

March 1, 2007

VIA OVERNIGHT MAIL

Commonwealth of Pennsylvania
Secretary's Bureau
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. M-00072009

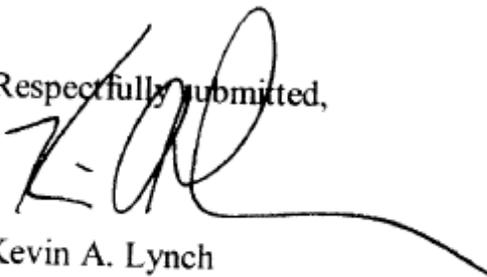
Default Service and Retail Electric Markets

**Response to February 8, 2007 Proposed
Policy Statement**

Dear Secretary McNulty:

Enclosed please find an original and 15 copies of comments of PPM Energy regarding the Proposed Policy Statement on Default Service and Retail Electricity Markets.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K. Lynch', with a long horizontal flourish extending to the right.

Kevin A. Lynch
Director, Policy and Regulation

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. M-00072009

Default Service and Retail Electric Markets

**Response to February 8, 2007 Proposed
Policy Statement**

PPM Energy, Inc. is a wind developer and power marketer with headquarters in Portland, Oregon. PPM's wholly owned subsidiary company PPM Atlantic Renewable is a leading developer of wind-generation facilities in Pennsylvania and the Northeast. PPM has previously submitted comments relating to the matter raised in the Proposed Policy Statement. In Docket No. M-00051865, the Implementation of the Alternative Energy Portfolio Standards Act and Docket No. L-000410169 Rulemaking RE Electric Distribution Companies' Obligations to Serve Retail Customers at the Conclusion of the Transition Period, we have filed comments that specifically address the question of contract duration. We appreciate having the opportunity to restate our position at this time.

In § 69.1806 of the proposed policy statement, the issue of Alternative Energy Portfolio Standard (AEPS) compliance and long-term contracts is raised, particularly regarding the issue of the relationship of "market rates" and long-term contracts. As PPM wrote in reply comments filed on April 7, 2006 in the AEPS and POLR dockets:

"We particularly commend to the Commission's attention the discussion of this issue by the Office of the Consumer Advocate (OCA), which rightly argues that long-term contracts for alternative energy resources will provide the consumers of the

Commonwealth an important benefit: ‘reasonable and stable prices.’ As the OCA notes, long-term contracts for alternative energy resources can provide a ‘hedge against price volatility.’ The cost of fuel to operate a wind farm is *zero*. The Commission should recognize this signal virtue of wind . . . to ensure that electricity consumers can take advantage of the price stability that this vast, local resource can provide.”

At that time, PPM went on to say:

“When using the phrase ‘long-term contracts,’ PPM Energy would define that to mean a minimum of ten (10) years, although fifteen (15) years would be preferable. Contracts of 10-15 years will be most effective in providing consumers with protection against price volatility and ensuring that project developers can arrange the financing necessary to bring new alternative energy generation on-line.”

We remind the Commission that generating facilities powered by wind have no fuel costs, but they do have substantial capital costs. Long-term contracts are essential in ensuring the timely and optimal financing of these facilities.

Because of the price stability that long-term contracts with renewable resources can provide and because long-term contracts of at least 10 to 15 years are essential to the financing and development of new renewable resources, PPM asks that the final order regarding Default Service and Electricity Markets specifically include language sanctioning contracts of this duration by inserting in § **54.186. Default service procurement and implementation plans.**

(b) A DSP’s procurement plan shall adhere to the following standards:

(3) Procurement plans may include solicitations and contracts whose duration extends beyond the program period, including contracts of at least 10

years for purposes of compliance with the requirements of the Alternative Energy Portfolio Standards Act.

We wish to thank the Commission for their careful consideration on this matter.