BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's	**)**	
Retail Electricity Market	**)**	**Docket I-2011-2237952**
Long-Term Work Plan	**)**	

COMMENTS OF THE
MID-ATLANTIC RENEWABLE ENERGY COALITION

I. Introduction

The Mid-Atlantic Renewable Energy Coalition ("MAREC") submits these comments on the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Investigation of Pennsylvania's Retail Electricity Market following the PUC's *en banc* hearing on end state default service on March 21, 2012. MAREC will confine its comments to the issue raised by the Commission concerning long-term contracts under the Alternative Energy Portfolio Standards Act ("AEPS"). MAREC appreciates the opportunity to comment on this aspect of the Investigation.

MAREC is a nonprofit Pennsylvania corporation that was formed to help advance the opportunities for renewable energy development primarily in the region where the Regional Transmission Organization, PJM Interconnection, LLC ("PJM"), operates. MAREC's footprint includes Pennsylvania, Maryland, New Jersey, Delaware, Ohio, Virginia, West Virginia, North Carolina, and the District of Columbia. MAREC's membership consists of wind developers, wind turbine manufacturers, service companies, nonprofit organizations and a transmission company dedicated to the growth of renewable energy technologies to boost economic development in the region, improve our environment and diversify our electric generation portfolio, thereby enhancing energy security. The primary areas of focus of MAREC are to work with state regulators to develop rules and supportive policies for renewable energy; provide education and expertise on the environmental sustainability of wind energy; and offer technical expertise and advice on integrating variable wind energy resources into the electric grid. A number of the wind farms in Pennsylvania have been developed and are being operated by MAREC members. Many of the wind farms in Pennsylvania have installed wind turbines manufactured by MAREC members.

II. **Comments on Long-Term Contracts and AEPS Compliance**

MAREC members are committed to significant growth in renewable energy technologies to support economic development in the region and helping meet Pennsylvania's legislative mandate for renewable energy through the AEPS and similar mandates in other jurisdictions in the region. MAREC commends the PUC for pursuing this comprehensive investigation to promote electric retail competition. As part of this investigation, the PUC has importantly recognized the need to address the issue of long-term contracts as it relates to the AEPS.

The issue of long-term contracts is a critical one for the continued success of the wind industry and other renewable technology industries in Pennsylvania. Moreover, it provides an opportunity to meet the goals and objectives of the AEPS in a cost-effective manner. Complete reliance on purchases from the short-term Alternative Energy Credit ("AEC") markets to comply with the AEPS is not a sustainable approach. With annually increasing requirements for AEPS compliance and many other similar state programs across the PJM footprint also ratcheting up their compliance requirements, the over-reliance on short-term AEC markets will likely lead to unacceptable levels of price volatility. Without long-term contracting opportunities, it will be unlikely that wind developers will be able to make the necessary investments in wind farms to keep pace with the increasing requirements. This scenario could create a situation where the AEC market ends up being short in out years when AEPS and other Renewable Portfolio Standards' compliance requirements will be at their highest levels. MAREC believes it is prudent to develop an approach for long-term contracting for purposes of AEPS compliance, when designing a model for end state default service. Not only will this continue to spur wind farm development in Pennsylvania, but will also provide a hedge to potential price volatility in the AEC markets.

In approving the Joint Settlement in the Joint Petition Of Metropolitan Edison Company And Pennsylvania Electric Company For Approval Of Their Default Service Programs, Docket Nos. P-2009-2093053 & P-2009-2093054 (hereinafter referred to as the "FirstEnergy Companies Case") the Commission recognized the importance of long-term contracts as it relates to the solar photovoltaic industry. The same rings true for non-solar Tier I renewable technologies, like wind generation. In the FirstEnergy Companies Case, the Companies filed a petition to obtain approval of their default service plans. Ultimately, this filing led to a Joint Settlement entered into by all of the parties to the proceeding, except one that did not oppose the Joint Settlement as filed. There were two issues in the Joint Settlement that were contested by several of the signing parties, but neither issue involved the determination on long-term contracts to meet the AEPS. In fact, the resolution of the long-term contracting issue was universally supported by signatories to the agreement.

