



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Fax
www.postschell.com

Michael W. Hassell

mhassell@postschell.com
717-612-6029 Direct
717-731-1985 Fax
File #: 2507/140070

November 16, 2009

James J. McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
PO Box 3265
Harrisburg, PA 17105-3265

RE: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 Through May 31, 2013 - Docket No. P-2008-2060309

Dear James:

Enclosed please find the Petition of PPL Electric Utilities Corporation for Expedited Approval to Amend Request for Proposal for Alternative Energy Credits Under Default Service Procurement Plan in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully Submitted,

Michael W. Hassell

MWH/skr

Enclosure

cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

Erin L. Gannon
James A. Mullins
Aron J. Beatty
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923
egannon@paoca.org
jmullins@paoca.org
abeatty@paoca.org

Allison Kaster
Office of Trial Staff
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265
akaster@state.pa.us

Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101
sgray@state.pa.us

Brian Knipe
Buchanan Ingersol & Rooney, PC
One South Market Square
213 Market Street, 3rd Floor
Harrisburg, PA 17101-2121
Brian.Knipe@bipc.com

Pamela C. Polacek
Shelby A. Linton-Keddie
McNees, Wallace & Nurick
P.O. Box 1166
100 Pine Street
Harrisburg, PA 17108-1166
ppolacek@mwn.com
skeddie@mwn.com

Craig R. Burgraff
Todd Stewart
Hawke, McKeon, Sniscak & Kennard, LLP
100 N. 10th Street
Harrisburg, PA 17101
crburgraff@hmslegal.com
tsstewart@hmslegal.com

Thomas T. Niesen
Charles E. Thomas, III
Thomas, Long, Niesen & Kennard
P.O. Box 9500
212 Locust Street, Suite 500
Harrisburg, PA 17108-9500
tniesen@thomaslonglaw.com
cet3@thomaslonglaw.com

Charles E. Thomas, Jr.
Jennifer M. Sultzaberger
Thomas, Long, Niesen & Kennard
P.O. Box 9500
212 Locust Street, Suite 500
Harrisburg, PA 17108-9500
cthomasjr@thomaslonglaw.com
jms@thomaslonglaw.com

Daniel Clearfield
Carl R. Shultz
Deanne O'Dell
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17108-1248
dclearfield@eckertseamans.com
cshultz@eckertseamans.com
dodell@eckertseamans.com

Eric J. Epstein
4100 Hillsdale Road
Harrisburg, PA 17112
ericepstein@comcast.net

Christopher A. Lewis
Christopher R. Sharp
Blank Rome LLP
One Logan Square
Philadelphia, PA 19103
Lewis@blankrome.com
Sharp@blankrome.com

Divesh Gupta
Constellation NewEnergy Inc.
Candler Bldg., 7th Floor
111 Market Place
Baltimore, MD 21202
divesh.gupta@Constellation.com

Craig A. Doll
P.O. Box 403
25 West Second Street
Hummelstown, PA 17036
CDoll76342@aol.com

Frank Richards
Richards Energy Group
3901 Nolt Road, Bldg. #1
Landisville, PA 17538
frichards@richardsenergy.com

Jesse A. Dillon
PPL EnergyPlus LLC
Two North Ninth Street
Allentown, PA 18101-1179
jadillon@pplweb.com

Michelle M. Skjoldal
Pepper Hamilton LLP
100 Market Street, Suite 200
P.O. Box 1181
Harrisburg, PA 17108-1181
skjoldalm@pepperlaw.com

Date: November 16, 2009



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program : Docket No. P-2008-2060309
and Procurement Plan for the Period January :
1, 2011 Through May 31, 2013. :
:

**PETITION OF PPL ELECTRIC UTILITIES CORPORATION FOR EXPEDITED
APPROVAL TO AMEND REQUEST FOR PROPOSAL FOR ALTERNATIVE ENERGY
CREDITS UNDER DEFAULT SERVICE PROCUREMENT PLAN**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), by and through its attorneys, hereby petitions the Pennsylvania Public Utility Commission (“Commission”), pursuant to Section 703(g) of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 703(g), and Section 5.41 of the Commission’s Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41, to amend the Joint Petition for Settlement (“Settlement”) previously approved by the Commission on June 30, 2009 in the above-captioned proceeding. PPL Electric requests that the Commission approve a single modification to the Request for Proposals (“RFP”) Process and Rules for alternative energy credits (“AECs”) to increase the number of eligible competitive bidders for the procurement of AECs, as more fully described herein. For the reasons that follow, amendment to the Settlement to modify the AEC RFP is proper and in the public interest. In order for this modification to become effective in time for PPL Electric’s next Default Service Program and Procurement Plan (“DSP Plan”) solicitation, PPL Electric requests that the Commission act upon this Petition at its Public Meeting scheduled for December 17, 2009. In support thereof, PPL Electric states as follows:

