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November 16, 2010

BY HAND

Rosemary Chiavetta
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Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
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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 Secretary Chiavetta:

Enclosed, for filing, is the Main Brief of PPL Electric Utilities Corporation in the above-referenced proceeding.

Copies have been provided to the persons in the manner indicated on the Certificate of Service.

Respectfully Submitted,

Michael W. Hassell

MWH/jl

Enclosures

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).

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**MAIN BRIEF OF
PPL ELECTRIC UTILITIES CORPORATION**

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I. INTRODUCTION

On May 18, 2010, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) filed its Petition for Approval to Modify Its Procurement of Solar Alternative Energy Credits Under the Default Service Procurement Plan (“SREC Petition”). The SREC Petition requested that the Commission approve certain amendments to PPL Electric’s Default Service Procurement Plan (“DSP Plan”) in response to the Pennsylvania Public Utility Commission’s (“Commission”) December 10, 2009 proposed *Policy Statement in Support of Pennsylvania Solar Projects*, Docket No. M-2009-2140263 (“Proposed Policy Statement”) (Order entered December 10, 2009).¹ Specifically, PPL Electric developed a new long-term Solar Renewable Energy Credit (“SREC”) procurement process to add to its DSP Plan that follows the basic request for proposal (“RFP”) procurement process that PPL Electric has used successfully to obtain default service supplies. The Company’s SREC procurement process was developed to provide longer term revenue stability to support further solar development in Pennsylvania and to establish a mechanism that would enable PPL Electric to begin to bank SRECs.

The Commission assigned this matter to Administrative Law Judge Susan D. Colwell (the “ALJ”). An evidentiary hearing was held before the ALJ on November 4, 2010. On November 16, 2010, the parties to the proceeding filed a Joint Petition for Partial Settlement (“Partial Settlement”) which resolved all but one issue in the proceeding. The sole issue reserved for litigation relates to whether a solar aggregator under the Partial Settlement’s small scale solar system set aside program² should be required to certify that it has long-term contracts with qualifying solar facilities for the purchase of SRECs that are equal to or longer than the bilateral

¹ On September 16, 2010, the Commission entered an order adopting a final *Policy Statement in Support of Pennsylvania Solar Projects*, Docket No. M-2009-2140263 (“Final Solar Policy Statement”).

² For purposes of the Partial Settlement, small scale solar systems are defined as solar facilities with a DC rating of 15 kW or less.

contract between the solar aggregator and PPL Electric. In this Main Brief, the Company addresses the sole issue reserved for litigation.

The Company notes that it fully supports the Partial Settlement entered into by the Parties, for the reasons set forth in its Statement in Support of the Partial Settlement that was filed concurrently with the Partial Settlement on November 16, 2010.

II. BACKGROUND

PPL Electric is a “public utility” and an “electric distribution company” as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2803. PPL Electric provides 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, subject to the regulatory jurisdiction of the Commission.

On August 28, 2008, PPL Electric filed its DSP Plan to establish the terms and conditions under which PPL Electric would provide default service and obtain generation supply for that service. The parties to the DSP Plan proceeding settled all but two issues, which were fully litigated. As part of the terms of the DSP Plan 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 Alternative Energy Credits (“AEC RFP”). Under the full requirements and spot market contracts, each supplier must provide a proportional share of AECs, including SRECs, to fulfill PPL Electric’s AEPS Act obligations.³ The full requirements and spot market procurements obtain supplies for periods up

³ The block and AEC RFPs are conducted to acquire a portion of default supply solely for residential customers. The block supplies do not include AECs as part of the supply provided. Thus, AECs, including SRECs, must be purchased for that portion of supply through a separate RFP. *Petition of PPL Utilities Corp. for Approval of a*

to 26 months in length. On June 30, 2009, the Commission entered a Final Order approving the DSP Plan settlement and ruling upon the two issues not resolved by that settlement.

