COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PENNSYLVANIA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE
P-2017-
2596815 &
P-2017-
2596838

December 21, 2017

COMMISSION ISSUE SHEETS

BINDING POLL

TO WHOM IT MAY CONCERN:

Re: Docket Nos. P-2017-2596815 & P-2017-2596838;
Joint Default Service Plan for Citizens' Electric Company of Lewisburg and Wellsboro Electric Company for the period of June 1, 2018 through May 31, 2021

The attached issue sheets are designed solely to provide a mechanism for the Commission to discuss the outstanding issues of an investigation in an orderly manner. The brief descriptions of the recommendations of the Administrative Law Judges and the positions of the various parties are not intended to be complete characterizations of any recommendation or position. Also, the actual issue sheets used by the Commissioners in the conduct of the discussion may differ from the attached sheets.

Each individual Commissioner has based his or her findings on the record developed in this proceeding, the Recommended Decision of the Administrative Law Judges, and the briefs and exceptions submitted by the parties, and not the information presented on these issue sheets. Consequently, any omissions, misstatements, or errors contained in these issue sheets will not have an effect on the outcome of the final decision rendered in this case.

The issues contained in these sheets are selected at the discretion of the Commission and not every issue for which exceptions have been filed will necessarily be discussed. Nevertheless, the Commission considers and decides all issues raised in the proceeding.

Cordially,

Gladys M. Brown
Chairman

Attachments

Joint Default Service Plan for Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for the Period Of June 1, 2018 Through May 31, 2021 P-2017-2596815; P-2017-2596838

Issue	Commissioners
1. Contingency Plan for DSP V – Time Frame for Developing Replacement Plan (R.D. at 21-26)	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result

ALJs	The ALJs concluded that the Companies' proposed DSP V Contingency Plan should be adopted with a modification to the time frame for developing a replacement plan if the Contingency Plan is activated and spot market purchases are procured. Specifically, the ALJs recommended adoption of the OCA's proposed modification that would require the Companies to develop a replacement plan within 14 days of implementing the Contingency Plan and commencing spot market purchases. (R.D. at 23-25).
Companies	The ALJs erred in adopting the OCA's proposed modification to the Companies' proposed Contingency Plan that would require the Companies to develop a replacement plan within 14 days because it is an insufficient time frame to assess the circumstances, weigh all available options, consult with appropriate stakeholders and to confirm the plan. The Companies' proposed a 45-day period. (Exc. at 2-4).
OCA	The ALJs properly adopted the OCA's modification to the Companies' contingency plan that a 14-day period for development of a replacement plan is appropriate. (R. Exc. at 2-4).
I&E	The ALJs properly adopted this OCA proposed modification. (R. Exc. at 4-6)

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Issue	Commissioners
2. Contingency Plan for DSP V – Time Period for Reconciliation of Supply Cost Variances (R.D. at 21-26).	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result

ALJs	The ALJs concluded that the Companies' proposed DSP V Contingency Plan should be adopted with modification to the reconciliation period for supply cost variance if the Contingency Plan is activated and spot market purchases are procured. Specifically, the ALJs recommended adoption of the OCA's proposed modification that would require the Companies to fully reconcile supply cost variances over a period of 12 months to smooth out rate fluctuations. (R.D. at 25-26).
Companies	The ALJs erred in adopting the OCA's proposed modification. The Companies' proposed a 6-month reconciliation period designed to effectively smooth out monthly cost variances of peak and shoulder periods. Additionally, the ALJs erred in proposing a one-size-fits all solution. The R.D. in essence would require *any* reliance on spot market pricing to trigger a 12-month reconciliation period, and such requirement is an arbitrary and unnecessary disruption to the Company's reconciliation process. The appropriate adjustment to the reconciliation period can only be determined based on a real-time assessment of the duration of spot market purchases and the price fluctuations that occurred during that period. (Exc. at 4-5).
OCA	The ALJs properly adopted the OCA's modification to the Companies' Contingency Plan as customers deserve the assurance that reconciliation will occur over a period of time that will allow for smoothing the effects of any price volatility. (R. Exc. at 4-5).
I&E	The ALJs properly adopted the OCA's proposed modification. (R. Exc. at 4-6)

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Issue	Commissioners
3. Solar Purchase Power and Lease Agreement (Solar PPA) -- Long Term Contract Period. (R.D. at 29-38)	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result