I. BACKGROUND

1. PPL Electric is a public utility and electric distribution company subject to the regulatory jurisdiction of the Commission. PPL Electric furnishes electric distribution, transmission and supplier of last resort services to approximately 1.4 million customers in a service area that includes approximately 10,000 square miles covering all or portions of twenty-nine counties in eastern and central Pennsylvania. PPL Electric's principal offices are located at Two North Ninth Street, Allentown, PA 18101-1179.

2. PPL Electric's attorneys are:

Paul E. Russell (I.D. #21643)
Associate General Counsel
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Voice: 610.774.4254
Fax: 610.774.6726
E-mail: perussell@pplweb.com

David B. MacGregor (I.D. #28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Voice: 215.587.1197
Fax: 215.320.4879
E-mail: dmacgregor@postschell.com

Michael W. Hassell (ID # 34851)
Christopher T. Wright (ID #203412)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: mhassell@postschell.com
E-mail: cwright@postschell.com

PPL Electric's attorneys are authorized to receive all notices and communications regarding this Petition.

3. On August 28, 2008, PPL Electric filed the above-captioned DSP Plan to establish the terms and conditions under which PPL Electric would provide provider of last resort service ("POLR" or "default service") and obtain generation supply for that service.

4. On October 15, 2008, Governor Rendell signed House Bill No. 2200, subsequently identified as Act No. 129, which established, *inter alia*, certain new requirements for the acquisition of POLR supply by electric distribution companies. Because the legislation was passed after PPL Electric filed its DSP Plan, the Company, without objection of the parties, requested and was granted the right to file revisions to the DSP Plan. On November 3, 2008, PPL Electric filed its amended DSP Plan.

5. Evidentiary hearings were held before Administrative Law Judge Susan D. Colwell (the “ALJ”) on February 11 and 12, 2009. Subsequent to the conclusion of hearings, but prior to submission of Main and Reply Briefs, the parties reached a settlement in principle of all but two issues.¹

6. On March 11, 2009, a Joint Petition for Settlement was submitted to the ALJ along with multiple statements in support of the Joint Petition. The Settlement contained a full description of the DSP Plan, as revised and agreed to by the parties, pursuant to which PPL Electric would provide default service and obtain generation supply for that service.

7. As part of the terms of the Settlement, PPL Electric agreed to undertake a series of competitive bid processes to obtain full requirements default service supply, spot market default service supply, block energy default service supply, and AECs (“AEC RFP”). Under the full requirements and spot market contracts, suppliers must provide a proportional share of AECs to fulfill PPL Electric’s Alternative Energy Portfolio Standards Act (“AEPS”) obligation. The block and AEC RFPs are conducted to acquire a portion of default supply solely for residential

¹ Main and Reply Briefs were filed by the parties affected by the remaining two issues not resolved by the Settlement. The reserved issues are not relevant to the subject of this Petition to Amend.

customers. The block supplies, totalling 300 MW, do not include AECs as part of the supply provided, and AECs are purchased for that portion of supply through a separate RFP.

8. On June 30, 2009, the Commission entered a Final Order approving the Settlement and ruling upon the two issues not resolved by the Settlement. In accordance with the Settlement, the Commission Order directed that the RFP Process and Rules for all default supplies, including the AEC RFP, be submitted in a subsequent compliance filing.²

9. On July 1, 2009, PPL Electric submitted RFP Process and Rules in accordance with the Commission's June 30, 2009 Final Order approving the Settlement. Included therein was an AEC RFP, which was revised pursuant to the Settlement and circulated to the parties in the proceeding.³ All of the RFPs, including the AEC RFP, established minimum basic requirements for suppliers to be pre-qualified to bid in a given solicitation. As relevant to this Petition, a potential bidder is required to demonstrate, *inter alia*, that its, or its guarantor's, unsecured senior long-term debt rating (or issuer rating, if the unsecured senior long-term debt rating is unavailable) is currently available from Standard & Poor's, Fitch Ratings, or Moody's Investor Services.⁴ The RFPs also required, *inter alia*, that potential bidders submit a credit application, together with certain financial information.⁵ These requirements are intended to provide reasonable assurance that potential bidders have sufficient financial capability to perform if they are successful bidders in the RFPs.

² See *Petition of PPL Utilities Corp. for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 Through May 31, 2014*, Docket No. P-2008-2060309, at p. 10 (Order Entered June 30, 2009).

