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May 24, 2005

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**RE: Implementation of the Alternative Energy Portfolio Standards Act of
2004; Docket No. M-00051865**

Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and fifteen (15) copies of the Comments of Citizens' Electric Company and Wellsboro Electric Company Regarding the Implementation Order issued on March 25, 2005, in the above-referenced proceeding. Please date stamp the enclosed additional copies of the transmittal letter and Comments, and kindly return them to our messenger for our filing purposes. If you have any questions regarding this letter, please feel free to contact the undersigned.

Very truly yours,

McNEES WALLACE & NURICK LLC

By

Pamela C. Polacek

Counsel to Citizens' Electric Company of
Lewisburg, Inc., and Wellsboro Electric
Company

PCP/nk

Enclosures

c: Shane Rooney (via E-mail only)
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**IMPLEMENTATION OF THE ALTERNATIVE :
ENERGY PORTFOLIO STANDARDS : DOCKET NO. M-00051865
ACT OF 2004 :**

**COMMENTS OF CITIZENS' ELECTRIC COMPANY AND
WELLSBORO ELECTRIC COMPANY REGARDING
IMPLEMENTATION ORDER ISSUED ON MARCH 25, 2005**

On March 25, 2005, the Pennsylvania Public Utility Commission ("PUC" or "Commission") entered an Implementation Order in the above-captioned proceeding providing guidance regarding the schedule by which the Commission will meet its obligations to develop the rules and regulations necessary to implement the Alternative Energy Portfolio Standards Act of 2004 ("Act 213" or "Act"). The Implementation Order also sets forth a proposed schedule for compliance with the Act's mandates for electric distribution companies ("EDCs") and electric generation suppliers ("EGSs").

Pursuant to the procedures identified in Ordering Paragraph 1 of the Implementation Order, Citizens' Electric Company of Lewisburg, Inc. ("Citizens"), and Wellsboro Electric Company ("Wellsboro") (collectively, the "Companies") hereby submit these Comments on the Implementation Order. Citizens' and Wellsboro address only the compliance dates set forth on pages 6 and 7 of the Implementation Order. As explained below, Citizens' and Wellsboro currently have in place Provider of Last Resort ("POLR") plans that are each based on separate wholesale full requirements contracts that expire on December 31, 2007. The Companies view this date as the expiration for their PUC approved "generation rate plans". As a result, Citizens' and Wellsboro request that the Commission modify the Implementation Order to reflect December 31, 2007, as the date that the exemption expires and January 1, 2008, as the date when their compliance obligation begins.

Citizens' and Wellsboro are two of the smallest jurisdictional EDCs in Pennsylvania. The majority of the Citizens' stock and all of the Wellsboro stock is owned by a holding company, C&T Enterprises, Inc. ("C&T"). C&T is jointly owned by Tri-County Rural Electric Cooperative and Claverack Rural Electric Cooperative.

Citizens' provides service to approximately 6,550 customers in Lewisburg and the surrounding area. The majority of Citizens' customers are residential customers (5,438 accounts), while Citizens' also serves 1,043 commercial accounts, 37 industrial accounts and 32 lighting accounts. Citizens' provides distribution and POLR service to its customers using 17 employees as of January 31, 2005.¹ Wellsboro is of similar size, serving a total of approximately 5,900 accounts, 4820 of which are residential, 1035 of which are commercial, 14 of which are industrial, and 5 of which are resale or lighting. Wellsboro employs just 16 employees.

The rate caps applicable under the Electric Generation Customer Choice and Competition Act ("Competition Act") for the Wellsboro and Citizens' customers expired on January 2, 1999, and January 31, 2002, respectively. As a result, Wellsboro and Citizens' have been operating in the "post transition period" for a number of years. Both prior to and after the rate unbundling accomplished in the Competition Act, the Companies have obtained energy via a series of fixed price, multi-year wholesale full requirements contracts.

