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November 16, 2010

BY HAND

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. 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 (Petition of PPL Electric Utilities for Approval to Modify its Procurement of Solar Alternative Energy Credits)

Dear Secretary Chiavetta:

Enclosed, for filing, are the original and three (3) copies of the Joint Petition for Partial Settlement in the above-referenced proceeding.

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

Respectfully Submitted,

Andrew S. Tubbs

AST/jl

Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program and :
Procurement Plan for the Period January 1, : Docket No. P-2008-2060309
2011 Through May 31, 2013 (**Petition of PPL** :
Electric Utilities for Approval to Modify its :
Procurement of Solar Alternative Energy :
Credits) :

JOINT PETITION FOR PARTIAL SETTLEMENT

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

I. INTRODUCTION

PPL Electric Utilities Corporation (“PPL Electric” or “Company”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Sustainable Energy Fund of Central Eastern Pennsylvania (“SEF”), Eric J. Epstein, and the Solar Alliance (“Solar Alliance), all parties to the above-captioned proceeding (hereinafter, collectively “Joint Petitioners”)¹, hereby join in this Joint Petition for Partial Settlement (“Settlement”) and respectfully request that Administrative Law Judge Susan D. Colwell (the “ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve this Settlement as set forth below.

As fully set forth and explained below, the Joint Petitioners have agreed to a settlement of all but one issue in the above-captioned proceeding. The reserved issue concerns whether solar aggregators under the small system set aside program should be required to certify that they have

¹ The Office of Trial Staff (“OTS”), Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. (“Constellation”) and the PPL Industrial Customer Alliance (“PPLICA”) have indicated that they do not object to the Settlement.

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long term contracts for solar Tier I renewable energy credits (“SRECs”). The Settlement provides for a modification of PPL Electric’s Default Service Procurement Plan (“DSP Plan”), which was previously approved by the Commission on June 30, 2009, to authorize a revised procedure for prospective acquisition of a portion of SRECs for residential customers and to reflect the terms agreed to by the Joint Petitioners as more fully explained below. In support of this Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. 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.

2. On August 28, 2008, PPL Electric filed the above-captioned DSP Plan to establish the terms and conditions under which PPL Electric would provide default service and obtain generation supply for that service.² The parties to the proceeding settled all but two issues, which were fully litigated.³ 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,

² 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 default service supply by EDCs. Among other provisions, the law amended the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2801 et seq. (the “Competition Act”) to require EDCs, in their role as default suppliers, to procure AECs through competitive processes utilizing a “prudent mix” of contracts. *See* 66 Pa.C.S. § 2807(e)(3.5). As a result, on November 3, 2008, PPL Electric filed an amended DSP Plan to comply with the requirements of Act No. 129.

³ 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 for the period from January 1, 2011 through May 31, 2013.

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.⁴ The full requirements and spot market procurements obtain supplies for periods up to 26 months in length. On June 30, 2009, the Commission entered a Final Order approving the settlement and ruling upon the two issues not resolved by the settlement.

3. On December 10, 2009, the Commission issued a proposed policy statement with the intent to further facilitate the development of new solar projects in Pennsylvania. *Policy Statement in Support of Pennsylvania Solar Projects*, Docket No. M-2009-2140263 (Order entered December 10, 2009)⁵.

4. On May 18, 2010, PPL Electric filed its Petition for Approval to Modify Its Procurement of Solar Alternative energy Credits Under the Default Service Procurement Plan (“Solar Petition”).⁶ The Solar Petition was served on all parties to the original proceeding. The Solar 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 such that this portion will no longer be procured under its DSP Plan’s fixed-price load following contracts; (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

⁴ 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.

⁵ On September 16, 2010, the Commission issued an order adopting a *Policy Statement in Support of Pennsylvania Solar Projects*. (Final Policy Statement Order entered on September 16, 2010).

⁶ The Solar Petition does not propose to modify the spot market, block, and AEC RFPs as previously approved by the Commission

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 Solar Petition.⁷

5. Timely answers and/or notices of intervention were filed by OCA, OSBA, SEF, PPLICCA and Solar Alliance.⁸

6. 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, and Constellation, identifying potential issues and witnesses. A litigation schedule was established.

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

8. On September 14, 2010, PPL Electric served written direct testimony.

9. The Parties held several settlement conferences. As a result of these conferences and the efforts of the Parties to examine the issues raised in the proceeding, a settlement in principle of all but one issue was achieved prior to the date for submission of the direct testimony of parties other than the Company.

10. On October 13, 2010, the Parties advised the ALJ that they had reached a settlement in principle, with one issue reserved for litigation. At the request of the Parties, the ALJ issued an Amended Scheduling Order on October 13, 2010, which ordered the following: (1) the cancellation of the due date for the filing of direct testimony of Parties other than the Company; (2) the rescheduling of the due dates for the direct and rebuttal testimonies for all

⁷ The Solar Petition does not seek to alter or set aside any of the contracts PPL Electric has previously entered into under its DSP Plan but, instead, seeks to implement an additional solicitation and procurement process for SRECs on a prospective basis.

⁸ 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.

parties for the reserved issue; and (3) the cancellation of the November 3, 2010 hearing date, but not the November 4, 2010 hearing date.

11. With the exception of the one outstanding issue reserved for litigation, the Joint Petitioners have agreed to all terms of the Settlement as set forth in the following Section. The Settlement is as follows.

III. SETTLEMENT

12. The Joint Petitioners agree that PPL Electric's request to amend its current DSP Plan to permit the Company to procure a portion of its SRECs required under the Alternative Energy Portfolio Standards Act over a long term delivery period is approved, as described in the Solar Petition and subject to the following terms and conditions:

- (a) The Company shall use the RFP process, as described in its Solar Petition, to purchase long-term SRECs to meet the SREC requirements of residential customers based upon the purchase of 3,000 SRECs per year, resulting in target quantities of 27,000 SRECs for Solicitation 1 (a delivery period of 9 years), 24,000 SRECs for Solicitation 2 (a delivery period of 8 years), and 21,000 SRECs for Solicitation 3 (a delivery period of 7 years). These represent initial target quantities that are subject to revision as provided in Section 2.3.2 of the SREC RFP Process and Rules. The Small C&I and Large C&I procurements for SRECs approved in the DSP Plan Settlement shall remain unchanged.
- (b) To reflect the terms and conditions of the Settlement, the Company shall adopt and implement the following, modified consistent with the terms of this Settlement: (i) the SREC RFP Process and Rules, attached as

Appendix A to the Petition; (ii) the SREC SMA, attached as Appendix B to the Petition; (iii) the Addendum to DSP Plan SMA, attached as Appendix C to the Petition; and (iv) the Revisions to Generation Supply Charge-1, attached as Appendix D to the Petition.