On May 18, 2010, PPL Electric filed its SREC Petition. The SREC Petition requested that the Commission approve: (1) PPL Electric's request to amend its current DSP Plan to permit it to procure a portion of its SRECs obligation over a long-term delivery period through a Request for Proposal ("RFP") process, such that this portion will no longer be procured under the DSP Plan's fixed-price load following contracts for residential and small commercial and industrial ("Small C&I") customers;⁴ (2) PPL Electric's proposed Request for Proposals Process and Rules: Solar Renewable Energy Credits for Compliance with Pennsylvania's Alternative Energy Portfolios Standards Act; (3) PPL Electric's proposed Solar Renewable Energy Credit Supply Master Agreement; and (4) PPL Electric's proposed revisions to its Generation Supply Charge-1 to provide for the proper treatment of all costs and credits associated with the procurement of SRECs pursuant to the RFP process described in the SREC Petition.⁵

Timely answers and/or notices of intervention were filed by the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Sustainable Energy Fund of Central Pennsylvania ("SEF"), Eric J. Epstein and Solar Alliance, a solar industry trade association.⁶

Default Service Program and Procurement Plan for the Period January 1, 2011 Through May 31, 2014, Docket No. P-2008-2060309, Slip Op. at p. 10 (Order Entered June 30, 2009).

⁴ The SREC Petition did not propose to modify the spot market, block, and AEC RFPs as previously approved by the Commission. Because the Company does not use fixed price load following contracts to procure default supplies for large commercial and industrial ("Large C&I") customers, Large C&I customers are not affected by the SREC Petition. It is noted that, under the Partial Settlement, the separate procurement process for a portion of SRECs is limited solely to the residential class. Partial Settlement, ¶ 12(a).

⁵ The SREC Petition did not seek to alter or set aside any of the contracts PPL Electric has previously entered into under its DSP Plan but, instead, sought to implement an additional solicitation and procurement process for SRECs on a prospective basis.

⁶ A petition to intervene was also filed by Exelon Generation Company, LLC ("Exelon"); however, Exelon's request to intervene was denied pursuant to the ALJ's Initial Decision, dated August 30, 2010.

On July 28, 2010, the Commission issued a notice scheduling a prehearing conference. An initial prehearing conference was held on August 18, 2010, before the ALJ. Prehearing memoranda were submitted by PPL Electric, OCA, OSBA, SEF, Mr. Epstein, Solar Alliance and Constellation NewEnergy Inc./Constellation Energy Commodities Group, Inc. (“Constellation”), which was a party to PPL Electric’s DSP Plan proceeding.⁷ A litigation schedule was established.

The parties undertook formal and informal discovery prior and subsequent to the initial prehearing conference.

On September 14, 2010, PPL Electric served written direct testimony. Subsequently, the parties advised the ALJ that an agreement in principle had been reached to settle all but one issue in the proceeding. The parties requested that a revised procedural schedule be established to receive testimony on the unresolved issue, and the ALJ granted that request. Pursuant to the revised procedural schedule, on October 20, 2010, SEF served written direct testimony and PPL Electric served its supplemental direct testimony. On November 1, 2010, PPL Electric served rebuttal testimony. No other direct or rebuttal testimony was submitted.

An evidentiary hearing was held on November 4, 2010, at which time the prefiled written testimony and exhibits of the Company and SEF were admitted into the record by stipulation. In addition, further exhibits of SEF were admitted into the record without objection.

On November 16, 2010, the parties filed the Partial Settlement. No party has objected to the terms of the Partial Settlement, which establishes an RFP process for procurement of a portion of PPL Electric’s default service SREC requirements. The Partial Settlement also

⁷ The Office of Trial Staff (“OTS”), another party to the DSP Plan proceeding, also appeared at the prehearing conference.

establishes a separate set aside program for procurement of SRECs from small solar systems, through the use of aggregators.

Pursuant to the schedule set forth by the ALJ, PPL Electric hereby files its Main Brief in this proceeding.

III. SUMMARY OF ARGUMENT

The Partial Settlement reserved one issue for litigation. The issue that could not be resolved is a proposal by SEF to add a further requirement under the small solar system set aside program established by the Partial Settlement. Under SEF's proposal, a solar aggregator would be required to certify that it has long-term contracts with qualifying solar facilities for the purchase of SRECs that are equal to or longer in term than the bilateral contract between the solar aggregator and PPL Electric. PPL Electric St. 1-S, p. 4. SEF contends that unless PPL Electric dictates the length of contracts between solar aggregators and individual small-scale solar facilities, the small scale system set aside program will not promote the construction of new small solar capacity. SEF St. No. 1, p. 4.