ALJs	The ALJs concluded that the proposed twenty-five-year Solar PPA must be denied as it exceeds the twenty-year term limit in Section 2807(e)(3.2)(iii) of the Public Utility Code (Code) for long-term contracts and the Companies have not demonstrated under the standard of Section 2807(e)(3.3) of the Code that the Solar PPA is necessary to ensure adequate and reliable service at least cost to customers over time. (R.D. at 35-38).
Companies	The ALJs erred in concluding that the record contained no evidence that the standard under 66 Pa. C.S.§ 2807(e)(3.3) for including a twenty-five-year fixed rate contract rather than a twenty-year fixed rate contract was not met. The Companies assert that the record establishes that the twenty-five-year contract will ensure customers are served at the least cost over time. (Exc. at 6-12).
OCA	The ALJs properly concluded that the record contained no evidence that the standard for including a twenty-five-year fixed rate contract was met. (R. Exc. at 5-7).
I&E	The ALJs properly found that the evidence failed to meet the requirements necessary to extend a long-term contract for default service supply beyond the twenty-year term limitation set forth in the Code. (R. Exc. at 6-9).

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Issue	Commissioners
4. Solar Purchase Power and Lease Agreement (Solar PPA) – Compliance with Competition Act Standards (R.D. at 29-38)	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result

ALJs	The ALJs concluded that the Solar PPA should be denied as it is inconsistent with the "prudent mix" and other standards in Section 2807(e) of the Code. The ALJs found that the Companies failed to adequately rebut the arguments of I&E and the OCA, which showed that the inherent risks and uncertainties of the Solar PPA, and the potential for default service customers to be harmed instead of benefitted by the contract, warrant rejection of the Solar PPA. (R.D. at 35-38).
Companies	The ALJs erred in concluding that Citizens' request to include a long-term fixed price contract of twenty-five years was not consistent with the "prudent mix" and other requirements in Section 2807(e) of the Code. The risks and uncertainties identified by I&E and the OCA and endorsed by the ALJs apply to all long-term default service supply contracts. The nature of any long-term fixed rate is that it may be higher or lower than actual spot market prices or the price for short-term contracts at any point during the contract term. A long-term fixed rate contract is intended to mitigate the risk of market volatility of a short-term pricing product, and the Commission has recognized that the "prudent mix" under Section 2807(e)(3.2) must consider rate volatility as well as costs to consumers. The uncertainties identified by I&E and OCA are inseparable from the concept of a long-term contract and would perpetuate a logical fallacy. Moreover, the Companies' analysis showed the rates paid for the Solar PPA output is projected to be below the short-term produce pricing in 21 of the 25 years of the term. Contrary to the ALJs findings, the potential harm to customers of long-term contracts is greatly constrained by operation of the Code itself, which authorizes only long-term contracts that are developed through competitive procurements and limits long-term contracts to supply a maximum of 25% of the default service load. Here, the Solar PPA would supply far below the maximum threshold, at just 2% of Citizens' default service load. Finally, the rejection of the Solar PPA undermines

	discretion of the default service provider to determine the source and fuel type of the long-term contract under Section 2807(e)(3.2). (Exc. at 12-17).
OCA	The ALJs correctly rejected the Solar PPA based on the evidence presented by the OCA and I&E that the benefits of this Solar PPA claimed by Citizens "are unclear." The Companies mischaracterized the ALJs R.D. – the R.D. does not oppose the Solar PPA because it is a long-term contract, but rather it opposes this specific long-term contract because there are specific aspects of this contract that render it unsuited for inclusion as part of Citizens' DSP V, which are well-documented in the record of this proceeding. Specifically, the OCA has shown: (1) net savings to default service customers will likely not be experienced until year sixteen of the Solar PPA; (2) the purchase/sale under the Solar PPA is for *energy only* and Citizens is not retaining the solar renewable energy credits (SRECs) generated by the solar facility, which would increase the "Supplier Adder" portion of the default service rate in order to purchase Alternative Energy Credits (AECs) to cover what could have been supplied by the SRECs from the Solar PPA and also would put the winning DSP V wholesale supplier in the unusual position of having to procure AECs for load it does not serve; (3) none of the "societal benefits" of the Solar PPA, as argued by the Companies (*i.e.* that customers will derive community benefits from the installation of a cutting-edge renewable generation facility in the area and advance development of solar generation resources in the Commonwealth), are requirements of an EDC default service plan under the Code, so there is no reason that Citizens' default service customers should have to support such benefits through the rates they pay. (R. Exc. at 7-11).
I&E	The ALJs correctly found that the Companies failed to adequately rebut the arguments made by I&E and OCA with regard to the inherent and significant risks associated with the Solar PPA. The ALJs agreed that I&E raised legitimate concerns that the Solar PPA will not enhance the prudent mix of products at least cost to customers or provide additional customer and societal benefits because the solar project and Solar PPA are fraught with uncertainties and there is no guarantee that default service customers will receive any benefit over the life of the contract. The ALJs also recognized I&Es argument that the Companies ignore the fact that the Solar PPA is a "must-take" (*i.e.*, take or pay) contract and default service customers have no choice but to pay a premium above the current price to compare. The ALJs noted I&E's argument that the Solar PPA would potentially offer a societal benefit if the solar energy generated was sold to an alternative electric generation supplier (EGS), rather than through Citizens default service customers through a must-take, fixed-rate contract. Finally, the ALJs properly recognized the OCA argument that the Companies' claimed societal benefits of the Solar PPA fall outside of any requirement of the Public Utility Code. (R. Exc. at 9-11).