Under the terms of the Joint Settlement, which was approved by the PUC in the FirstEnergy Companies Case, the Companies were to conduct a separate RFP to meet the solar AEC requirements under the AEPS for the duration of the default service programs. Essentially, the EDCs were given the responsibility to procure Solar Photovoltaic Alternative Energy Credits ("SPAEC") through a competitive RFP process for ten year periods, including the solar photovoltaic requirements associated with any customer load served by an EGS. As per the Joint Settlement, the cost of the SPAECs to the Companies was to be recovered through a rate rider, which is being applied to all delivery service customers of the Companies. In recommending the adoption of the Joint Settlement in his Recommended Decision issued September 2, 2009 (adopted by the Commission in its Opinion and Order dated November 6, 2009), the

Administrative Law Judge ("ALJ") confirmed that the Joint Petitioners believed that the RFP terms for procurement of the SPAEC s complied with Act 129's requirement that AECs be procured through a competitive process. The ALJ went on to say that these modifications to the solar RFP process "will enhance competition among solar AEC suppliers and further support the developing solar market in Pennsylvania."[1]

For the very same reasons, MAREC believes that a similar process for long-term contracting can be applied to procure non-solar Tier I AECs. In his prepared remarks before the Commission at the *en banc* hearing on March 21, 2012, Charles V. Fullem, Director of Rates and Regulatory Affairs – Pennsylvania, for FirstEnergy Services Company, stated that the Companies:

> currently have mechanisms in place that allow EDCs to continue to purchase long-term solar contracts to meet AEPS obligations, regardless of whether or not they provide default service. These mechanisms ensure cost recovery for the utility, as well as competitive neutrality between the default service provider and competitive EGSs. If it is the State's policy to promote long-term AEPS contracts, then the mechanisms currently utilized by the Companies will work and can easily be adopted under any of the Staff's proposed models.[2]

MAREC supports FirstEnergy's remarks in this regard and believes that this mechanism would be directly applicable to the non-solar Tier I mandated procurements as well and would work under any of the proposed models for end state default service. MAREC believes that it would be reasonable to have a fifty (50) percent requirement for long-term contracts under this construct.

Finally, we agree with the remarks of Courtney Lane, Senior Energy Policy Analyst, for Citizens for a Penn Future ("PennFuture"), at the March 21, 2012 *en banc* hearing that in sum stated the importance of long-term contracts for compliance with the AEPS in a cost-effective manner. As the

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[1]Page 53 of the Recommended Decision issued on September 2, 2009 in Joint Petition Of Metropolitan Edison Company And Pennsylvania Electric Company For Approval Of Their Default Service Programs, Docket Nos. P-2009-2093053 & P-2009-2093054 (ALJ Recommended Decision adopted by PA PUC Opinion and Order dated November 6, 2009.

[2]Page 2 of Prepared Remarks of Charles V. Fullem of FirstEnergy for the March 21, 2012 *en banc* PA PUC hearing on its Investigation of Pennsylvania's Retail Electricity Market.

PennFuture remarks emphasized, it is essential for the EDCs to be the entities responsible for entering into long-term contracts for AEPS compliance, regardless of which model is endorsed by the Commission.

III. Conclusion

For the reasons, stated herein, we think that it is critically important that the Commission develop a construct for default service that (1) provides for the EDC to purchase AECs through long-term contracts to satisfy both solar and non-solar Tier I AEPS compliance requirements; (2) provides that the EDCs purchase fifty (50) percent of the mandated non-solar Tier I AECs through this construct; (3) conducts these purchases through a competitive procurement process, similar to the process in the FirstEnergy Companies Case; and (4) allows for the EDC to recover its costs through an appropriate mechanism, such as a rate rider in its tariff that applies to its delivery service customers.

Respectfully submitted,

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