SEF has failed to provide any evidentiary support for its position. SEF has not introduced a single piece of evidence to support its claim that long-term contracts between solar aggregators and individual small-scale solar system owners are required in order for the small system set aside program to be successful. In contrast, PPL Electric introduced evidence that Pennsylvania's solar aggregators are currently offering a variety of contract options to encourage small-scale solar development including 1-year, 2-year, and longer term contracts. Therefore, despite SEF's claims, it is apparent that solar aggregators do not require that PPL Electric dictate the length of contracts that they offer to acquire SRECs. PPL Electric further explained why aggregators and small scale solar system owners may not want to enter into long-term contracts.

Further, it is inappropriate to place upon PPL Electric the administrative burden to monitor the contract term length between solar aggregators and solar developers.

SEF further contends that “excess” SREC credits exist in Pennsylvania, and that without its certification requirement, aggregators will simply use these excess credits rather than encourage new construction. However, PPL Electric conclusively demonstrated that SEF’s contentions are factually unsupported.

SEF also asserts that, absent long-term contracts between solar aggregators and qualifying solar facilities, the Company’s SREC procurement process does not fulfill the objectives of the Commission’s Final Solar Policy Statement. PPL Electric maintains that SEF is incorrect in its interpretation of the Commission’s Final Solar Policy Statement. PPL Electric notes that the Company voluntarily filed to amend its DSP Plan to develop an appropriate long-term, primarily RFP-based, procurement process for SRECs in response to the Commission’s Proposed Solar Policy Statement. PPL Electric St. 1, p. 6. The SREC procurement process set forth in the SREC Petition, as modified by the Partial Settlement, fully addresses the stated purpose of the Commission’s Final Solar Policy Statement. Indeed, the Commission’s Final Solar Policy Statement does not address SEF’s issue related to long-term contracts between solar aggregators and individual small-scale solar facilities.

For these reasons, SEF’s proposal that solar aggregators be required to certify that their underlying contracts with small-scale solar facilities be for a term equal to or longer than the term of the contract between PPL Electric and the aggregator should be rejected.

IV. ARGUMENT

A. THE SMALL SOLAR SYSTEM SET ASIDE PROGRAM AND THE RESERVED ISSUE FOR LITIGATION

As part of the Partial Settlement, PPL Electric has agreed to establish a separate procurement process, using long-term bilateral contracts instead of an RFP procedure, to obtain a portion of its SRECs from aggregators who acquire SRECs from small-scale solar facilities. The primary elements of this portion of the Partial Settlement are as follows:

- The Company will procure specified additional SRECs from solar aggregators that procure their credits from small-scale solar facilities. The additional quantities would be 1,000 SRECs for the life of the 9-year term, 1,100 SRECs for the life of the 8-year term and 1,600 SRECs for the life of the 7-year term.
- Small-scale solar facilities are defined as those with a Direct Current (“DC”) rating of 15 kW or less.⁸
- The minimum quantity of SRECs an aggregator could offer is 100.
- The price for each SREC would be equal to the average winning bids from the corresponding large-scale SREC RFP.
- The aggregator would be paid the average SREC price from the corresponding large-scale SREC RFP and may retain an administrative fee not to exceed 10% of the purchase price. The specified amount of the fee up to the 10% limit is a matter for negotiations between the aggregator and the SREC supplier.⁹

⁸ Facilities of this size can produce up to approximately 18 SRECs annually depending on their location within PJM. PPL Electric St. 1-S, p. 3.

⁹ For example, if the average SREC price for the 9-year term RFP is \$300, the aggregator would be paid \$300 for each SREC and could deduct an administrative fee not to exceed 10%, or \$30, in this example. The balance, not less than \$270, would be paid to the solar facilities owner. PPL Electric St. 1-S, p. 3.