³ See *PPL Electric Utilities Corporation Request for Proposals (RFP) Process and Rules, Alternative Energy Credits for Compliance with Pennsylvania's Alternative Energy Portfolio Standards Act*, (July 1, 2009) ("AEC RFP").

⁴ See *id.*, at Art. 4.1.1.

⁵ See *id.*, at Art. 4.3.

10. On August 12, 2009, PPL Electric filed the results of its first solicitation under the DSP Plan. On August 13, 2009, the Commission issued a Secretarial Letter approving the full requirements, spot, block and AEC bid results for the first solicitation.

11. On October 21, 2009, PPL Electric filed the results of its second DSP solicitation, including the bid results for the AEC RFP. PPL Electric requested that the Commission approve the bid results from the solicitation.

12. On October 22, 2009, the Commission issued a Secretarial Letter with respect to the second DSP solicitation. The Commission approved the bid results for the full requirements, spot and block solicitations. With respect to the AEC RFP, the Commission approved the bid results for the Tier I AECs and Tier II AECs. However, the Commission rejected the bid results for the Tier I Photo-Voltaic ("PV") AECs as non-competitive. In accordance with the terms of the RFP, the rejected bid quantities will be included in PPL Electric's third DSP solicitation, which is scheduled to be undertaken January 19, 2010.

II. PROPOSED MODIFICATION TO THE AEC RFP

13. According to PPL Electric's independent, third-party RFP administrator, NERA Economic Consulting ("NERA"), a group of potential bidders in the AEC RFP, for Tier 1, Tier 1 PV and Tier II AECs, were disqualified because they are relatively small entities that do not have a debt rating as required under Article 4.1.1 of the AEC RFP. NERA noted that the small size of the AEC target quantities being procured on a separate basis may have contributed to a relative lack of interest in the AEC bidding by large rated entities and, correspondingly, an increased interest by small, non-rated entities in the bid process.

14. To address this issue, PPL Electric proposes to remove from the AEC RFP the requirement that an applicant demonstrate that its, or its guarantor's, unsecured senior long-term

debt rating (or issuer rating, if the unsecured senior long-term debt rating is unavailable) is currently available from Standard & Poor's, Fitch Ratings, or Moody's Investor Services. A copy of the proposed modification is attached as Appendix A hereto. PPL Electric believes that removal of the debt rating requirement of Article 4.1.1 is likely to increase the number of competitive bids submitted by small, non-rated entities that would otherwise not be qualified to bid. Because of the relatively low total cost of AECs,⁶ PPL Electric does not believe that elimination of the rated debt requirement for AEC bidders will present a substantial increased risk of nonperformance. Applicants will continue to be required to submit a credit application, together with financial information requested therein. In addition, if an entity qualifies as non-rated, it would not qualify for any unsecured credit under Section 12.3 of the AEC SMA and would be required to post the full performance assurance as required by Section 12.1 of the AEC SMA.

15. PPL Electric is proposing the foregoing modification in a continuing effort to assure the successful procurement of supplies, including AECs, to meet its default service obligations beginning January 1, 2011.⁷ PPL Electric notes that it shares the recently-expressed concern of the Commission regarding the vibrancy of the PV AEC market in the future. See *Proposed Policy Statement in Support of Pennsylvania Solar Projects*, Docket No. C-0020 (Public Meeting held November 6, 2009). PPL Electric will monitor, and respond accordingly

⁶ For example, in the first DSP solicitation that was approved by the Commission, the total cost of all AECs purchased was approximately \$27,300. Under the AEC RFP, Articles 1.1.7 and 2.3.2, the second DSP solicitation sought to acquire only 67 PV AECs, 8,485 Tier 1 AECs and 16,625 Tier 2 AECs for an eight-month period.

⁷ PPL Electric notes that it has successfully completed procurements for residential and small commercial and industrial default service supplies for 2010 under its Competitive Bridge Plan ("CBP"). The CBP procured supplies under load following, full requirements contracts that included AECs, and did not undertake separate AEC procurements.

to, the continuing development of that market. In addition, the Company plans to submit comments in response to the Commission's proposed Policy Statement regarding Tier 1 PV AECs.

III. REQUEST FOR EXPEDITED TREATMENT

16. As noted previously, PPL Electric's next DSP solicitation is scheduled for January 19, 2010. It would be in the public interest for the modification proposed in this Petition to Amend to be effective for that solicitation, in an effort to avoid rejection of additional AEC solicitation results as noncompetitive. PPL Electric has set the due date for bidder qualifications for the third AEC DSP solicitation for January 5, 2010. In order for this modification to be effective for bidders qualifying for the next solicitation, PPL Electric requests that the Commission act upon this Petition at its Public Meeting scheduled for December 17, 2009.