- (c) The initial solicitation may be undertaken at any time, in the Company's discretion, following Commission approval of the Settlement.
- (d) All DSP Plan transaction confirmations entered into prior to implementation of this long-term SREC procurement process shall remain unchanged and obligations set forth therein, in amount and by customer class, shall continue.
- (e) Following implementation of this long-term SREC procurement process, the Company shall issue an Addendum to the Default Service SMAs, in the form set forth in Appendix C, to be applicable to Transaction Confirmations issued subsequent to Commission approval of this Settlement. Pursuant to the Addendum, "Exhibit B" to the SMA shall specify the Seller's AEPS Obligation for each prospective solicitation. A form of the modification to "Exhibit B" is attached hereto as Appendix F. Initially, the Company intends to reduce the percentage obligation of SRECs under the Default Service SMA for procurements related to residential customers to one-half the statutorily required amounts.

13. In addition to the foregoing, the Joint Petitioners agree to the following:

- (a) The independent RFP Manager will submit a confidential solar market benchmarking analysis to the Commission prior to each SREC bid closing

date. The RFP Manager will provide the solar market benchmarking analysis to OCA and PPL Electric (if they so desire), on a confidential basis, five days prior to the date that the analysis is submitted to the Commission. OCA will have three (3) days to submit, on a confidential basis, any comments on the benchmarking analysis to PPL Electric and the RFP Manager. The RFP Manager will retain the discretion to take into account or respond to the comments as it believes appropriate in preparation of its report to the Commission on the results of the SREC procurement. The RFP Manager will append any comments submitted by OCA to its analysis submitted to the Commission.

- (b) Bidders must have the ability to deliver, at a minimum, 3,000 SRECs over the contracted delivery period, and meet all other eligibility requirements to participate in these solicitations.
- (c) PPL Electric will release the average weighted price of the winning bids no later than fourteen (14) calendar days after all executed transaction confirmations for a solicitation have been returned. The average weighted price will be released regardless of the number of winning bidders, but the number of winning bidders will not be released.
- (d) In any given Compliance Period, a Seller must transfer SRECs into PPL Electric's PJM Generation Attributes Tracking System ("GATS") account in accordance with the following minimum supply schedule:

	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Percent Obligation	10%	10%	10%	9%	9%	6%	6%	6%	6%	9%	9%	10%

(e) Sellers may transfer excess credits, above the minimum monthly required percentage, but not to exceed 200% of the required monthly percentage. Excess credits will be applied to future monthly obligations on a rolling basis. The aggregate quantity of SRECs transferred may not exceed the annual obligation for a Compliance Period. No credits may be transferred to PPL Electric in advance of a future Compliance Period. Sellers will be paid for actual SRECs delivered.

(f) Article 2.3(c) of the SMA shall be revised to read as follows:

Within 70 days after the end of each calendar month during the Delivery Period, but not to exceed 50 days after the end of the Delivery Period per Article 2.3 (e), the Seller shall transfer SRECs into the Buyer's GATS account(s) in an amount commensurate with Specified Amount provided by the Seller during said calendar month.

(g) Article 3.1 of the SREC SMA shall be revised to read as follows:

3.1 *Recovery of SREC Costs.* Buyer's obligations under this agreement are premised upon Buyer's ability to recover all costs incurred by it under this Agreement from its retail customers in full on a current basis, as recognized by the AEPS Act. In the event that the Buyer has previously filed for and received regulatory approval for the SREC procurement plan underlying this Agreement, and any subsequent Order of the Pennsylvania Public Utility Commission has

the effect of suspending, limiting, or denying Buyer's ability to recover fully such costs from its retail customers on a current basis, Buyer may exercise one of the following two options, but only after undertaking reasonable best efforts to challenge such action before the Pennsylvania Public Utility Commission:

(1) terminate this Agreement upon 30 calendar days notice; or

(2) elect to continue performing under the Agreement and pay the Seller only the costs for the SRECs which the Buyer is permitted to recover on a current basis from its retail customers. However, if Buyer elects to reduce its payments under this Agreement to that which it is permitted to recover on a current basis from its retail customers as a result of an action of the Public Utility Commission, Seller may terminate this Agreement upon not less than 30 calendar days notice.

(h) Article 12.3 of the SREC SMA shall be revised to read as follows.

UNSECURED CREDIT. During the term of this Agreement, Buyer shall extend, solely with respect to the Performance Assurance set forth in Section 12.1 (Requirement for Performance Assurance), Unsecured Credit, as defined in Article 1 of this Agreement, to Seller in an amount initially determined on the Effective Date and redetermined each Business Day thereafter pursuant to this Section 12.3.

For purposes of determining Unsecured Credit for Sellers with credit ratings, the relevant Unsecured Credit Limit for Aggregate Transactions shall not exceed the Unsecured Credit Limit listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit

Rating most recently published by S&P, Fitch and/or Moody's. The relevant TNW Amount shall be calculated using the TNW Percentage listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's.

CREDIT RATING				
S&P	Fitch	Moody's	TNW Percentage	Unsecured Credit Limit
A- or above	A- or above	A3 or above	5%	\$75,000,000
BBB+	BBB+	Baa1	5%	\$50,000,000
BBB	BBB	Baa2	5%	\$35,000,000
BBB-	BBB-	Baa3	5%	\$20,000,000
Below BBB-	Below BBB-	Below Baa3	5%	\$0

The Buyer also retains the discretion to extend Unsecured Credit to non-rated Sellers based on an evaluation of reasonable credit criteria, which shall at a minimum consist of a review of 3 (three) years of audited financial statements.

Pursuant to this Article 12 and Article 1, the analysis of Unsecured Credit will also include consideration of the Guaranty Agreement, if any, submitted by Seller in connection with this contract.

- (i) In addition to the SREC RFP procurement amounts, additional amounts will be set aside for procurement, on a bilateral contract basis, from solar systems with a DC rating of 15 kW or less. The form of bilateral contract shall be similar to the SREC SMA, revised to reflect the requirements set forth herein and to remove provisions not relevant to a bilateral

procurement. The set aside amount shall be equal to 1,000 SRECs for the 9-year term, 1,100 SRECs for the 8-year term and 1,600 SRECs for the 7-year term.

