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March 8, 2010

**VIA HAND DELIVERY**

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

**RE: Policy Statement in Support of Pennsylvania Solar Projects; Docket No. M-2009-2140263**

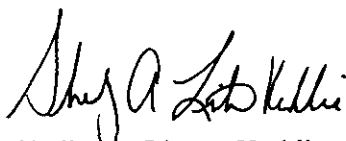
Dear Secretary McNulty:

Please find enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") an original and fifteen (15) copies of the Comments of Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (collectively, "the Companies") in the above-referenced proceeding.

Please date stamp the extra copy of this transmittal letter and the Comments, and kindly return them to our messenger for our filing purposes. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By   
Shelby A. Linton-Keddie

Counsel for Citizens' Electric Company of Lewisburg, PA  
and Wellsboro Electric Company

SLK/lmc  
Enclosure

c: Scott Gebhart, Energy Program Specialist (via E-mail)  
Kriss Brown, Assistant Counsel, Law Bureau (via E-mail)

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Policy in Support of Pennsylvania Solar Projects

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Docket No. M-2009-2140263

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COMMENTS OF  
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA and  
WELLSBORO ELECTRIC COMPANY

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SECRETARY'S BUREAU

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Counsel for Citizens' Electric Company of  
Lewisburg, PA and Wellsboro Electric Company

Dated: March 8, 2010

## I. INTRODUCTION

On December 10, 2009, the Pennsylvania Public Utility Commission ("PUC" or "Commission") issued an Order seeking comments on the Proposed Policy Statement and Regulations in Support of Pennsylvania Solar Projects ("Solar Policy Statement" or "Policy Statement"). This Order was published in the *Pennsylvania Bulletin* on February 6, 2010. In accordance with the established schedule, Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (collectively, "the Companies") hereby submit these Comments in order to present their preliminary position and to address their concerns regarding the Commission's proposed Solar Policy Statement.<sup>1</sup>

Citizens' is an investor-owned, for-profit electric utility incorporated under the laws of Pennsylvania and subject to regulation by the PUC. Citizens' serves approximately 6,800 customers in and around Lewisburg, Pennsylvania, in a 55 square mile territory in Union and Northumberland Counties. Approximately eighty percent (80%) of Citizens' customers are residential, with the remaining twenty percent (20%) being commercial and small industrial users.

Wellsboro is a for-profit, investor-owned utility, incorporated under the laws of Pennsylvania, rendering electric utility service in the Borough of Wellsboro, Pennsylvania and surrounding communities. Wellsboro serves approximately 6,000 customers, over eighty percent (80%) of which are residential and twenty percent (20%) of which are commercial and industrial. Like Citizens', Wellsboro is also regulated by the PUC. Both Companies are default service providers in their respective territories.

As the Commission continues reviewing comments to the proposed Solar Policy Statement, certain interests of smaller, PUC-regulated utilities must be addressed. Although the Policy

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<sup>1</sup> In addition, the Companies note that the Energy Association of Pennsylvania ("EAPA") has also submitted Comments regarding the PUC's proposed Solar Policy Statement. As members, the Companies support the Comments of EAPA.

Statement is non-binding, the vastly differing sizes of electric distribution companies ("EDCs") in Pennsylvania indicate that a "one size fits all" approach to Alternative Energy Portfolio Standards Act ("AEPS" or "AEPS Act") procurement may not be advisable. This is especially true for solar renewable energy credits ("SRECs"), where the number of SRECs that an EDC needs is directly proportional to its default service sales. Small EDCs with small default service loads and, therefore, small AEPS and SREC requirements should retain the flexibility to use AEPS procurement strategies that are tailored to meet their specific needs.

Several issues raised by the Commission's proposal have a direct impact on the Companies. In addition, issues and proposals submitted by other parties in response to the Commission's request for comments may also impact the Companies. As a result, the Companies reserve the opportunity to revise their position or offer additional comments in response to other parties' comments through Reply Comments.

## II. COMMENTS

Beginning in 2004, the Pennsylvania General Assembly enacted, and the Governor signed, a series of legislation promoting the development of renewable energy in Pennsylvania, with a specific emphasis on solar alternative energy. As summarized in the Commission's Policy Statement, this legislation included:

- The Alternative Energy Portfolio Standards Act of 2004, which established an alternative energy portfolio standard for Pennsylvania;
- Act 35 of 2007, which revised the schedule in the AEPS Act for solar photovoltaic requirements so that the requirements increase on an annual basis as opposed to increases in five (5) year increments, and also revised the mathematical calculation of the annual requirements; and