17. Approximately one week ago, PPL Electric contacted all signatories to the DSP Settlement to notify them of this proposed modification, and to request that they advise PPL Electric of any objection to the proposal. No party has informed PPL Electric of an objection to the proposed modification.

18. PPL Electric requests that the Commission direct that answers to this Petition be filed within 10 days of the date of filing, or by November 23, 2009, in order that this Petition may be considered on an expedited basis.

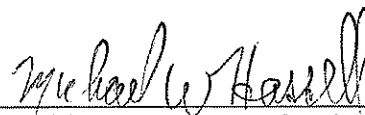
IV. CONCLUSION

19. The proposed revision to the AEC RFP is responsive to the Commission's concern that resulted in the rejection of the most recent PV AEC results as non-competitive. PPL Electric believes that the proposed revision to the AEC RFP will increase the number of bidders qualified to participate in the solicitation for the procurement of solar AECs.

Accordingly, for the foregoing reasons, Commission approval of the amendment to the Settlement to modify the AEC RFP is proper and in the public interest.

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Commission amend the Settlement to modify the Request for Proposals Process and Rules for alternative energy credits by eliminating the debt rating requirement in Article 4.1.1 in order to facilitate competitive bidding for the procurement of solar alternative energy credits.

Respectfully submitted,



David B. MacGregor (Pa. Bar I.D. #28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Voice: 215.587.1197
Fax: 215.320.4879
E-mail: dmacgregor@postschell.com

Paul E. Russell (Pa. Bar I.D. #21643)
Associate General Counsel
PPL Services Corporation
Two North Ninth Street
Allentown, PA 18101
Voice: 610.774.4254
Fax: 610.774.6726
E-mail: perussell@pplweb.com

Michael W. Hassell (ID # 34851)
Christopher T. Wright (ID #203412)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Voice: 717.731.1970
Fax: 717.731.1985
E-mail: mhassell@postschell.com
E-mail: cwright@postschell.com

Of Counsel:

Post & Schell, P.C.

Dated: November 16, 2009

Attorneys for PPL Electric Utilities Corporation

Appendix A

ARTICLE 4 BIDDER QUALIFICATION

4.1 Overview of Bidder Qualification Process

4.1.1 The purpose of the Bidder Qualification process is to determine the applicant's eligibility to bid. An applicant is qualified to bid in a given solicitation if, by the Cure Deficiency Deadline of that solicitation, it satisfactorily completes or updates the following: 1) submits an Expression of Interest Form; 2) executes the Confidentiality Agreement; ~~3) submits the Credit Application and associated financial information requested in Article 4.5 (Credit Application and Financial Information); and, 4) submits an executed copy of the Binding Bid Agreement provided as Appendix 7. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral. The Bid Assurance Collateral will be returned to the RFP Bidder subsequent to contract execution or the rejection of its bid(s), as described in Article 5.4 (Bid Assurance Collateral).~~

Deleted: 3) demonstrates that its, or its guarantor's, unsecured senior long-term debt rating (or issuer rating, if the unsecured senior long-term debt rating is unavailable) is currently available from Standard & Poor's, Fitch Ratings, or Moody's Investor Services;

Deleted: 4

Deleted: 5

4.1.2 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will endeavor, on a best efforts basis, to notify applicants of any deficiencies in their submittals in accordance with Article 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in an RFP Schedule developed subject to Article 2.2. However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline as indicated in an RFP Schedule developed subject to Article 2.2, and PPL Electric assumes no liability or obligation for a defective submission or for notifying any RFP Bidder of a defective submission. Early submittal of materials will provide the greatest flexibility to correct deficiencies prior to the Cure Deficiency Deadline and applicants are encouraged to submit Bidder Qualifications as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants whether or not they have qualified by noon of the Qualified Bidders Notified Date.

4.1.3 After an RFP Bidder has qualified for a solicitation in the RFP, that RFP Bidder can qualify again for a subsequent solicitation by: a) verifying, in writing, that the previously submitted credit and financial information is up-to-date and accurate; and b) providing two (2) originals of the Binding Bid Agreement for that solicitation. These documents must be provided by the Bidder Qualifications Due Date for that solicitation. Once qualified, the RFP Bidder will be required to submit the appropriate Bid Assurance Collateral for that solicitation and to fulfill all requirements of the Bid Proposal(s) as specified in Article 5. It is the sole responsibility of the RFP Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted Bidder Qualification materials.

Deleted: July 1

Deleted: 1