- (i) Solar systems with a DC rating of 15 kW or less that desire to participate in the set aside shall be required to contract with a solar aggregator, which shall in turn contract with PPL Electric. The solar aggregator shall be required to certify that all credits are provided from solar systems installed on or after June 1, 2010. A solar aggregator must demonstrate that it has a minimum of 100 SRECs from qualifying solar systems over the contracted delivery period to participate in the yearly set asides.
- (ii) The price to be paid to solar aggregators under the set aside shall be equal to the average SREC price for the applicable SREC RFP, which shall be deemed to include any administrative fee retained by the solar aggregator. The solar aggregator may retain an administrative fee not greater than 10% of the bid price for each SREC.
- (iii) Solar aggregators must make offers to participate in the set aside in multiples of 100 SRECs, not to exceed the maximum set aside amount for each procurement. Offers will be submitted through an electronic mailbox. Following announcement of the applicable average SREC price, offers will be accepted on a first come-first

serve basis. Offers will be ranked based upon the e-mail submission time stamp. If the final offering in a solicitation exceeds the number of SRECs remaining for solicitation, the accepted final offering will be limited to the number of SRECs remaining.

14. The Joint Petitioners further agree that:

- (a) SEF will not contend, in the 10-year unit entitlement procurement filing to be made pursuant to the DSP settlement,⁹ that the 10-year unit entitlement procurement should be based upon a renewable energy system.
- (b) The intervention of Solar Alliance is limited to the proposal to add a new form of procurement for SRECs into the DSP Plan, and shall not be precedent for parties that were not part of the original DSP Plan proceeding to intervene after the fact in any future proceeding involving the DSP Plan.

15. The modification of PPL Electric's DSP Plan to authorize a revised procedure for prospective acquisition of SRECs, subject to the terms and conditions set forth above, reflects a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Settlement is in the public interest.

⁹ As part of PPL Electric's settlement of its DSP Plan, the Company agreed to procure a portion of its default service supply for the residential customer class through a 50 MW 10-year unit entitlement procurement. The details of the 10-year unit entitlement request for proposal were deferred to a collaborative and will be filed separately with the Commission for approval.

IV. ISSUE RESERVED FOR LITIGATION

16. The Joint Petitioners have reserved for litigation the issue of whether each aggregator under the set aside program will be required to certify that it has long term contracts with qualifying solar systems for SRECs equal to or longer in term length of the bilateral contract between the aggregator and PPL Electric.

17. This reserved issue will be fully litigated and briefed by the interested parties.

V. THE SETTLEMENT IS IN THE PUBLIC INTEREST

18. This Settlement was achieved by the Joint Petitioners after an investigation of PPL Electric's Petition, including informal and formal discovery and PPL Electric's filing of direct testimony.

19. Attached as Appendices A through D are Statements of Support submitted by PPL Electric, OCA, SEF and Solar Alliance, setting forth the bases upon which they believe the Settlement is in the public interest. The OSBA will submit its Statement in Support separately. In addition, letters of non-opposition will be submitted separately by OTS, Constellation and PPLICA.

VI. CONDITIONS OF SETTLEMENT

20. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement.


21. This Settlement is proposed by the Joint Petitioners to settle all but one issue, which is reserved for litigation. If the Commission does not approve the Settlement and the proceedings continue, the Parties reserve their respective procedural rights. The Settlement is made without any admission against, or prejudice to, any position that any Party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

22. Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

VII. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the Honorable Administrative Law Judge Susan D. Colwell and the Commission approve this Settlement, including all terms and conditions thereof, and that the Commission enter an order consistent with this Settlement, authorizing PPL Electric Utilities Corporation to adopt the modified SREC procurement process for residential customers as set forth herein.

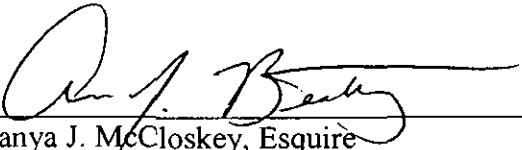
Respectfully submitted,



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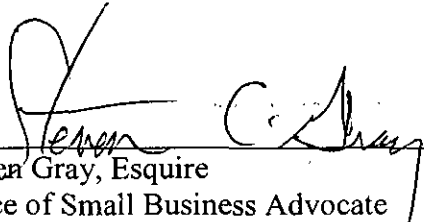
Date: 11/16/10

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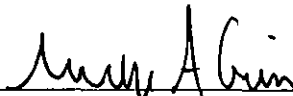
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*For The Sustainable Energy Fund of Central Eastern
Pennsylvania*

Date: 11/16/10



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Counsel for Solar Alliance

Date: 11/16/10

A

**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 :

**PPL ELECTRIC UTILITIES CORPORATION'S
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT**

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SECRETARY'S BUREAU

TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

I. INTRODUCTION

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby files this Statement in Support of the Joint Petition for Partial Settlement ("Partial Settlement") in the above-captioned proceeding and respectfully request that Administrative Law Judge Susan D. Colwell (the "ALJ") and the Pennsylvania Public Utility Commission ("Commission") approve, without modification, the Partial Settlement resolving all but one issue related to PPL Electric's Petition for Approval to Modify Its Procurement of Solar Alternative Energy Credits Under the Default Service Procurement Plan ("Solar Petition").

The Partial Settlement provides for a modification of PPL Electric's Default Service Procurement Plan ("DSP Plan"), which was previously approved by the Commission on June 30, 2009, to authorize a revised procedure for prospective acquisition of a portion of solar Tier I renewable energy credits ("SRECs") for residential customers and to reflect the terms agreed to by the Joint Petitioners as more fully explained below. The reserved issue concerns whether solar aggregators under the small system set aside program should be required to certify that they have long term contracts for SRECs. This issue has been addressed by PPL Electric in its Main

Brief filed on November 16, 2010. For the reasons explained below, the approval of the Partial Settlement is just, reasonable, and in the public interest.

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 the above-captioned 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 proceeding settled all but two issues, which were fully litigated.¹ 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 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.² The full requirements and spot market procurements obtain supplies for periods up to 26 months in length. On June 30, 2009, the Commission entered a Final Order approving the settlement and ruling upon the two issues not resolved by the settlement.

¹ 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 for the period from January 1, 2011 through May 31, 2013.