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Issue	Commissioners
5. Solar Purchase Power and Lease Agreement (Solar PPA) – Contract Price Terms (R.D. at 38-39). (This issue is moot if the Commission does not approve the Solar PPA)	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result

ALJs	The ALJs adopted I&E's proposal that, to the extent the Commission determines to approve the Solar PPA, a provision should be added to the Solar PPA that reduces the contract price if the net benefit to default service customers anticipated by Citizens' does not materialize. Such modification to the Solar PPA is allowable under the Commission's powers and authority under Section 508 of the Code. 66 Pa. C.S. § 508. (R.D. at 38-39).
Companies	The ALJs' recommendation should be rejected because it is not consistent with the Commission's authority under Section 508 of the Code. The R.D. contained no credible basis for modifying the Solar PPA price terms, and failed to weigh the impact of the proposed modification on both the current transaction and the Commonwealth's efforts to encourage further solar project development. (Exc. at 18-20).
OCA	No position.
I&E	The ALJs properly recommended that the Commission invoke its powers under Section 508 of the Code to reduce the solar PPA contract price if the generation is not operating during the peaks used to establish Citizens' transmission capacity obligations, or if the impact on those obligations, when coupled with the transmission and capacity rates for the particular year, do not result in "net benefits" to consumers. (R. Exc. at 11-13).

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Issue	Commissioners
6. Solar Purchase Power and Lease Agreement (Solar PPA) – Use of Lease Revenue (R.D. at 40). (This issue is moot if the Commission does not approve the Solar PPA)	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result

ALJs	The ALJs adopted I&E's proposal that, to the extent the Commission determines to approve the Solar PPA, and in the absence of legal precedent to the contrary, the revenue generated by the leasing of the property to the solar developer should be used as a source of cash to further reduce the cost of default service throughout the duration of the contract. (R.D. at 40).
Companies	The ALJs recommendation should be rejected because it failed to identify a legal basis for this proposal. The Companies claim the ALJs' recommendation will confiscate revenue received from non-utility services and apply that revenue to default service costs. The Companies request that the ALJs' proposed modification be denied because non-utility income cannot be used to supplement default service or other general distribution operations. (Exc. at 20-25).
OCA	No position.
I&E	The ALJs properly recommended that the rental income generated from the lease should be used as a source of cash to further reduce the cost of default service over the term of the solar PPA. (R. Exc. at 13-15).

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Issue	Commissioners
7. Solar Purchase Power and Lease Agreement (Solar PPA) – Allocation of Project Costs and Benefits Among GSSR-1 and GSSR-2 Customers (R.D. at 39-40). (This issue is moot if the Commission does not approve the Solar PPA)	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result

ALJs	The ALJs adopted the OCA's proposal that, to the extent the Commission determines to approve the Solar PPA, the PPA should be modified so that the costs and benefits of the project are proportionately born by both GSSR-1 and GSSR-2 customers. (R.D. at 39-40).
Companies	The ALJs erred in recommending that Citizens include the Solar PPA in the purchasing plans for both GSSR-1 and GSSR-2 customers. (Exc. at 25-27).
OCA	The ALJs properly recommended that, if approved, solar PPA costs should be allocated among all default service customers. (R. Exc. at 11-13).
I&E	The ALJs properly adopted this OCA proposed modification. (R. Exc. at 15-16)

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Issue	Commissioners
8. Approval of Companies' Joint Default Service Plan (DSP V), with Recommended Modifications, As Being Consistent with "Prudent Mix" Standard of the Competition Act (R.D. at 1, 43).	Commissioner Coleman
	Commissioner Sweet
	Commissioner Kennard
	Vice Chairman Place
	Chairman Brown
	Result
ALJs	With the ALJs' recommended modifications to the Companies' Petition for a Joint Default Service Plan (DSP V) with regard to the supply portfolio, the ALJ's concluded, in general, that the record evidence demonstrates that the Companies have satisfied their burden of proof in showing that the DSP V ensures the availability of adequate, reliable, affordable, efficient and environmentally sustainable electric service at the least cost, taking into account any benefits of price stability over time. The ALJs also concluded that the record evidence demonstrates that the DSP V, among other things, includes a prudent mix of spot market purchases, short-term contracts, and long-term contracts, as required by the Competition Act. (R.D. at 1, 43).