- To encourage development of new solar facilities, participating aggregators would be required to certify that all SRECs are provided from small-scale solar facilities that were installed on or after June 1, 2010. PPL Electric St. 1-S, pp. 3-4; Joint Petition for Settlement ¶ 13(i)(ii).

However, the parties could not reach agreement on one aspect of the bilateral contract procurement from solar aggregators. SEF has proposed that each solar aggregator participating in the set aside program be required to certify that it has long-term contracts with qualifying solar facilities for the purchase of SRECs that are equal to or longer in term than the bilateral contract between PPL Electric and the solar aggregator. Partial Settlement, ¶ 16; PPL Electric St. 1-S, p. 4; SEF St. 1, p. 1. For reasons explained next, PPL Electric does not believe requiring small scale solar facility owners to enter into long-term contracts with solar aggregators in order to be part of the set aside is in the best interests of the competitive SREC market, solar aggregators, solar facility owners or PPL Electric.

B. SOLAR AGGREGATORS SHOULD RETAIN FLEXIBILITY TO ESTABLISH THE LENGTH OF CONTRACT TERMS FOR ACQUIRING SRECs FROM SMALL SCALE SOLAR FACILITIES

SEF's proposal to establish the term length of the contract between aggregators who wish to participate in the set aside program and owners of small-scale solar facilities unnecessarily interferes with development of the SREC market and improperly favors one business model for procurement of SRECs from small-scale facilities over others.

SEF's proposal may discourage solar aggregators from participating in the set aside program. Certain aggregators may not wish to participate in PPL Electric's SREC procurement process if they must make a certification that they have underlying contracts with small-scale solar facilities that are equal or greater than the term of the SREC RFP. PPL Electric St. 1-S, p. 5. As PPL Electric's witness Mr. Stinner explained, an aggregator may wish to acquire a

portfolio of contracts with solar facility owners with varying terms and conditions, such as a “layered” procurement that will enable it to provide sufficient SRECs over the life of the bilateral contract with PPL Electric. PPL Electric St. 1-S, p. 5. As Mr. Stinner noted, “PPL Electric does not believe it should interfere with what aggregators believe is the best approach to participate, particularly given that the market is still in its infancy.” *Id.*

In addition, PPL Electric offered un rebutted evidence that shows that the current small-scale solar market in Pennsylvania is growing, and that a wide variety of contract terms are provided by aggregators. PPL Electric St. 1-R, pp. 2-3. Indeed, Mr. Stinner testified that there are approximately 40 entities currently registered as solar aggregators in Pennsylvania. PPL Electric St. 1-R, p. 3. Further, Mr. Stinner offered evidence that solar aggregators in Pennsylvania are employing differing marketing options. Specifically, as shown in the screen shots from web sites of active solar aggregators in Pennsylvania, solar aggregators are offering contracts to solar developers with deals for one year, three years and up to 10 years. PPL Electric Exhibit DRS-R2. As one of these aggregators notes:

Sol System enables solar developers, homeowners and businesses to fully realize the value of their solar systems by providing them with a range of options for selling their SRECs. (Emphasis added).

In contrast to PPL Electric’s evidence regarding the solar market’s development of different business models to encourage new small scale solar development, SEF offered no evidence that long-term contracts are the only, or preferred, method to contract for SRECs. Indeed, SEF offered no evidence that sufficient SRECs could be acquired to fill the set aside procurements if the SEF certification condition were adopted. Tr. 511-512.

SEF, the only party in this proceeding to raise this issue, is a small scale solar aggregator Tr. 511, and it may prefer a business model that relies solely on long-term contracts. PPL Electric does not oppose and its proposed program will not inhibit this business model. PPL

Electric St. 1-R, p. 4. However, PPL Electric should not be required to adopt a condition to its small-scale solar set aside program that favors one business model over all others, particularly where there is evidence that aggregators already have developed alternative contract term lengths to encourage small scale solar development.. Mr. Stinner summarized PPL Electric's position as follows:

Therefore, it is PPL Electric's position that it should not interfere in the contract negotiations between aggregators and small-scale PV developers, just as it does not interfere in contract negotiations between suppliers and their sources for energy products under the DSP Plan. Instead, PPL Electric believes that the solar market should be left to develop without significant barriers to entry and that the Company should not dictate the length of contracts between aggregators and small-scale PV developers. If the market concludes, or if individual solar aggregators conclude, that long-term contracts with small-scale solar PV facility owners are the best way to generate credits to participate in the aggregation program, then that is what will occur. PPL Electric St. 1-R, p. 3.