² 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.

On December 10, 2009, the Commission issued a proposed policy statement with the intent to further facilitate the development of new solar projects in Pennsylvania. *Policy Statement in Support of Pennsylvania Solar Projects*, Docket No. M-2009-2140263 (Order entered December 10, 2009).³

On May 18, 2010, PPL Electric filed its Solar Petition.⁴ The Solar Petition was served on all parties to the original proceeding. The Solar 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 such that this portion will no longer be procured under its DSP Plan's fixed-price load following contracts; (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 Solar 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 Eastern Pennsylvania ("SEF"), Constellation NewEnergy, Inc. and Constellation

³ On September 16, 2010, the Commission issued an order adopting a *Policy Statement in Support of Pennsylvania Solar Projects*. (Final Policy Statement Order entered on September 16, 2010).

⁴ The Solar Petition did not propose to modify the spot market, block, and AEC RFPs as previously approved by the Commission.

⁵ The Solar 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.

Energy Commodities Group (“Constellation”) and the Solar Alliance (“Solar Alliance”).⁶ 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. The Parties held several settlement conferences. As a result of these conferences and the efforts of the Parties to examine the issues raised in the proceeding, a settlement in principle of all but one issue was achieved prior to the date for submission of the direct testimony of parties other than the Company.

On October 13, 2010, the Parties advised the ALJ that they had reached a settlement in principle, with one issue reserved for litigation. At the request of the Parties, the ALJ issued an Amended Scheduling Order on October 13, 2010, which ordered the following: (1) the cancellation of the due date for the filing of direct testimony of Parties other than the Company; (2) the rescheduling of the due dates for the direct and rebuttal testimonies for all parties for the reserved issue; and (3) the cancellation of the November 3, 2010 hearing date, but not the November 4, 2010 hearing date. With the exception of the one outstanding issue reserved for litigation, the Joint Petitioners have agreed to all terms of the Settlement as set forth in the following Section.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. P.U.C. v. York Water Co.*, Docket

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.

No. R-00049165 (Order entered Oct. 4, 2004); *Pa. P.U.C. v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991). The Settlement reflects a carefully balanced compromise of the interests in this proceeding. For the reasons set forth below, the Settlement is just and reasonable and should be approved.

III. THE PARTIAL SETTLEMENT IS IN THE PUBLIC INTEREST

The Partial Settlement has support from the OCA, OSBA, SEF, and Solar Alliance, and PPL Electric (collectively referred to as “Parties”).⁷ The Parties reached agreement on all but one issue relating to the Solar Petition. The diversity of interests represented by the different parties to the agreement clearly demonstrates that the Partial Settlement is in the public interest and should be approved. Moreover, as explained below, approval of the Partial Settlement is in the public interest because it promotes the spirit and purpose of the Commission’s *Policy Statement in Support of Pennsylvania Solar Projects*.

The Partial Settlement was achieved after the parties undertook numerous discussions and negotiations on the modification of PPL Electric’s DSP Plan to authorize a revised procedure for procuring a portion of PPL Electric’s default service SREC requirements through long-term contracts. The Partial Settlement, if approved by the ALJ and the Commission, will reduce the amount of expense and effort that otherwise would be required by the parties and the Commission to bring this matter to a conclusion through litigation of all issues, including preparing for and participating in hearings and preparing detailed briefs on all issues.

⁷ The Office of Trial Staff (“OTS”), Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. (“Constellation”) and the PPL Industrial Customer Alliance (“PPLICA”) have indicated that they do not object to the Partial Settlement.

A. THE PROPOSED SREC PROCUREMENT PROCESS PROMOTES THE DEVELOPMENT OF SOLAR PROJECTS IN PENNSYLVANIA

Pursuant to the Partial Settlement, PPL Electric will amend its DSP Plan in a manner consistent with the Commission's *Policy Statement in Support of Pennsylvania Solar Projects*, Docket No. M-2009-2140263 (Order entered December 10, 2009), to include a long-term SREC procurement process. This process for acquiring SRECs will provide longer term revenue stability to support further solar development in Pennsylvania and to establish a mechanism that will enable PPL Electric to begin to bank SRECs. Moreover, as detailed below, through the Partial Settlement, PPL Electric's SREC procurement process will support the development of both large and small-scale solar projects.

1. Long-Term Delivery Period for SRECs.

The proposed SREC procurement process is structured similarly to the successful RFP process already in place for the Company's existing DSP Plan. By this proposed amendment, PPL Electric will obtain long-term, competitive, fixed price supply contracts for SRECs via three solicitations for terms lengths of 9-years, 8-years and 7-years. Pursuant to the Partial Settlement, and as requested by the OSBA, small commercial and industrial customers have been removed from the proposed SREC procurement process. PPL Electric will continue to obtain the necessary SRECs for these customers through the existing fixed-price load following procurements in its DSP Plan. As a result, the long term SREC procurement under the Partial Settlement is applicable only to the residential class. As a result of this modification, the target quantities for the solicitations set forth in the Solar Petition have been reduced from 31,500 to 27,000 SRECs for the 9-year term; from 28,000 to 24,000 SRECs for the 8-year term; and from 24,500 to 21,000 SRECs for the 7-year term. Therefore, in each solicitation PPL Electric will seek to procure SRECs for a multi-year delivery period to meet a portion of its expected SREC

obligation for residential customers under the *Alternative Energy Portfolio Standards Act of 2004*, 73 P.S. §§ 1648.1 *et seq* (“AEPS Act”).⁸

Approval of the Partial Settlement to enable PPL Electric to modify its DSP Plan to provide for long-term delivery periods on SRECs will create stability and predictability in the market. The initial, 9-year delivery period for the first solicitation was proposed by PPL Electric based upon its discussions with individual Solar PV developers, and the Partial Settlement adopts these terms. The procurement periods specified in the Partial Settlement are within the five to twenty year period that the Commission’s Policy Statement identified as desirable. 52 Pa. Code § 69.2904. These long term commitments will provide price certainty for solar projects, which in turn may encourage additional projects. This may eventually result in a price reduction for SRECs, which effectuates the Commission’s goal of providing low-cost alternative energy options.