The Companies recognized that their "post transition periods" would commence before the PUC promulgated final Provider of Last Resort ("POLR") regulations. In

¹ Citizens' and Wellsboro have access to various "shared services" employees under a Management Services Agreement with their parent corporation, C&T Enterprises, Inc. ("C&T").

anticipation of the expiration of Citizens' pre-restructuring contract with PPL Electric Utilities Corporation on January 31, 2002, Citizens' initiated a Request For Proposals ("RFP") process to obtain a replacement wholesale supplier for a fixed-rate, multiple year full requirements contract. As a result of that RFP, Citizens' signed a wholesale contract with Reliant Energy Services, Inc. ("Reliant"). In 2003, Citizens' conducted another RFP that resulted in the extension of the Reliant arrangement, with some modifications, through December 31, 2007. See Petition of Citizens' Electric Company of Lewisburg, Inc., to Modify Electric Restructuring Settlement and Proposed Provider of Last Resort Supply Offering, Docket No. R-00016999 (approval of GSSR and POLR plan); Citizens' Electric Company Generation Supply Services Rate Effective March 1, 2004, Docket No. R-00049161 (approval of new GSSR and extension of Reliant contract).

Similarly, when facing the prospect of entering into a new wholesale supply agreement that would take effect on January 1, 2003, Wellsboro conducted a competitive solicitation process to find a new supplier. Wellsboro signed a full requirements contract with Dominion Energy Marketing, Inc. ("DEMI"). The contract between DEMI and Wellsboro is in effect through December 31, 2007. See Pennsylvania Public Utility Commission v. Wellsboro Electric Company, Docket No. R-00027909 (approving GSSR rate reflecting DEMI contract); Pennsylvania Public Utility Commission v. Wellsboro Electric Company, Docket No. R-0002730 (approving POLR plan).

Citizens' and Wellsboro respectfully submit that the most logical and appropriate "duration" of their current generation rate plans is through the expiration date for their current wholesale generation supply contracts (i.e., December 31, 2007). The Act defines "cost recovery period" as: "The period during which an electric distribution company

operates under a Pennsylvania Public Utility Commission-approved generation rate plan that has been approved prior to or within one year of the effective date of this Act, but in no case shall the cost recovery period under this Act extend beyond December 31, 2010." Citizens' and Wellsboro's tariffed Generation Supply Service Rate ("GSSR") mechanisms reflecting the Reliant and DEMI contracts were approved by the PUC prior to the effective date of the Act. The PUC also authorized Citizens' and Wellsboro to collect the costs of the contracts from ratepayers for the entire term of the respective contract. Citizens' and Wellsboro submit that this constitutes a PUC-approved generation rate plan as contemplated by the Act.

In preparation for the expiration of the current wholesale contracts as of December 31, 2007, Citizens' and Wellsboro will seek replacement full requirements contracts for service beginning on January 1, 2008. These contracts will be obtained either under the default service implementation plan contemplated in the POLR rulemaking or an interim plan. The Companies currently anticipate that they will request, as part of the wholesale solicitation process, for the bidder to meet the AEPS requirements set forth in the Implementation Order and Act 213. The Companies' current assessment of the Act indicates that this may be the most effective method to fulfill the obligations under the Act.

To the extent the Commission requires the Companies to comply with the Tier 1 and Tier 2 resource requirements prior to the expiration of their current wholesale agreements, the Companies will either be required to renegotiate their existing full requirements contracts or obtain credits through secondary market transactions. Given the nascent market for the credits, it is unclear whether sufficient reasonably priced resources will be available covering the March 1, 2007, to December 31, 2007, period, or the periods thereafter. Citizens' and Wellsboro respectfully submit that the public interest supports recognition that the expiration of their current generation rate plans will occur concurrent

with expiration of their current wholesale contracts and that January 1, 2008, is the presumptive beginning date for their compliance obligations under Act 213.

WHEREFORE, Citizens' Electric Company of Lewisburg, Inc., and Wellsboro Electric Company request that the Pennsylvania Public Utility Commission revise the compliance schedule adopted in the Implementation Order to adopt December 31, 2007, as the date that their exemptions expire, and January 1, 2008, as the presumed date that their compliance obligations begin.

Respectfully submitted,

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