SEF's proposal will hinder development of the small SREC marketplace and should be rejected.

C. SMALL SCALE SOLAR FACILITY OWNERS MAY BE UNWILLING OR UNABLE TO PARTICIPATE IN THE SET ASIDE PROGRAM IF THEIR ONLY OPTION IS TO CONTRACT WITH AN AGGREGATOR FOR SEVEN TO NINE YEARS

SEF's proposal also may inhibit the success of the small-scale set aside program because small-scale solar facility owners may be unwilling or unable to participate.

Mr. Stinner explained that SEF's proposal is not in the best interest of the competitive SREC market because it would tie up this particular SREC opportunity in a series of long-term contracts with small-scale solar facilities that are operating at the time of the SREC RFPs, which will be undertaken in 2011, 2012 and 2013. PPL Electric St. No. 1-S, p. 4. That is, qualified solar facilities that come into service during the duration of the bilateral long-term contracts would be precluded from participating in the small-scale SREC set aside under SEF's proposal. Such a result is not consistent with the Commission's objective of encouraging the development

of new solar facilities. Pursuant to the SREC procurement process agreed to by the parties in the Partial Settlement, if aggregators choose to enter into contracts of varying durations with solar facilities owners, new facilities will have an opportunity to participate throughout the term of the bilateral contracts.

SEF's proposal to mandate long-term contracts between aggregators and small scale solar facility owners may also inhibit the success of the set aside program because owners may be unwilling to lock themselves into long-term contracts. For example, a solar facility owner may feel they have inadequate information to make a long-term contract commitment, or may believe that SREC prices will increase over time, and therefore may only want a short-term contract. PPL Electric St. 1-S, p. 5. As Mr. Stinner noted:

This is similar to the situation faced by retail customers when they consider shopping for default service. Some customers believe a short-term price is more attractive than a longer-term price or vice-versa.

PPL Electric St. 1-S, p. 5. Other potential small scale solar facility owners, such as homeowners, may be unwilling to install solar facilities if their only option is a long-term contract, because they may be uncertain about how long they will remain in the home. PPL Electric St. 1-S, p. 5.

If small scale facility owners are deterred from contracting with aggregators, aggregators may be unable to provide sufficient SRECs to fill the set aside program amounts. Therefore, SEF's long-term contract requirement may work to the detriment of development of the SREC market. This is a further reason why SEF's proposal should be rejected.

D. SEF'S PROPOSAL WOULD PLACE AN UNDUE ADMINISTRATIVE BURDEN ON PPL ELECTRIC

The SEF's proposal also should be rejected because it would place an unwarranted administrative burden on PPL Electric. Specifically, PPL Electric explained that the additional requirement that aggregators certify that they have long-term contracts with small-scale solar

system owners would effectively require the Company to manage individual contracts with multiple small-scale solar facility owners. PPL Electric St. No. 1-S, p. 6. It is important to recognize that if the small-scale solar set aside program is approved without SEF's additional certification requirement, then at most, PPL Electric would be required to manage 37 bilateral contracts. PPL Electric St. No. 1-S, p. 6.¹⁰ However, if SEF's additional certification is included, PPL Electric may be required, either by the Commission or as a result of questions regarding the qualifications of an aggregator, to confirm whether aggregators met the long-term contracting requirement. *Id.* To complete such a review would require PPL Electric to review the contract between the solar aggregator and each solar facility owner. PPL Electric should not be put in the position of reviewing contracts that have been privately negotiated by solar aggregators and solar developers.¹¹

SEF's proposed conditional certification also adds a requirement for participation in the set aside program that does not apply to the RFP process. Winning bidders in the RFP process are not required to specify the source of their credits, or have long term purchase contracts in place, as a condition to participation. Such condition should not be layered onto the set aside program.