2. Minimum Bid Requirements Will Encourage Participation in SREC Procurement Process

The Company had initially proposed a minimum bid of 5,000 SRECs over the contracted delivery period in order to participate in the solicitations process. Through negotiations, the Parties have agreed that a 3,000 SREC requirement would encourage broader participation in the SREC procurement process. The 3,000 SREC requirement encourages market development by allowing smaller solar systems to participate in the SREC procurement process either separately or through a solar aggregator. By reducing the minimum bid requirement, the Parties expect to increase the participation in the SREC procurement process.

⁸ The use of long-term contracts for SRECs via the proposed SREC procurement process reflects a balance between long- and short-term contracts by PPL Electric. Pursuant to the proposed SREC procurement process under the Partial Settlement, the Company initially expects to procure somewhat less than 50% of the necessary SRECs for residential default service via long-term contracts. The remainder of the Company’s residential SREC requirements will continue to be procured under the spot, load following and AEC contracts in the existing DSP Plan, which are primarily 1- and 2- year contracts.

3. Benchmarking Analysis

In response to an issue raised by the OCA, the Partial Settlement provides that the independent RFP Manager for the SREC procurement, NERA, will submit a confidential solar market benchmarking analysis to the Commission prior to each SREC bid closing date. The OCA and PPL Electric will have an opportunity to provide confidential comments on the benchmarking analysis prepared by NERA. The benchmarking analysis and the comments of the OCA and PPL Electric will be provided to the Commission with the results of the SREC procurement. It is expected that this information will assist the Commission in its review of the SREC procurement results. In addition, similar provisions have been included in other electric distribution company SREC settlement agreements and that have been approved by the Commission.⁹

4. Release Of Average Price Of Winning Bids

Pursuant to the Partial Settlement, PPL Electric has agreed to release the average weighted price of the winning bids no later than fourteen (14) calendar days after all executed transaction confirmations for a solicitation have been returned. PPL Electric will release the average weighted price regardless of the number of winning bidders, but the number of winning bidders will not be released. This provision will provide transparency to the SREC procurement process as well as provide the Commission and participants in Pennsylvania's developing solar market with information as to the current pricing of SRECs in the Commonwealth.

⁹ See *Petition of PECO Energy Company for Approval to Procure Solar Alternative Energy Credits*, Docket No. P-2009-2094494 (Order entered August 28, 2009).

5. Process Changes Provide Flexibility SREC Providers

In response to concerns raised by the Solar Alliance, PPL Electric has agreed to provisions that will allow for greater flexibility in the delivery schedule for SRECs. Specifically, the Partial Settlement provides that in any given compliance period, a winning bidder must transfer SRECs into PPL Electric's PJM Generation Attributes Tracking System account in accordance with a minimum supply schedule that takes into account for the seasonality of SREC production. In addition, PPL Electric has agreed to allow winning bidders to transfer excess credits, above the minimum monthly required percentage, but not to exceed 200% of the required monthly percentage. These excess credits will be applied to future monthly obligations on a rolling basis. These modifications are designed to provide greater flexibility during the annual delivery period to transfer SRECs to PPL Electric's account. This is designed to recognize the seasonal nature of solar systems.

The Partial Settlement also revises several provisions of the SREC Supplier Master Agreement ("SREC SMA"). These revisions were included in the Partial Settlement to resolve issues raised by the Solar Alliance. Specifically, Articles 2.3(c), 3.1 and 12.3 of the SREC SMA will be revised to provide additional operational and financial flexibility to winning bidders in the SREC procurement process as well as to clarify the "change of law" provision of the SREC SMA.

Under the Partial Settlement, Article 2.3(c) will be revised so that winning bidders will have an additional 30 days after the end of each calendar month during the delivery period to transfer the specified amount of SRECs into PPL Electric's GATS account(s). This additional layer of flexibility was an important item for the Solar Alliance and its members, as it will provide them with greater flexibility to manage their SRECs. The proposed revision to Article 3.1, clarifies the "change of law" provision of the SMA to provide greater specificity, and

thereby greater surety to participants in PPL Electric's SREC procurement process, as to when and under what circumstances that PPL Electric may seek to modify or terminate an agreement with winning bidders. Pursuant to the Partial Settlement, Article 12.3 will be revised to provide PPL Electric with the discretion to extend unsecured credit to non-rated winning bidders based on an evaluation of reasonable credit criteria, which shall at a minimum consist of a review of 3 (three) years of audited financial statements. This provision provides PPL Electric with the flexibility to include financially stable but un-rated solar developers in its SREC procurement process.

These process changes were in response to concerns raised by the trade association representing approximately thirty (30) companies involved in manufacturing solar photovoltaic ("PV") equipment, developing solar PV projects and conducting business Pennsylvania. In addition, the Solar Alliance members are potential suppliers of SRECs to PPL Electric. Therefore, the Partial Settlement is responsive to concerns raised by the solar developers that PPL Electric's Solar Petition and the Commission's Policy Statement seek to assist.

6. Small-Scale Solar Set Aside Program

In addition to the SREC RFP procurement the Partial Settlement provides for procurements of additional amounts of SRECs on a bilateral contract basis from solar systems with a direct current ("DC") rating of 15 kW or less. The form of bilateral contract shall be similar to the SREC SMA, revised to reflect the requirements set forth in the Partial Settlement. Specifically, the agreed to set aside amounts are 1,000 SRECs for the 9-year term, 1,100 SRECs for the 8-year term and 1,600 SRECs for the 7-year term. This small system set aside program was requested by the SEF.

Solar systems with a DC rating of 15 kW or less that desire to participate in the set aside shall be required to contract with a solar aggregator, which shall in turn contract with PPL

Electric. The solar aggregator shall be required to certify that all credits are provided from solar systems installed on or after June 1, 2010. A solar aggregator must demonstrate that it has a minimum of 100 SRECs from qualifying solar systems over the contracted delivery period to participate in the yearly set aside. That translates into approximately 18 SRECs annually, depending on location.

To provide price certainty for both solar aggregators and small-scale solar developers, the Partial Settlement provides that the price to be paid to solar aggregators under the set aside shall be equal to the average SREC price for the applicable SREC RFP, which shall be deemed to include any administrative fee retained by the solar aggregator. The solar aggregator may retain an administrative fee not greater than 10% of the bid price for each SREC.

