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August 31, 2016

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: Proceeding to Evaluate Transition to Corrected Non-Solar Tier 1 Calculation
Methodology; Docket No. M-2009-2093383**

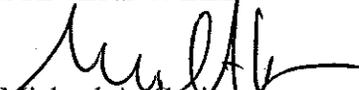
Dear Secretary Chiavetta:

Enclosed for filing are the Comments of WGL Energy Services, Inc. in response to the August 11, 2016 Tentative Order issued in the above-captioned matter.

WGL Energy Services acknowledges that these Comments are being filed one day after the deadline for submitting Initial Comments, and respectfully requests that the Commission accept and consider these Comments as late-filed. Due to an unforeseen absence, WGL Energy Services was unable to complete its Comments by the August 30, 2016 deadline. In the interest of providing the parties to this proceeding with the opportunity to review and reply to its Comments, WGL Energy Services felt it was more appropriate to submit its Comments as late-filed, rather than to reserve its views on this matter for Reply Comments. As such, WGL Energy Services submits that no party will be prejudiced by the Commission's acceptance and consideration of these late-filed Comments, and appreciates the Commission's consideration of this request to accept these Comments in this important proceeding. If you have any questions, please do not hesitate to contact me. Thank you.

Best Regards,

STEVENS & LEE



Michael A. Grum

Encl.

cc: Scott Gebhart and Kriss Brown (via email)

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A PROFESSIONAL CORPORATION

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

COMMENTS OF WGL ENERGY SERVICES, INC.

Pursuant to the Tentative Order entered by the Pennsylvania Public Utility Commission on August 15, 2016, WGL Energy Services, Inc. (“WGL Energy”) hereby submits these Comments on potential remedial actions to address the unanticipated increase in the non-solar Tier 1 AEC (Tier 1) obligations that resulted from the corrected 2016 quarterly adjustment.

I. Introduction

WGL Energy served Pennsylvania customers during the Compliance Year that ended May 2016 under contracts that were based on the 5.25% requirement for Tier I RECs. The 5.25% Tier 1 REC requirement was incorporated into the pricing and billed to these customers. In addition, WGL Energy purchased Tier 1 RECs in satisfaction of PA AEPS Compliance Year 2016 obligations based on 5.25%. WGL Energy believes the Secretarial Letter of July 8, 2016, notifying EGSS of the increase for the completed period represents retroactive cost imposition and is not conducive to a competitive market environment. Many of the customers served during the prior year may have switched suppliers, making it difficult to bill customers for these additional charges. The prior period volumes for WGL Energy will result in an additional \$118,000 in costs to purchase the 9,136 RECs attributed to the 0.371836% increase.

Additionally, WGL Energy has contracted with customers for future supply based on the current rates. The MWHs under contract will result in an additional \$287,000 in costs to

purchase 20,840 Tier I RECs. This adjustment will potentially result in suppliers assessing a surcharge to pass these costs through to customers in the upcoming months. WGL Energy believes that given recent experiences in Pennsylvania, customers are not likely to accept these charges as routine pricing adjustments.

II. AEC Procurement & Non-Bypassable Cost Recovery by EDC of Non-solar Tier I Adjustments

For the 2016 Compliance Year, the Commission's first remedial action offered in the Tentative Order is the optimal choice; however, this approach should be extended to forward periods as well. The AEPS Tier 1 correction applies to all Pennsylvania customers receiving electric service behind an EDC, (both Retail Electric and EDC Default Service). Option 1 removes the need for a Retail Market Supplier to consider assessing a surcharge to its retail customers. In addition, Option 1 will reduce/eliminate customer confusion in the marketplace due to Retail Market Suppliers assessing an AEPS surcharge via different bill methods, such as a one-time surcharge or spread out over multiple months. Allowing the EDC until November 30th to procure the additional credits and transfer to the appropriate retail market supplier is a reasonable amount of time and should not unduly impact the secondary Tier 1 REC market. Option 1 also removes the uncertainty and difficulty of assessing and collecting charges from customers that may have switched Retail Market suppliers or switched back to default service during Compliance Year 2016 and Q1 of Compliance year 2017.

For Compliance Years 2017 through 2020, WGL Energy suggests a similar strategy utilizing an EDC non-bypassable charge. The same issues described above remain pertinent on a going forward basis. WGL Energy suggests that a mechanism be developed whereby the EDCs continue to purchase the Tier I RECs for the incremental 0.371836% for the entire load in the EDC's territory through compliance year 2020 and continue to recover these costs through a

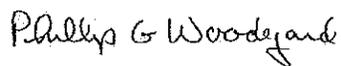
non-bypassable surcharge. This will avoid the need for Retail Market Suppliers to assess a regulatory surcharge for the contracts that are already in place with retail customers. An alternative approach for future periods would be to allow Retail Market Suppliers to grandfather the Tier 1 obligation for existing retail contracts at the original Tier 1 percentages (pre-adjustment). Under this alternative approach, Retail Market Suppliers would be responsible for reporting the grandfathered volumes to the Commission as part of the Annual AEPS Compliance. The effective date to apply to the grandfathered contracts should be after July 8, 2016 Secretarial Letter (for example, August 1, 2016).

Other details would need to be worked out, such as reporting the grandfathered load as an annual estimate or after the fact actual, but the concept would be the same in that after the grandfathered load is reported, the EDCs would procure the additional RECs and deliver to the Retail Market Supplier for retirement.

III. Conclusion

For reasons discussed in the above Comments, WGL Energy believes the Commission's first remedial action in the Tentative Order is the optimal choice to minimize the effect of the correction on stakeholders while upholding the Commission's responsibility to implement the AEPS Act. WGL Energy also urges the Commission to extend this approach to forward periods as well.

Respectfully Submitted,



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