

**TESTIMONY OF DAVID WEISS
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PEPCO ENERGY SERVICES**

**SENATE SUBCOMMITTEE ON ENERGY OF THE COMMITTEE ON
ENERGY AND NATURAL RESOURCES**

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Chairwoman Cantwell and Members of the Subcommittee, my name is David Weiss and I am the President and COO of the Energy Services Division of Pepco Energy Services. Pepco Energy is a subsidiary of Pepco Holdings Inc., one of the largest energy delivery companies in the mid-Atlantic region.

Pepco Energy provides retail energy products and services, including comprehensive energy management solutions and renewable energy projects to a wide range of customers that includes the Statue of Liberty, the U.S. Capitol, The Empire State Building, the US Air Force, Army and Navy and many state, municipal, commercial and industrial customers. Over the last 14 years, Pepco Energy has developed, implemented and financed over \$750 million in energy savings performance contracts including the single largest one ever awarded by the federal government. In addition, Pepco Energy is an experienced developer of renewable energy, district heating and cooling and distributed generation projects.

Pepco Holdings other subsidiaries serve about 1.9 million customers in Delaware, the District of Columbia, Maryland and New Jersey operating as Potomac Electric Power Company (PEPCO), Delmarva Power and Atlantic City Electric which provide regulated

electricity service; Delmarva Power also provides natural gas service. Pepco Holdings additionally provides competitive wholesale generation services through Conectiv Energy.

I am pleased to appear before you this afternoon to discuss distributed generation's potential to increase clean energy deployment and to diversify our nation's energy supply, particularly in parts of the nation, like the mid-Atlantic that are not benefitted with a tremendous supply of renewable resources. Pepco Energy has executed a number of very interesting distributed generation projects and I'd like to take a moment to describe how three of them work.

In December 2008, Pepco Energy completed the installation of the largest single roof-mounted solar project in the country in Atlantic City, New Jersey. The project covers over 266,000 square feet on the roof of the Atlantic City Convention Center. The 2.37 MW - DC solar generating system includes over 13,400 panels and is designed to provide approximately 26% of the Convention Center's annual usage. This project made use of net metering by actual "smart meters" that measure the power being imported to the facility and exported from the facility. The renewable energy generated avoids the release of approximately 2,349 tons of carbon dioxide per year. This project represents a substantial investment by our company in renewable energy, and could not have been accomplished without the coordination of a number of different parties; the local utility, various state agencies, and, of course, the host customer. The project returns were dependent on the utilization of a number of different policies and programs including

federal tax incentives, the State of New Jersey's Renewable Portfolio Standards, net metering regulations and interconnection agreements.

A second project is a 23 MW gas-fired cogeneration plant at the National Institutes of Health in Bethesda, MD. This project was completed in 2004, and is one of the largest cogeneration facilities ever built for the Federal government. Situated in the middle of a densely populated area, and in an extremely active campus setting with a significant amount of critical infrastructure to protect, careful attention had to be paid to the local community concerns, as well as the safety and reliability of the unit and the existing, surrounding infrastructure. This output from this unit will result in a significant amount of savings to NIH, and will reduce carbon dioxide emissions by approximately 100,000 tons per year over its 20-year life. This project did not require net metering because the unit produces less than the base load energy use of the NIH Campus.

A third project - or group of projects - is our landfill gas-to-energy plants. Pepco Energy has designed, built, owns and operates 3 of these landfill gas plants in the mid-Atlantic area, with a combined generating capacity of 10 MW. While the plants use a variety of technologies to capture, condition and utilize the methane from these landfills, they each have one thing in common: they take an otherwise unused, and harmful byproduct of the landfill and turn it into a valuable and useful commodity that improves and diversifies our energy mix in the U.S. Each one of these facilities is in a different investor owned utility's service territory and therefore we were required to negotiate a special interconnection agreement for each project.

In addition to these projects, Pepco Energy owns and operates a large district heating and cooling plant in Atlantic City, New Jersey that delivers steam and chilled water to many of the casinos on the boardwalk for their heating and air conditioning needs. At this time, there is no distributed generation included in this 12 year old plant, but we do have plans to add a cogeneration unit in the near future that will significantly increase the efficiency of the plant and may require net metering capabilities.

With that background in mind, please allow me to explain some of the challenges of these projects, and some of the policy issues that arise.

Distributed generation and net-metered generating systems are and can be a significant and valuable component of our overall energy mix. In order to promote the use of distributed generation the market needs to be confident that the real or perceived barriers to quick implementation of projects have been removed. Combining strong pro-distributed generation policies with rate decoupling will accomplish this task. Under rate decoupling, utility companies are indifferent to the volume of electricity that their customers consume, as their profitability is less likely to be impacted, positively or negatively, by changes in consumption. By supporting and instituting rate decoupling, in combination with strong pro-distributed generation policies, I believe a significant opportunity exists to help strengthen and diversify our energy mix, whether it's more cogeneration, distributed generation, renewable generation, or more energy efficiency.

A second area to address is standardization to the greatest degree possible, across state and utility borders. There is much to be gained by adopting simplified and standard approaches to distributed generation related issues. However, it is important to remember that any distributed generation project, such as those I discussed previously, brings together and impacts a variety of stakeholders; the host customer, the local utility, the state, the local citizens, and often overlooked, the local utilities of other customers. Each project, each location, each customer has its own unique benefits and constraints, and any standardization across territories must take this diversity into account. For this reason, I believe that a federal model for net-metering and interconnection standards for distributed generation projects is an extremely important component that needs to be addressed. This model should be based on industry best practices, and possibly provide incentives to facilitate the adoption of these standards. However, I believe the model should allow for the flexibility in the system, and also allow all the local stakeholders the opportunity to influence and impact the policies that directly affect their local area.

In closing, Chairwoman Cantwell, I'd like to thank you and the Subcommittee for the opportunity to speak with you today. As evidenced by the work we have been doing and continue to do at Pepco Energy, I feel strongly that the efficient use of energy resources and diversity of energy generation sources, coupled with strong enabling policies, are of extreme importance in the energy environment in which we now find ourselves.

Thank you and I'd be pleased to answer any questions.