This term of the Partial Settlement will create a stable demand for small-scale solar facility production. By creating a separate, steady demand for small-scale production, PPL Electric will diversify its SREC procurement between large and small-scale projects. In addition, the setting aside of a known quantity of SRECs to be procured from small-scale solar facilities, on a bilateral contract basis, will create a reliable source of financing to encourage new development and growth in the small-scale market. PPL Electric may only procure these SRECs from aggregators that certify that the small-scale solar facilities were installed on or after June 1, 2010, encouraging the continued growth and availability of small-scale solar facilities. Moreover, the use of bilateral contracts with these providers is consistent with the Commission's Policy Statement.¹⁰

¹⁰ See 52 Pa. Code § 69.2904(b).

7. SEF Agreement To Relative to PPL Electric 10 Year Unit Entitlement Procurement

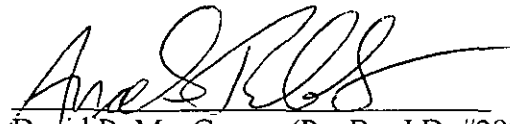
Through the Partial Settlement, PPL Electric receives SEF's agreement not to contend, in its upcoming 10-year unit entitlement procurement filing that is required to be made pursuant to the DSP settlement,¹¹ that the 10-year unit entitlement procurement should be based upon a renewable energy system. This is an important concession for PPL Electric to receive as this removes this issue, as it relates to PPL Electric and SEF, from the Company's upcoming 10-year unit procurement filing.

¹¹ As part of PPL Electric's settlement of its DSP Plan, the Company agreed to procure a portion of its default service supply for the residential customer class through a 50 MW 10-year unit entitlement procurement. The details of the 10-year unit entitlement request for proposal were deferred to a collaborative and will be filed separately with the Commission for approval.

IV. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully request that the Honorable Administrative Law Judge Susan D. Colwell and the Commission approve the Partial Settlement, including all terms and conditions thereof, and that the Commission enter an order approving PPL Electric Utilities Corporation's Petition for Approval to Modify Its Procurement of Solar Alternative Energy Credits Under the Default Service Procurement Plan.

Respectfully submitted,



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Dated: November 16, 2010

Attorneys for PPL Electric Utilities Corporation

B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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 :
(Petition for Approval to Modify Its :
Procurement of Solar Alternative :
Energy Credits) :

Docket No. P-2008-2060309

STATEMENT IN SUPPORT OF SETTLEMENT
OF THE OFFICE OF CONSUMER ADVOCATE

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I. BACKGROUND.

On May 18, 2010, PPL Electric Utilities Corporation (PPL or Company) filed a Petition for Approval to Modify Its Procurement of Solar Alternative Energy Credits Under the Default Service Procurement Plan. Through the Petition, PPL sought 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 proposed 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 made its proposal in response to the goals set forth by the Commission in its proposed Solar Policy Statement to encourage the development of new Solar Photovoltaic projects.

The OCA filed an Answer to PPL's Petition. In its Answer, the OCA noted its agreement with the use of longer term contracting processes to support the development of solar PV projects in accordance with the Commission's Solar Policy Statement. As the Solar Policy Statement Order found, long term contracting 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 OCA sought in its Answer to have further examination of PPL's proposal to determine if the details of the proposal would produce a reasonable result. The OCA identified three areas that it sought to further explore with the Company and the interested parties. Those areas were:

- 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 engaged in informal discovery and discussions with the Company throughout the proceeding regarding the concerns raised by the OCA as well as issues identified by other participating parties to the proceeding.

After several settlement conferences, the parties were able to reach a settlement of all but one issue in the proceeding. As to the issues identified by the OCA, the Settlement resolves the OCA's concerns on these issues as described below.

II. TERMS AND CONDITIONS

As noted above, the OCA raised three issues in this proceeding regarding PPL's initial proposal for procuring SRECs. The Settlement resolves these issues in a manner that addresses the OCA's concerns.

A. Quantity (Partial Settlement, ¶12(a))

The first issue identified by the OCA was whether the quantity of SRECs that PPL proposes to acquire is reasonable and reflects the anticipated default service loads over the term of the contracts. As settlement discussions were pursued, it was agreed by the parties that the RFP for long term SRECs would be for residential customers only. After a review of the assumptions underlying the anticipated default service loads for residential customers, the parties were able to agree to the purchase quantities for the residential class. Specifically, it was agreed that there would be a target of purchasing 3,000 SRECs per year for residential customers for each of three solicitations. This results in a target quantity of 27,000 SRECS for Solicitation 1 (9 years), 24,000 for Solicitation 2 (8 years), and 21,000 for Solicitation 3 (7 years). Importantly, it was agreed that this represents initial quantities that are subject to revision as each of the three solicitations approaches to reflect changes in default service load from that anticipated in the

Settlement. As a result of the Settlement, PPL's long-term SREC purchases should be well-tailored to meet the requirements of its default service load.

B. Minimum Level of SRECs (Partial Settlement, ¶13(b), 13(i))

The OCA had identified an issue regarding the minimum level of SRECs that a bidder could provide in the solicitation. As originally proposed, the Company was requiring that each bidder provide a minimum of 5,000 SRECs. The OCA was concerned that this required minimum bid level might not accommodate small solar projects. The Settlement contains two provisions to address this concern. First, in Paragraph 13(b), the minimum level of SRECs that a bidder must be able to deliver has been reduced from 5,000 to 3,000. Second, in Paragraph 13(i), a set aside program is established for small solar systems with a DC rating of 15 kW or less. This program will allow small systems and solar aggregators of small systems to enter into bilateral contracts at the average SREC price for the applicable RFP period. This program will further enable the development of small solar projects. The OCA submits that these Settlement provisions will help ensure that smaller-scale projects have an opportunity to participate in PPL's long-term solar solicitations.

C. Benchmarking Report (Partial Settlement, ¶13(a))

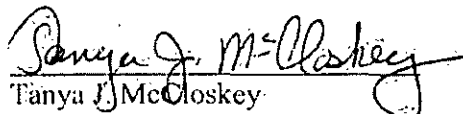
Given the early stage of development of the SREC market in Pennsylvania, the OCA sought to ensure that an appropriate process was in place for evaluating the bids received. The Settlement provides that the independent RFP manager will conduct a confidential solar market benchmarking analysis and provide the OCA and PPL Electric the opportunity to comment on the analysis on a confidential basis. The solar market benchmarking analysis, and

the comments of the OCA and PPL Electric, will then be provided to the Commission with the results of the SREC procurement. The Commission will then have this information when considering the SREC procurement results. This provision is consistent with the practice of other Pennsylvania Default Service Providers and will better ensure that the Commission is provided necessary information on the SREC markets before it must determine whether to approve the bid results.