- Act 129 of 2008, which, among other things, required default service providers to acquire electric power through competitive procurement processes that must include one or more of the following: (1) auctions; (2) requests for proposal; or (3) bilateral agreements.<sup>2</sup>

As default service providers, the Companies operate under a Commission-approved procurement plan that includes a portfolio of energy products in order to meet their default service obligations.<sup>3</sup> As part of their default service plan, the PUC approved a specific strategy for AEPS procurement. Under the plan, the Companies acquire alternative energy credits ("AECs"), including SRECs, to meet their AEPS obligations. Specifically, the Companies purchase Tier I and Tier II AECs in blocks of approximately 5,000 MWh per transaction in order to meet their AEPS requirements. Similar to the purchase of electricity, the Companies use ACES Power Marketing LLC ("APM") to monitor AEC market prices and make multiple entry points into the market throughout each reporting period. SRECs are procured when and if available to meet AEPS requirements. APM and the Companies believe that SRECs will be difficult to acquire on a specific, pre-determined schedule because of the extremely small quantities required (projected to be 20 SRECs for Citizens' and 15 SRECs for Wellsboro in the 2010-2011 AEPS Reporting Period).

The Companies support the Commission's goal to promote the development of future solar projects that will benefit Pennsylvania's electric consumers. As SREC obligations increase in Pennsylvania and surrounding states, Citizens' and Wellsboro are concerned about the adequacy and liquidity of the SREC market, especially for the smaller purchases that the Companies will be making. Citizens' and Wellsboro are currently exploring opportunities to enter into a multiple year

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<sup>2</sup> As further explained in Act 129, this power must include a prudent mix of spot market purchases, short-term contracts and long-term contracts of more than 4 years, but not more than 20 years. Notably, these provisions also apply to any type of energy purchased by a default service provider, including alternative energy credits for compliance with the AEPS Act.

<sup>3</sup> The Companies' most recent joint default service plan was approved by the Commission by Order entered February 26, 2010, at Docket Nos. P-2009-2110798, P-2009-2110780.

contract for SRECs; however, due to the small size of this joint purchase, the Companies question whether it is cost-effective to (a) distinguish between "large scale" and "small scale" projects in that procurement process<sup>4</sup> and (b) conduct the type of formal request for proposals ("RFP")<sup>5</sup> contemplated in the PUC's Policy Statement. The Companies believe that a bilateral approach with no distinction between "large scale" and "small scale" would produce the best results for their ratepayers and also provide the best opportunity for the Companies to find an appropriate long term SREC arrangement.

Although the Policy Statement is non-binding and, as such, could provide the Companies with the flexibility to continue their current AEPS procurement strategy, the cost recovery language included in the Solar Policy Statement could be construed as prescribing, and therefore limiting, the circumstances under which SREC costs will be recovered. Specifically, proposed § 69.2903 states:

The cost of SRECs acquired through procurement approaches referred to in subsection (a) and (b) may be recovered consistent with the provisions of the AEPS Act and other applicable law.

The Companies seek clarification that this Section will not limit cost recovery for EDCs as long as the procurement is (a) consistent with a Commission-approved procurement plan and (b) the costs are properly recoverable under the AEPS Act and the Public Utility Code. While the Policy Statement is non-binding, parties may attempt to elevate the requirements of the Policy Statement to the equivalent of formal, binding regulations. The Companies believe that EDCs who comply with the AEPS Act are still entitled to cost recovery associated with the purchase of alternative energy

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<sup>4</sup> Throughout the Commission's Order, the Policy Statement makes a distinction between large-scale solar projects (which are defined as alternative energy generation systems employing solar photovoltaic technology with a nameplate capacity of 200 kW or more) and small-scale solar projects (which are defined as alternative energy generation systems with a nameplate capacity of less than 200 kW). This distinction is not included in the AEPS Act and extends the AEPS Act well beyond its plain language.

<sup>5</sup> Due to the small amount of SRECs needed by the Companies, an RFP process is not cost-effective. As indicated above, the Companies, in total, need only 35 AECs. This number pales in comparison to the requirements of larger EDCs. The developers who may be interested in working with Citizens' and Wellsboro would not necessarily be the same as those interested in working with larger EDCs.

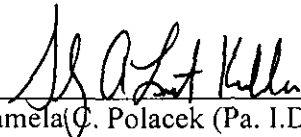
credits, even if those purchases do not follow the procurement approaches outlined in the Solar Policy Statement.

### III. CONCLUSION

WHEREFORE, Citizens' Electric Company of Lewisburg, Pennsylvania and Wellsboro Electric Company respectfully request that the Pennsylvania Public Utility Commission consider and adopt, as appropriate, the foregoing Comments.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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