SEF's proposal will place an unnecessary burden upon PPL Electric to operate the small system set aside program. This is another reason why SEF's proposed certification requirement should be rejected.

¹⁰ The small scale set aside will procure a total of 3,700 SRECs and aggregators must offer a minimum of 100 SRECs from small scale systems to participate.

¹¹ It is to be noted that PPL Electric will be able to confirm that SRECs come from facilities that meet the size and installation date conditions of the Partial Settlement through the registration and transfer of credits in the Generation Attribute Tracking System ("GTAS"). PPL Electric St. 1-S, p. 7.

E. SEF'S CLAIM THAT EXCESS SRECS FROM EXISTING SMALL SCALE SOLAR FACILITIES WOULD BE USED BY AGGREGATORS WITHOUT THE ADDITIONAL CERTIFICATION REQUIREMENT IS UNSUBSTANTIATED

In support of its proposal, SEF contends that without the additional certification requirement, aggregators simply will use "excess" credits from existing solar systems to participate in the set aside program. SEF St. 1, p. 6. SEF asserts that this will not encourage development of new systems. However, this contention is not supported by the evidence.

In an attempt to support its contention, SEF's witness, Mr. Costlow, cited to the Commission's 2008-2009 Combined Annual Report on the Alternative Energy Portfolio Standards Act of 2004 ("AEPS Annual Report"). SEF Exh. 2. Mr. Costlow referenced the AEPS Annual Report's statement that 2010 Pennsylvania demand for solar PV generation was approximately 5.8 MW while 2010 Pennsylvania supply is expected to be 27.8 MW. From this statement, Mr. Costlow concludes that "excess" credits are available.

However, Mr. Stinner presented uncontested rebuttal to Mr. Costlow's conclusion. First, Mr. Stinner noted that the AEPS Annual Report identifies that about 20 MW of the estimated 27.8 MW of supply expected to be available in 2010 was already in service as of June 2010. SEF Exh. 2, p. 25; PPL Electric St. 1-R, p. 5. Because the Partial Settlement already requires that SRECs provided under the set aside must come from systems installed on or after June 1, 2010, this 20 MW of capacity will not be eligible to participate in the set aside program.

Second, the AEPS Annual Report does not distinguish between systems under 15 kW in size, and those over 15 kW. Thus, the AEPS Annual Report cannot support a conclusion that "excess" SRECs from small systems will exist. PPL Electric St. 1-R, p. 5.

Third, any claim of "excess" SRECs existing as of 2010 is totally irrelevant to the set aside program. It is important to understand that the set aside program will not begin

procurement until 2011, and is designed to procure credits through 2020. It is also important to understand that SRECs must be created during each year of the set aside program to qualify for the set aside. That is, credits to be provided in 2011 must be created in 2011, credits provided in 2012 must be created in 2012, etc. PPL St. 1-R, p. 5.¹² Therefore, any “excess” that may exist in 2010 is simply not a relevant consideration. Moreover, as Mr. Stinner explained, there is no evidence that “excess” credits will exist during the time that aggregators will be procuring credits for the set aside program:

However, four large EDCs, PECO, Allegheny Power, Penelec and MetEd, are not subject to the AEPS Act's procurement requirements until January 1, 2011. Furthermore, under the AEPS Act, the required percentage of SRECs increases from 0.0120% for compliance year 2010 to 0.0325% for compliance year 2012 (June 1, 2011 through May 31, 2012), the first year of SREC deliveries under the set aside program. As a result, the relevant statewide solar demand is not 5.8 MW, but instead is approximately 30 MW. (See Exhibit DRS-R4, AEPS Annual Report, p. 30). PPL Electric St. 1-R, p. 6.

Fourth, the AEPS Annual Report, and Mr. Costlow's testimony, fail to identify whether the “excess” credits, based upon a comparison of Pennsylvania supply and demand for 2010, are being used in other states in PJM or are being purchased and banked for later use by other electric distribution companies (“EDCs”) or electric generation suppliers (“EGSs”). PPL Electric St. 1-R, p. 7. It must be emphasized that a conclusion that these “excess” credits are already being used is most consistent with Mr. Costlow's claim that new solar systems will not be built unless there is a stream of revenues from sale of SREC credits to support the project.

