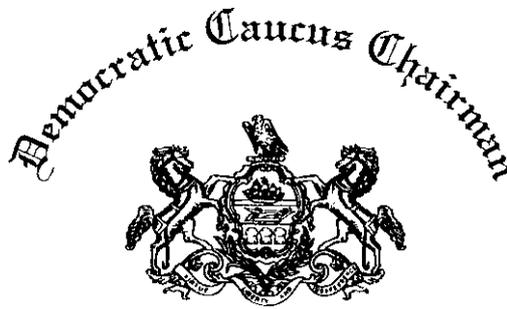


42ND DISTRICT
WAYNE D. FONTANA
SENATE BOX 203042
HARRISBURG, PA 17120-3042
717-787-5300
FAX: 717-772-5484

932 BROOKLINE BOULEVARD
PITTSBURGH, PA 15226-2106
412-344-2551

KENMAWR PLAZA
524 PINE HOLLOW ROAD
KENNEDY TOWNSHIP, PA 15136-1661
412-331-1208

EMAIL: fontana@pasenate.com
WEB: www.senatorfontana.com
TWITTER: @WayneDFontana



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POLICY

Senate of Pennsylvania

February 1, 2018

Pennsylvania Public Utility Commission
Secretary Rosemary Chiavetta
Keystone Building
Room N201
400 North St.
Harrisburg, PA 17120

Dear Secretary Chiavetta:

As you may be aware, I was a co-sponsor to a segment of Act 40 of 2017. Specially the language found in Senate Bill 404 which would help boost solar energy credits in Pennsylvania by "closing the borders." Many believe that Pennsylvania was at a competitive disadvantage when compared to our neighboring states because the Commonwealth allowed out-of-state systems to sell solar renewable energy credits (SRECs) in Pennsylvania. Because of passage of Act 40, cosponsors of the original bill felt that the loophole had finally been closed.

I understand that the PUC has issued a Tentative Order M-2017-2631527 to allow many of the out of state credits to be grandfathered in. If this is the case, the new law would essentially be useless for the following reasons:

- If the PUC interprets the language to mean all solar certifications in Pennsylvania are within the geographical boundaries, rather than "the solar system must be within the geographical boundaries" as specified in Act 40, than it does nothing to close the borders. Drafters of the bill used this specific language because it was taken from the Alternative Energy Portfolio Standards (AEPS).
- In terms of contracts, this language was included at the request of AEPS contract holders to further emphasize that contracts shall be allowed to sunset. Most of these contracts are only 3-5 years and once those contracts sunset, they will not be renewed if the solar system distribution system is not within the geographical boundaries of the Commonwealth. To reiterate, the term "contracts" should only refer to those that are AEPS compliant to carry out the intent of the bill.
- Another concern is how banked SRECs by out-of-state facilities that are not under contract will be categorized and permitted to fulfill the AEPS SREC requirements. The purpose of Act 40 is that **all** out-of-state systems will no longer qualify or meet the compliance requirements of the AEPS SREC. The only way out-of-state systems could still be eligible is by selling into the Tier I AECs market place. This classification would also include all

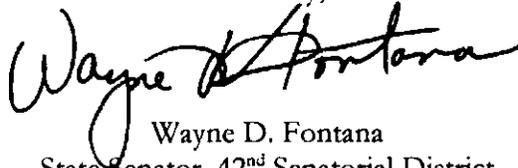
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banked SRECs from those out-of-state facilities as well. The interpretation of eligibility for these banked SRECs should occur at the time when the SREC is sold to meet the AEPS obligation, not when the SREC was generated. This is because generation does not imply intent to sell into the PA AEPS market since these systems are often registered in multiple state compliance markets.

I think it's important to point out that Pennsylvania is on track to meet all AEPS Solar Requirements in 2018 if only Pennsylvania-generated SRECs are permitted to satisfy these obligations. However, if the PUC interprets Act 40 differently, this will not be the case.

Thank you for taking the time to read this letter and your attention to this matter. If you or any of the Commissioners have additional questions, please feel free to reach out to me.

Sincerely,



Wayne D. Fontana
State Senator, 42nd Senatorial District

WDF/blm

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42ND DISTRICT
WAYNE D. FONTANA
SENATE BOX 203042
HARRISBURG, PA 17120-3042

HAND DELIVER

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Secretary Rosemary Chiavetta
Keystone Building
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