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**E-File**

February 5, 2018

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

**Re:      Implementation of Act 40 of 2017**  
**Docket No. M-2017-2631527**

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") is PPL Electric's Comments in the above-captioned proceeding. These Comments are being filed in accordance with the Tentative Order issued on December 21, 2017 at the above referenced docket.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on February 5, 2018, which is the date it was filed electronically via the Commission's E-Filing System.

If you have any questions regarding these comments, please call me at (610) 774-5696 or Bethany Johnson, Manager-Regulatory Operations for PPL Electric Services at (610) 774-7011.

Very truly yours,

A handwritten signature in blue ink that reads "Kim Klock" with a stylized flourish at the end.

Kimberly A. Klock

Enclosures

cc via email: Kriss Brown  
                  Darren Gill

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of Act 40 of 2017 : Docket No. M-2017-2631527

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**COMMENTS OF  
PPL ELECTRIC UTILITIES CORPORATION**

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**I. INTRODUCTION**

On October 30, 2017, Act 40 of 2017 was signed into law, which, *inter alia*, amended the Administrative Code of 1929 and changed the qualifications for solar photovoltaic (“solar PV”) facilities to qualify for solar renewable alternative energy portfolio credits under the Alternative Energy Portfolio Standards (“AEPS”) Act, 73 P.S. §§ 1648.1 *et seq.* 71 P.S. §§ 1 *et seq.* On December 21, 2017, the Pennsylvania Public Utility Commission (“Commission”) entered a Tentative Implementation Order providing the Commission’s proposed interpretation and implementation of Act 40. The Commission solicited comment from the public and industry stakeholders regarding the proposals set forth in the Tentative Implementation Order. Additionally, the Commission’s Chairman Gladys M. Brown and Vice Chairman Andrew G. Place issued a Joint Statement at the December 21, 2017 Public Meeting offering a supplemental interpretation of Act 40 for comment.

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) supports the Commission’s efforts to identify and address issues relating to the implementation of Act 40. PPL Electric is a public utility and electric distribution company (“EDC”) as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 102, 2803. PPL Electric

furnishes electric distribution, transmission, and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of 29 counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania. PPL Electric is participating in this proceeding due to its active obligations for Pennsylvania Alternative Energy Portfolio Standard (“PA AEPS”) renewable energy credits, including solar renewable energy credits, in conjunction with its default service energy plan. This plan includes solar renewable energy credit contracts and full requirements contracts that have an inherent obligation to supply renewable energy credits. PPL Electric appreciates the opportunity to provide comments to the proposed interpretation and implementation of Act 40 and looks forward to working with the Commission and all other stakeholders to address issues associated with Act 40. In accordance with the Tentative Implementation Order, the Company submits the following comments.

## **II. COMMENTS**

### **A. Implementation of Section 2804(1)**

In order to differentiate between the solar PV systems that qualify to generate energy and SRECs<sup>1</sup> eligible to satisfy solar AEPS obligations, from those solar PV systems that do not (but which may be used for the non-solar Tier I AEPS obligation), the Commission proposes to have the Alternative Energy Credit Program Administrator work with PJM-GATS<sup>2</sup> to modify the Pennsylvania certification number assigned to solar PV systems within the PJM-GATS itself. PPL Electric supports the Commission’s proposal. The Company agrees that a clear distinction

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<sup>1</sup> SREC means Solar Renewable Energy Credit, which is an intangible asset created through the generation of 1 megawatt-hour (MWh) of solar energy.

<sup>2</sup> PJM-GATS means PJM Generation Attribute Tracking System. This is the system used by Load Serving Entities (LSE) and renewable energy parties, such as renewable facility owners and aggregator, to manage, track, and transfer credits. This tool is used by the Pennsylvania Public Utility Commission to accept renewable energy credits from LSEs to meet annual PA AEPS obligations.

between eligible and ineligible SRECs in the system used to transfer SRECs is paramount, especially during the period of time when grandfathering of solar facilities and SRECs takes place.