¹² Because SRECs may be banked for up to two years under the AEPS Act, PPL Electric must be provided current credits each year in order to provide it with the maximum flexibility to bank credits under the SREC procurement plan adopted by the Partial Settlement. PPL Electric St. 1-R, p. 5.

PPL Electric St. 1-R, pp. 7-8. A conclusion that the credits are already being used is also consistent with the increasing price for SRECs. PPL Electric St. 1-R, p. 7.¹³

For all of these reasons, SEF has failed to demonstrate that aggregators would rely upon “excess” credits from existing systems without SEF’s additional certification requirement.

F. SEF HAS PROVIDED NO PROOF THAT THE SMALL SYSTEM SET ASIDE PROGRAM MUST INCLUDE SEF’S ADDITIONAL CERTIFICATION REQUIREMENT IN ORDER TO BE CONSISTENT WITH THE COMMISSION’S FINAL SOLAR POLICY STATEMENT

SEF maintains that requiring long-term contracts for every individual small-scale solar facility which signs on with a solar aggregator is necessary to achieve the goals of the Final Solar Policy Statement. SEF St. 1, p. 4. However, the specific issue that SEF addresses in this proceeding is simply not found in the Commission’s Final Solar Policy Statement.

Through the Partial Settlement, PPL Electric has carved out a portion of SRECs that must be obtained from small-scale solar facilities. By carving out separate long-term procurement requirements, PPL Electric has ensured that there will be long-term stable demand for small-scale solar facilities. PPL Electric has, therefore, met the two major objectives announced in the Commission’s policy statement, by promoting “the construction of solar projects, both large and small,” and by creating a long-term, stable market that will reduce barriers to entry and participation by small-scale solar facilities. 52 Pa. Code § 69.2901(c).

However, the Commission clearly stated in its order adopting the Final Solar Policy Statement that individual EDCs are responsible for finding the best way to integrate the Commission’s policy objectives through their default service procurement plans. *Order*, at pp. 24, 32, and 34. The EDCs are encouraged to base their decisions on “circumstances and the

¹³ As Mr. Stinner explained, if there were an overabundance of SRECs in the market, one would expect the price of SRECs to decline. PPL Electric St. 1-R, p. 7.

evidence presented” in constructing their SREC procurement plans. *Id.* In developing and negotiating the final terms of the SREC procurement process, PPL Electric and the Parties to the Partial Settlement have acted consistently with the Commission’s Final Solar Policy Statement.

Moreover, in its Order adopting the Final Solar Policy Statement, the Commission rejected proposals received from several parties to amend the Final Policy Statement to set specific requirements for developing contracts with solar providers. *Order*, at p. 32. Further, the Commission declined requests by various parties to set specific standards or requirements for the purchase of SRECs from small-scale projects, or to adopt criteria related to contracts with solar aggregators. *Order*, at pp. 33-38. Instead, the Commission deferred to the EDCs to develop contract proposals based on the “circumstances and the evidence presented.” *Order*, at p. 32. The Commission further stated that it was not its intention to “establish binding contract standards, terms, and conditions with this policy statement.” *Id.*

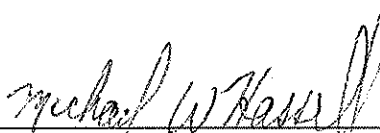
The Commission’s Final Policy Statement does not direct that aggregators must have long-term contracts with system owners to participate in SREC procurement programs. SEF’s claim that the proposed certification requirement is needed to achieve the goals of the Final Policy Statement is without support and should be rejected.

V. CONCLUSION

WHEREFORE, for the foregoing reasons, PPL Electric Utilities Corporation respectfully requests that the Administrative Law Judge and the Pennsylvania Public Utility Commission:

1. Approve the Joint Petition for Partial Settlement filed by the Parties in this proceeding without modification; and
2. Approve PPL Electric's proposed treatment of small-scale solar facilities and solar aggregators without the additional requirement that each solar aggregator certify that small-scale solar facilities are locked into contracts for a period equal to or longer than the term of the bilateral contract between PPL Electric and the solar aggregator.

Respectfully Submitted,



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