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March 8, 2006

Carrie Beale
Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

**Re: Implementation of the Alternative Energy
Portfolio Standards Act of 2004**

Docket No. M-00051865

**Rulemaking Re Electric Distribution
Companies' Obligation to Serve Retail
Customers at the Conclusion of the
Transition Period Pursuant to
66 Pa. C.S. § 2807(e)(2)**

Docket No. L-00040169

Dear Ms. Beale,

I would like to submit comments, on the some of the questions asked in the issues list attached to the letter from the Commission dated February 8, 2006, regarding the Implementation of the Alternative Energy Portfolio Standards Act of 2004 and the Rulemaking Re Electric Distribution Companies' Obligation to Serve Retail Customers at the Conclusion of the Transition Period Pursuant to 66 Pa. C.S. § 2807(e)(2), on behalf of US Wind Force, LLC ("USWF"), a wind farm developer based in Wexford, PA and active in the Mid-Atlantic, with wind farm projects under development in Pennsylvania, as well as West Virginia and Maryland.

On question:

- 2 Do the prevailing market conditions require long-term contracts to initiate development of alternative energy resources? May Default Service Providers employ long-term fixed price contracts to acquire alternative energy resources? What competitive procurement process may be employed if the Default Services Provider acquires alternative energy resources through a long-term fixed price contract?

Yes, current market conditions do require utilities to be able to enter into long-term contracts in order to initiate the development of alternative energy projects, and more specifically in our case, wind power generation projects. Without long-term commitments for the power offtake, the necessary capital for project development simply isn't available, or at least isn't affordable, because the risks to the equity investor are significantly higher. Investors are usually not willing to make the necessary capital investment on a merchant project, meaning building a project where prices received for the energy and green attributes are realized through the spot or short term market.

Because wind energy projects require a lead time of two to four years to bring a project to commercial operation, along with a significant "at risk" development cost outlay during such period, developers want to market the project at the earliest point when the project economics become clearly understood. Whether development stage projects are marketed to a wholesale provider, EGS or EDC, the project economics, which includes a market rate of return to the investor, will determine the price in which the offtake can be offered. If multiple projects are being

developed by a range of companies in the PJM market, whomever becomes the buyer of the project output will select the project which offers the most attractive and competitive pricing.

The RPS/AEPS legislation which has been enacted in the various PJM states will continue to accelerate their respective mandated requirements. It will become increasingly important for developers to be able to offer a range of projects for the offtaker to be able to select from. If an EGS or EDC is only able to procure the energy/attributes under short term contracts, the equity investors will have to be willing to invest in merchant projects or other credit worthy wholesale marketers will have to take the merchant risk (be willing to step up to offer a project owner long-term contracts), or else the projects will not get built. If the projects are not built, project development capital will wither. If this occurs, there is a reasonable probability the mandated AEPS requirements will outstrip the available supply of alternative energy and significantly drive up the price of the energy and attributes available to the end user. This will serve to both defeat the purpose of the AEPS and lead to price volatility for energy and attributes.

Although it is a noble thought to be able to entirely let the market determine pricing for such offtake, as well as contract term, it could be a flawed concept and lead to significant force majeure claims.

Nevertheless, it is important to differentiate between policies that "allow for" long-term contracts and policies that "require" them. If they are required, the safeguards necessary to protect the public could actually hinder development through complex RFP and bidding schemes. If a utility can demonstrate that its long-term purchase is executed at market prices, recovery should be granted and not be subject to "second guessing" later in the term of the contract. In other words, once the transaction is approved recovery should be guaranteed. Otherwise, the fear of second-guessing might deter utilities from making the long-term commitments necessary to initiate development and instead, rely heavily on spot market purchases to satisfy RPS requirements. They would argue that using the spot market will make recovery more certain because of the coincident timing of the spot market purchase and the regulatory review. Therefore if there is not a long-term regulatory commitment for rate recovery there will be reluctance to make the long-term purchases.

Finally, we have to move away from the often accepted notion that short-term contracts are, by and large, better for the rate payer. This notion assumes that pricing will go down in the long-term and the rate payer will reap the benefit. Yes, the rate payer should have the benefit of the most competitive pricing available within the context of a comprehensive energy policy. However, such short-term pricing can also have the very unfortunate impact of producing significant price volatility, something we are seeing more of, to the major economic detriment of the rate payer. If we believe the long term trend will be towards generally lower prices, it does not make sense to require long-term contracts. However, our region and country is in the midst of its present energy crisis because we assumed the short-term market approach was going to benefit our pricing. How wrong we have been. It is a great theory, but the practical fact is it has led to a chaotic energy market.

If it is determined to not allow long-term contracts, in essence, the risk of potential lower prices is being passed to the capital market investors. If they decide the risk is not worth the opportunity, we will not see the kind of increases in alternative energy which the AEPS envisioned.

With long-term contracts, there will be significant mitigation in the risk of increased cost to the rate payer, greater stability in the market, greater competition by the project developers to offer a range of competitive projects to potential investors in such projects and a move to build as many as is possible to support the ever increasing mandates. As more projects are built, the cost of the technology becomes more competitive as more capacity is brought online, and we have the probability that costs of alternative energy drop over time. And, it lowers the volatility to the end user.

- 3 Should the force majeure provisions of Act 213 be integrated into the Default Service procurement process? Should Default Service Providers be required to make force majeure claims in their Default Service implementation filing? What criteria should the Commission consider in evaluating a force majeure claim? How may the Commission resolve a claim of force majeure by an electric generation supplier?

We believe utilities should be required to submit periodic plans for compliance. It can give the Commission an understanding as to whether problems will be developing on meeting the AEPS requirement, and allow for better planning on how best the AEPS requirements will be achieved. If claims of force majeure arise, it means we have failed in an orderly implementation of the AEPS. Utilities need to have a plan of compliance that is submitted annually for review as well as any issues that may preclude them from achieving the plan.

We appreciate the work that you, the Commission and its other staff are doing in the organization and efficient administrative implementation of the Act and the work on the issues surrounding the Rulemaking Re Electric Distribution Companies' Obligation to Serve Retail Customers at the Conclusion of the Transition Period Pursuant to 66 Pa. C.S. § 2807(e)(2) and giving us these opportunities for input and comment. We look forward to continuing our participation as a member of the AEPS Working Group and any opportunities to help you, the Commission and its other staff in any way we can.

Sincerely,

Michael J. Dolan II
VP & CFO
US Wind Force, LLC