III. CONCLUSION

The OCA submits that the Settlement addresses the concerns raised in its Answer to PPL's Petition. With the modifications to PPL's proposal contained in the Settlement, reasonable long-term contracting opportunities will be available for both large and small scale solar project development. The development of these contracts is consistent with Commission policy. The OCA submits that the Settlement is in the public interest and should be approved.

Respectfully Submitted,



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Dated: November 11, 2010

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C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

**STATEMENT OF THE SUSTAINABLE ENERGY FUND
OF CENTRAL EASTERN PENNSYLVANIA IN SUPPORT
OF JOINT PETITION FOR PARTIAL SETTLEMENT**

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TO ADMINISTRATIVE LAW JUDGE SUSAN D. COLWELL:

I. INTRODUCTION

1. The Sustainable Energy Fund of Central Eastern Pennsylvania ("SEF"), by its attorneys, submits the following in Support of the Joint Petition for Partial Settlement ("Partial Settlement") presented in the above-captioned proceeding. SEF supports the Partial Settlement, in particular Section III, Paragraph 13(i) which establishes additional amounts of solar Tier 1 renewable energy credits ("SRECs") for procurement, on a bilateral contract basis, from solar systems with a DC rating of 15 kW or less. Even though SEF supports the small solar system set aside program, SEF does not believe that the Partial Settlement goes far enough in meeting the Public Utility Commission's Pennsylvania Solar Policy Statement's ("Solar Policy Statement") goal of developing new solar generation capacity since it does not provide for long-term revenue stability for new small-scale solar generation projects. This issue, whether solar aggregators participating in the small solar system set aside program shall be required to certify that they have long term contracts for SRECs, has been reserved for decision in this case.

II. SPECIFIC SETTLEMENT TERMS

2. Section III, Paragraph 13(i), in addition to the SREC RFP procurement amounts, sets aside additional amounts for procurement, on a bilateral contract basis, from solar systems with a DC rating of 15 kW or less. The set aside amount is equal to 1,000 SRECs for a 9-year term, 1,100 SRECs for an 8-year term and 1,600 SRECs for a 7-year term. Solar systems with a DC rating of 15 kW or less that desire to participate in the set aside shall be required to contract with a solar aggregator which shall in turn contract with PPL Electric. The solar aggregator shall be required to certify that all credits are provided from solar systems installed on or after June 1, 2010. A solar aggregator must also demonstrate that it has a minimum of 100 SRECS per year from qualifying solar systems over the contractual delivery period to participate in the yearly set asides.

3. The price to be paid to solar aggregators under the small solar system set aside shall be equal to the average SREC price for the applicable SREC RFP, which shall be deemed to include any administrative fee retained by the solar aggregator, which may not exceed 10% of the bid price for each SERC. Solar aggregators must make offers to participate in the set aside in multiples of 100 SRECs, not to exceed the maximum set aside amount for each procurement. Offers will be submitted through an electronic mailbox. Following announcement of the applicable average SREC prices, offers will be accepted on a first-come, first-serve basis. Offers will be ranked based upon the e-mail submission time stamp. If the final offering in a solicitation exceeds the number of SRECs remaining for solicitation, the accepted final offering will be limited to the number of SRECs remaining.

4. SEF believes that the small-scale solar set aside program is in the public interest because it begins to meet the goals of the Solar Policy Statement by encouraging the development of new small-scale solar system capacity.

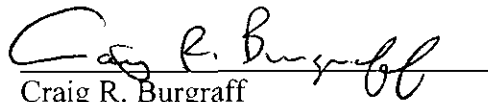
5. The main barrier to new solar development, especially small-scale solar project development, as recognized by the Solar Policy Statement, is longer-term revenue stability. Thus, SEF believes that, while the small-scale solar set aside program's requirement that aggregators certify that SRECs are obtained from 15 kW or smaller projects put in place after June 1, 2010 is a start in promoting these projects, the only way to effectively promote such revenue stability and encourage small-scale residential solar projects is the provision of long-term contracts by the aggregator to provide a funding stream for such projects. The issue of whether the aggregator shall be required to certify that it has long-term contracts for SRECs is reserved for decision in this case.

III. CONCLUSION

It is the policy of the Commission to encourage parties in contested proceedings to enter into settlements. 52 Pa.Code § 5.231(a). The Partial Settlement, particularly Section III, Paragraph 13(i), is in the public interest and consistent with the Commission's stated policy of encouraging settlements.

WHEREFORE, the Sustainable Energy Fund of Central Eastern Pennsylvania requests that Administrative Law Judge Susan D. Colwell recommend approval of the Partial Settlement.

Respectfully submitted,



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*Counsel for Sustainable Energy Fund of Central
Eastern Pennsylvania*

Dated: November 16, 2010

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Petition of PPL Electric Utilities	:	
Corporation for Approval to Modify Its	:	Docket No. P-2008-2060309
Procurement of Solar Alternative Energy	:	
Credits under the Default Service	:	
Procurement Plan	:	
	:	

THE SOLAR ALLIANCE'S STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT

The Solar Alliance hereby respectfully submits its Statement in Support of Joint Petition for Settlement, filed in this proceeding. For the reasons set forth below, the Solar Alliance believes that the Joint Petition for Settlement ("Settlement") is in the public interest and should be approved.

1. On or about May 18, 2010, PPL Electric Utilities Corporation ("PPL") filed a Petition seeking Commission approval to modify its Default Service Procurement Plan ("Plan"), previously approved by the Commission on June 30, 2009, to authorize a revised procedure for the prospective acquisition of solar Tier I alternative energy credits ("SRECs").

2. By Order entered July 22, 2010, the Pennsylvania Public Utility Commission ("Commission") assigned PPL's Petition to the Office of Administrative Law Judge for the development of an evidentiary record and the preparation of a Recommended Decision.

3. The Solar Alliance is a solar industry trade association representing approximately thirty (30) companies involved in manufacturing solar photovoltaic equipment, developing solar photovoltaic projects and conducting solar business in Pennsylvania and nationally.

4. The Solar Alliance actively participates in state public utility commission proceedings and working groups related to issues of solar energy policy, including in Pennsylvania as an Intervener in the *Petition of PECO Energy for Approval to Procure Solar Energy Credits* at Commission Docket No. P-2009-2094494, and as a member of the Stakeholder Working Group in the proceeding related to the *Commission's Policy Statement in Support of Solar Projects* at Docket No. M-2009-2140263.

