

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Re: Petition of PECO Energy
Company for Approval Of (1) A
Process to Procure Alternative
Energy Credits during the AEPS
Banking Period and (2) A Section
1307 Surcharge and Tariff to
Recover AEPS Costs

Public Meeting: December 6, 2007
NOV-2007-OSA-0272
P-00072260

STATEMENT OF VICE CHAIRMAN CAWLEY

Before the Commission is the Petition of PECO Energy Company (PECO) for approval of a process to procure alternative energy credits (AECs) during the banking period and a Section 1307 surcharge for the recovery of costs related to the Alternative Energy Portfolio Standards Act of 2004 (AEPS). I note that this filing marks the first effort by an electric distribution company in Pennsylvania to contract on a longer term basis in order to acquire and bank AECs to comply with the requirements of the AEPS. I support this proactive effort that implements competitive supply procurements to meet these obligations.

It is absolutely critical that these procurements be implemented in an optimal fashion. Having read the record to this proceeding, I believe that certain issues could have been better supported in the record. For example, there is a general lack of evidence regarding the appropriate level of bid collateral and contract performance collateral. Consequently, I remain concerned that these collateral levels could inhibit bid participation.

Another important design factor is contract length. Again, the testimony was not fully on point. The Company cited RFPs of 3-10 years in Maine and New York, and that project developers sought 10-year contracts, but then concluded that a 5-year contract length is optimal from the company's perspective. After reading the testimony, I wonder if a flexible approach to contracting would be more effective. For example, should RFP participants be given some flexibility in terms of contract length in order to allow for shorter or longer bids?

Lastly, I agree with Commissioner Christy that it is more appropriate to give the Commission more time to review longer term procurements. There is no necessity for immediate (one day) turn-around on these bids.

In the future, I expect that Pennsylvania's EDCs will do a better job of establishing a factual record for these AEPS procurements so as to ensure that Pennsylvania consumers get the best deal for these resources.

December 6, 2007
Date


James H. Cawley, Vice Chairman