



COMMONWEALTH OF PENNSYLVANIA

August 30, 2016

E-FILED

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

**Re: Proceeding to Evaluate Transition to Corrected Non-Solar Tier I Calculation Methodology
Docket No. M-2009-2093383**

Dear Secretary Chiavetta:

I am delivering for filing today the Comments of the Office of Small Business Advocate, in response to the Tentative Order regarding the Proceeding to Evaluate Transition to Corrected Non-Solar Tier I Calculation Methodology, docketed at No. M-2009-2093383.

As directed by the Tentative Order, a Word version of our filed Comments will be sent electronically to Scott Gebhardt, Bureau of Technical Utility Services, and Kriss Brown, Law Bureau.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth Rose Triscari".

Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921

Enclosures

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Proceeding to Evaluate Transition to :
Corrected Non-Solar Tier I Calculation : **Docket No. M-2009-2093383**
Methodology :

**COMMENTS OF THE OFFICE OF SMALL
BUSINESS ADVOCATE ON THE TENTATIVE ORDER**

I. INTRODUCTION

On July 8, 2016, the Pennsylvania Public Utility Commission (“Commission”) issued a Secretarial Letter to electric generation suppliers (“EGSs”) and electric distribution companies (“EDCs”) with obligations under the Alternative Energy Portfolio Standards (“AEPS”) Act notifying them that it had discovered an error in how non-solar Tier I Alternative Energy Credit (“AEC”) quarterly adjustments were calculated over the past six years. The letter further stated that the error had been corrected for the 2016 AEPS compliance year, resulting in an approximate seven percent increase in the otherwise anticipated annual Tier I obligations.

Following stakeholder discussions, on August 9, 2016, the Commission issued another Secretarial Letter extending the true-up period from September 1, 2016 to November 30, 2016, for the non-solar Tier I obligations for the 2016 AEPS compliance year.

On August 15, 2016, the Commission issued a Tentative Order seeking stakeholder comments on two proposed remedial actions to address the corrected 2016 compliance year requirements: (1) AEC procurement and non-bypassable cost recovery by the EDC of the non-solar Tier I adjustments; and (2) delay the true-up period for the non-solar Tier I adjustment credits.

The Office of Small Business Advocate (“OSBA”) submits the following comments pursuant to the Tentative Order.

II. COMMENTS

1. AEC Procurement and Non-Bypassable Cost Recovery by the EDC of the Non-Solar Tier I Adjustments

The first proposal would require each EDC to procure the necessary “adjustment AECs” for the 2016 AEPS Act compliance year and then transfer those credits to all load serving entities (“LSEs”) in each EDCs’ respective distribution zone on a load-weighted basis. The cost of procuring these AECs would be recovered by the EDC from all distribution customers through a preexisting non-bypassable charge.

The OSBA does not support this proposed option. For EGSs, the matter of AEC cost recovery is a contract issue with their customers. If an EGS’s contract permits the cost of procuring AECs to be recovered from customers on a pass-through basis, then the cost of the adjustment AECs can simply be passed through to customers. If no such contract pass-through language exists, then the EGS has voluntarily absorbed the risks associated with AEC requirements and should be prepared to absorb the cost of the adjustment AECs for the 2016 compliance year as a cost of doing business.

For EDCs, the matter of AEC cost recovery is a contract issue with their wholesale suppliers. Wholesale suppliers with load following contracts are generally required to supply all non-solar Tier I AECs, and, therefore, include the expected costs and risks of procuring AECs in their bid prices. In such cases, wholesale suppliers – not default service customers – should be responsible for 100% of the costs of the adjustment AECs for the 2016 compliance year. In other words, recovering the cost of adjustment AECs through a non-bypassable charge would be

improper as it would impose on default service customers a charge that they would not otherwise pay, and a cost and/or risk that has already been built into the wholesale bid price.

2. Delay the True-Up Period for the Non-Solar Tier I Adjustment Credits

The second option is to delay the obligation to settle the non-solar Tier 1 adjustment amount for an appropriate time period to give parties more time to procure the additional AECs necessary to meet their obligations. The Commission has already granted such an extension for the 2016 compliance year until November 30, 2016. Should a further extension be deemed appropriate, the OSBA would have no objection to this proposal.

III. CONCLUSION

The OSBA respectfully requests that the Commission enter a Final Order consistent with the foregoing comments.

Respectfully submitted,


Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921

For:

John R. Evans
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Dated: August 30, 2016