5. The Solar Alliance's members are potential suppliers of SRECs to PPL. As business entities regularly involved in the creation, purchase and sale of SRECs and the solar projects that create SRECs, the Solar Alliance members are uniquely qualified to address the impact that PPL's proposed Plan modifications will have on the solar industry.

6. On August 16, 2010, Solar Alliance filed a Petition to Intervene in this proceeding.

7. On August 19, 2010, Solar Alliance filed a supplement to its Petition to Intervene.

8. By Initial Decision dated August 30, 2010, Administrative Law Judge Susan Colwell granted the Solar Alliance's Petition to Intervene.

9. The Solar Alliance engaged in multiple discussions with PPL to address the Solar Alliance's concerns with certain aspects of PPL's Plan for SREC Procurement, and to suggest modifications and improvements to the Plan.

10. The Settlement reached by the parties includes three important changes to PPL's SREC Solar Procurement Plan that were requested by the Solar Alliance:

(a) PPL has agreed to modify the Plan's yearly SREC Delivery Schedule to provide better flexibility to SREC suppliers and to better reflect the seasonality of SREC generation;

(b) PPL has agreed to revise the "Change in Law" provisions of Article 3 of the SMA, to limit the circumstances under which PPL can unilaterally terminate an Agreement with an SREC provider as a result of a change in law;

(c) PPL has agreed to consider non-rated SREC providers for unsecured credit for purposes of the Performance Security requirements of the SMA, based on an evaluation of reasonable credit criteria.

11. To be clear, PPL's Plan is not perfect from the perspective of the Solar Alliance. The Solar Alliance's support of the settlement in this matter should not be interpreted as a permanent endorsement of any specific policy positions. The Solar Alliance fully intends to continue its efforts within the Commission's Solar Assessment Group ("SAG") to develop the best possible standardized SREC procurement contracts and procedures.

12. The Settlement, while not ideal, is fully supported by the Solar Alliance because the Settlement addresses three very important issues of concern to the Solar Alliance.

13. First, the change to the SREC delivery schedule results in a significant improvement to PPL's plan from the perspective of solar developers. The original SREC delivery schedule proposed by PPL called for uniform monthly SREC delivery amounts, with no flexibility or "true-up" period. Under the original Plan, SREC suppliers were expected to deliver the same amount of SRECs in January as in July, for example, and suppliers would be considered in default if they missed the SREC delivery target for any single month. Such strict

delivery requirements and default provisions would have made it difficult, if not impossible, for solar developers to obtain financing for solar projects. Financing parties would be hesitant to fund projects secured by an SREC delivery contract that had such strict delivery requirements. The modified Plan changes the delivery schedule to better reflect the seasonality of SREC generation. Furthermore, the modified Plan allows SREC suppliers to transfer excess credits above the minimum monthly required percentage (not to exceed 200% of the required monthly percentage) to be applied to future monthly obligations on a rolling basis. Finally, the modified Plans allows SREC suppliers up to 70 days to transfer SRECs to satisfy a given month's SREC delivery requirements, thereby providing additional flexibility to make up for potential SREC shortfalls in a given month. The additional flexibility provided by the modified Plan will result in more projects being funded, more bids being submitted to PPL, and better prices for PPL's ratepayers. While the Solar Alliance believes that a quarterly or annual delivery schedule with a year-end true-up would be ideal, the modified Plan's delivery schedule provides sufficient flexibility to allow the Plan to be supported by the Solar Alliance.

14. Second, the revisions to the SMA's "Change of Law" provisions represent another significant improvement to the Plan. The original Change of Law provision gave PPL the right to unilaterally terminate an SREC supply contract upon the occurrence of a broad range of legislative and regulatory changes, despite the existence of numerous opportunities for PPL to mitigate such risks. From a solar developer's perspective, SREC procurement agreements in which the developer bears the entire regulatory risk are not financeable under a project finance structure secured by a power purchase agreement, thereby reducing the number of parties that can compete in procurements and increasing the cost of SRECs. The modified Change of Law provisions limit PPL's unilateral termination right only to situations where the Pennsylvania

Public Utility Commission issues an Order suspending, limiting, or denying an PPL's ability to recover fully such costs from its retail customers on a current basis. The modification also requires PPL to undertake reasonable best efforts to challenge such action before the Pennsylvania Public Utility Commission. While solar developers still bear some regulatory risk under the modified Plan, the narrowing and limitation of such risks makes the Plan acceptable to the Solar Alliance.

15. Third, the modified Plan allows PPL to grant unsecured credit to non-rated SREC suppliers based upon an evaluation of reasonable credit criteria. Under PPL's original Plan, only companies with a rating from S&P, Fitch, or Moody's could be considered for unsecured credit with respect to the Performance Assurance requirements of the SMA. *The modified Plan correctly recognizes that even non-rated companies should be eligible for unsecured credit.* Requiring upfront performance security increases project costs and is often unnecessary because most risks are already adequately addressed by other, less expensive contractual protections, such as insurance or termination penalty provisions. The artificial distinction between rated and non-rated companies was not reasonable, because even some large, publicly traded solar developers are not rated. Therefore, the modification to permit PPL to extend unsecured credit to non-rate companies is supported by the Solar Alliance.


16. For the reasons set forth above, the Solar Alliance supports the Settlement and *believes it is in the best interests of the Parties and the public. The Settlement is in the public interest* because it effectively addresses the issues raised, it results in significant improvements to PPL's Plan, and it avoids any unnecessary additional expense of litigation. The additional flexibility provided by the modified Plan will result in more solar development projects being funded, more bids being submitted to PPL, and better prices for PPL's ratepayers. The

Settlement is also in the public interest because it will conserve the resources of the Commission and the Parties. The modifications made to the Plan, as reflected in the Settlement, satisfactorily address the concerns of the Solar Alliance, and the Solar Alliance believes that the Settlement is in the public interest and should be approved by the Commission.

WHEREFORE, for the public interest considerations set forth herein, the Solar Alliance respectfully requests that the presiding Administrative Law Judge and the Pennsylvania Public Utility Commission adopt the Settlement without modification

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Dated: November 15, 2010

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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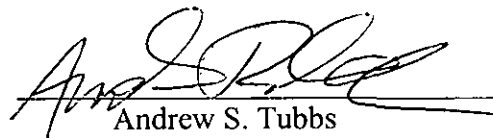
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