PPL Electric does offer two comments in regards to the Commission's proposed implementation of 2804(1). First, a clear communication process should be established between Commission staff implementing this section, the Commission's AEPS administrator, PJM-GATS, and the EDCs and Electric Generation Suppliers ("EGS") that have the AEPS obligations. The Company believes that there needs to be a clear communication line when entities provide evidence to the Commission of contracts that are grandfathered to ensure PJM-GATS appropriately marks SRECs that are eligible under the new standards versus those that are no longer eligible. Without such a communication process, contracts could be incorrectly marked as not eligible, leading to unnecessary disruption in the market and increased costs to suppliers and customers alike. Furthermore, this communication process should include a detailed dispute resolution process that is both quick and efficient, as disputes are likely to occur just prior to the end of the annual compliance period deadline each August.

Second, PPL Electric recommends that the new certification number be added to a new column in the PJM-GATS system as opposed to overwriting the old certification number. This will ensure that that the original Pennsylvania certification number remains for both transparency and auditing purposes, and that users of the PJM-GATS can clearly see which credits have been recertified through the State's new process. The concern of the Company is that without maintaining the original certification number, there is no clear link between original certification and new certification (i.e. PPL Electric will be unable to determine if a credit may have been incorrectly changed). Such an incident will hinder the dispute resolution process and is likely to

cause transparency and record-keeping issues for both PPL Electric and its suppliers providing SRECs. By adopting the Company's dual column recommendation within PJM-GATS there is no question about what an SREC qualification was under the old and new standards to aid all entities managing SRECs. This will be paramount when administering the grandfathering provisions described in Section 2804(2).

B. Section 2804(2)

The Commission proposes to interpret section 2804(2)(i) to grandfather solar PV AESs<sup>3</sup> certified as a Pennsylvania AES prior to October 30, 2017 as continuing to qualify to generate SRECs eligible for use by EDCs and EGSs to meet their AEPS obligations. PPL Electric agrees with the Commission's interpretation. Moreover, the Company supports the interpretation offered by Chairman Brown and Vice Chairman Place in their Joint Statement on Section 2804(2)(i) that the phrase "a certification originating within the geographical boundaries of this Commonwealth..." refers to facilities located within Pennsylvania borders.

In the Tentative Implementation Order, the Commission requested comment as to whether a facility that filed an application prior to October 30, 2017, but did not receive approval until after that date, should be grandfathered as a solar PV AES eligible facility. PPL Electric submits that a facility that applied for approval prior to October 30, 2017 and is subsequently approved by the Commission should be grandfathered. PPL Electric does not have access to data and information as to how many such applications were received by the Commission's AEC Program Administrator to determine how many applications would fall into this rulemaking; however, grandfathering of such facilities supports the development of solar renewable energy and can support the State's transition to the new Act 40 requirements.

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<sup>3</sup> AES means Alternative Energy System.

PPL Electric agrees with the Commission's interpretation of Section 2804(2)(ii) in principle; however, the Company believes that additional clarification is required to ensure a clear process is in place regarding the exchange of data and information between EDCs and the Commission. PPL Electric supports the Commission interpretation that otherwise ineligible facilities that are grandfathered due to a contract in place should only be grandfathered for the duration of contracts executed by an EDC or EGS for the sale and purchase of AECs, not indefinitely. However, PPL Electric believes that any energy contract executed by an EDC that includes the transfer of AECs should also be grandfathered, as many EDCs have default service full requirement contracts that include the sale of AECs, including SRECs. Furthermore, in order for EDCs to comply with the changes from this section, more information is needed to determine how the Commission will identify SRECs that are grandfathered, even after a written contract is provided to the Commission as evidence.

