmers to implement projects that provide substantial environmental benefits while producing clean, renewable sources of electricity.

I would be happy to answer any questions that you may have at this time.