

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 7, 2010

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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 to Modify Its  
Procurement of Solar Alternative Energy Credits  
Docket No. P-2008-2060309

Dear Secretary Chiavetta:

Enclosed for filing is the Answer of the Office of Consumer Advocate to the Petition of PPL Electric Utilities Corporation filed on May 18, 2010, in the above-referenced proceeding.

Copies have been served as indicated on the Certificate of Service.

Respectfully Submitted,

A handwritten signature in black ink that reads "Tanya J. McCloskey".

Tanya J. McCloskey  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 50044

Enclosures

cc: Honorable Susan D. Colwell  
Office of Special Assistants

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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	:	
to Modify Its Procurement of Solar	:	
Alternative Energy Credits	:	

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ANSWER OF THE  
OFFICE OF CONSUMER ADVOCATE

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The Office of Consumer Advocate (OCA) is in receipt of PPL Electric Utilities Corporation (PPL or Company) Petition for Approval to Modify Its Procurement of Solar Alternative Energy Credits Under the Default Service Procurement Plan. Through this Petition, PPL seeks to amend its current Default Service Procurement Plan (DSP Plan) approved by the Commission on June 30, 2009 to change the method of acquiring Tier 1 solar alternative energy credits (SRECs) associated with the DSP Plan's fixed-price load following contracts. Under PPL's current DSP Plan, PPL agreed to undertake a series of competitive bid processes to obtain full requirements supply, spot market supply, block energy products, and alternative energy credits. Under the full requirements and spot market procurements, each winning supplier must provide a proportional share of SRECs to fulfill PPL's Alternative Energy Portfolio Standards Act (AEPS Act) obligations. Petition, ¶ 7. PPL proposes to reduce, on a prospective basis, the portion of SRECs that full requirements suppliers must provide and instead, procure a portion of its SREC obligation pursuant to multi-year contracts. PPL makes this proposal in response to the

goals of the Commission's proposed Solar Policy Statement to encourage the development of new Solar Photovoltaic projects.

PPL also proposes to modify its Generation Supply Charges (GSC-1 and GSC-2) to provide for the treatment of all costs and credits associated with the procurement of SRECs. The Company states that it will allocate the costs and credits between the residential and small commercial and industrial classes based on an annual ratio that reflects the forecast MWhs for the year for the classes.

As an initial matter, the OCA notes that it supports the use of longer term contracting processes to support the development of solar PV projects. As the Commission stated in its proposed solar policy statement, such contracts can provide the longer term revenue stability that is likely needed to support both small-scale and large-scale solar development. Policy Statement in Support of Pennsylvania Solar Projects, Docket No. M-2009-2140263, *slip op.* at 1 (Order entered December 10, 2009). The use of multi-year contracts can help to overcome longer term price uncertainty which should aid in promoting the funding of solar projects.

The OCA does not object to PPL's proposal to modify the method of procuring SRECs associated with the full requirements contracts. The OCA submits, however, that PPL's proposal may require further examination to determine if the details of the proposal will produce a reasonable result and to determine if proper protections are in place for consumers. The OCA has preliminarily identified the following areas as needing further examination:

- whether the quantity of SRECs that PPL proposes to purchase is reasonable and properly reflects anticipated default service loads over the term of the contracts;

- whether the minimum level of SRECs that can be offered by a bidder is appropriate and allows for the participation of both small and large scale projects;
- whether an appropriate process, including a market benchmarking report on the solar market, is in place for determination of the competitiveness of the market for SRECs to help evaluate the winning bids in the RFP.

The OCA anticipates that other issues may be identified by other parties regarding the proposal.

The OCA submits that the solar power market remains immature and the solicitation for solar credits may be pushing against the available supply of such SRECs. The OCA supports efforts to further develop these markets and a well designed multi-year procurement process should provide necessary revenue certainty to assist in development. Such efforts must also be designed to ensure reasonable rates for default service customers.

WHEREFORE, the OCA looks forward to working with PPL and other interested stakeholders to finalize a process for the procurement of SRECs that will support the development of solar projects at competitive and reasonable prices.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

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 :  
to Modify Its Procurement of Solar :  
Alternative Energy Credits :

I hereby certify that I have this day served a true copy of the foregoing document, Answer of the Office of Consumer Advocate to the Petition PPL Electric Utilities Corporation filed on April 30, 2010, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 7<sup>th</sup> day of June 2010.

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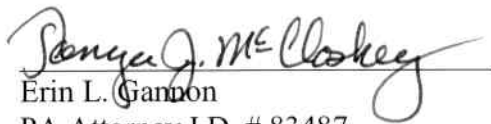
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