For instance, PPL Electric has two types of contracts that include SREC obligations with wholesale suppliers – SREC specific contracts and full requirements energy contracts. These contracts offer minimal detail into the SRECs themselves. PPL Electric's SREC contracts currently in place, run through May 2021, and simply contract with a supplier to provide a fixed quantity of SRECs, at a fixed price, that meet the original terms of the PA AEPS. These contracts do not require that SRECs be provided from specific locations. PPL Electric has no information into the source location of the SRECs that will be provided to meet the contracts prior to the actual transfer. Similarly, PPL Electric has a number of full requirements contracts that require wholesale suppliers to provide SRECs commensurate with the energy provided relative to the AEPS Act obligation; however, PPL Electric lacks insight into the characteristics of the specific credits to be provided as a fundamental function of a full requirements contract.

For these reasons, the Company does not know how it or its suppliers will be able to provide evidence of contracts associated with specific credits when such information is not available. In fact, while a contract may exist between PPL Electric and a wholesale supplier for SRECs, it is possible that wholesale suppliers may not have purchased all of the SRECs required to meet the PPL Electric contractual obligations; PPL Electric would never know if this is the case. Under such circumstances, it is unclear what information is required to be provided to the Commission and how credits themselves will be identified as being grandfathered.

To help alleviate this concern, PPL Electric proposes that each EDC's contracts with suppliers be the overarching document used to assert grandfathering. For example, if a supplier transfers SRECs to PPL Electric in compliance with its responsibility per SREC-specific or full requirements contracts already in place prior to October 30, 2017, any such SRECs transferred should be grandfathered under the new rules. To give greater context, all of PPL Electric's contracts conclude on or before May 2021, therefore the transition period would be no more than 3 years and ensure no additional hardship is incurred by the Company's suppliers, PPL Electric, or its default service customers.

Finally, PPL Electric supports Chairman Brown and Vice Chairman Place's further clarification of Section 2804(2)(ii) in principle; Section 2804(2)(ii) specifically refers to out-of-state facilities already certified as AEPS Tier I Solar PV that have a contract with a PA EDC, EGS, LSE or other similar entity. PPL Electric, however, requests clarification as to how a link between an SREC supply obligation through a grandfathered contract and a specific facility that could meet the revision to Section 2804(2)(ii) is to be made in instances when the contract itself does not identify specific facilities or require SRECs generated from a specific facility. As

described earlier in this section, PPL Electric default service contracts do not specifically identify sources for electricity and SRECs.

C. Section 2804(3)

The Commission proposes to interpret Section 2804(3) as limiting the eligibility of systems certified under the contract exception in Subsection 2804(2)(ii) to the duration of the contracts in place prior to October 30, 2017. PPL Electric agrees with the Commission's interpretation of Section 2804(3) in principle. The Company, however, requests clarification regarding the time the AEC Program Administrator will be governed by for review and decision surrounding such an application. Further, PPL Electric requests clarification as to whether entities that own a solar facility will be required to enter into a contract with themselves to ensure the SRECs generated from their facility can be used for State compliance obligations and/or contractual obligations they have with EDCs and EGSs governed under the PA AEPS.

D. Section 2804(4)

PPL Electric agrees with the Commission's interpretation of Section 2804(4).

E. Banked SRECS

Finally, Chairman Brown and Vice Chairman Place's Joint Statement requested comments on the handling of banked SRECs from previously certified out-of-state facilities. PPL Electric believes any such banked credits should be grandfathered and available for use. PPL Electric utilizes a bank of AECs, including SRECs, for compliance with the AEPS obligations each year. A lack of grandfathering of these credits would harm default service customers by requiring PPL Electric to procure credits it has already procured for solar AEPS obligations, and would result in excess Tier I non-solar RECs.

### III. CONCLUSION

PPL Electric supports the Commission's efforts to identify and address issues relating to the implementation of Act 40. PPL Electric respectfully recommends that the Commission proceed with the implementation of Act 40 taking these Comments into consideration.

Respectfully submitted,



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Date: February 5, 2018

Attorneys for PPL Electric Utilities Corporation