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| PUC logo | COMMONWEALTH OF PENNSYLVANIAPENNSYLVANIA PUBLIC UTILITY COMMISSIONTECHNICAL UTILITY SERVICESP.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE****M-2009-20933831** |

July 8, 2016

TO: EDCs and EGSs with AEPS obligations

RE:AEPS Compliance Obligation

This letter serves as notification that there will be an approximate seven percent increase in the otherwise anticipated annual AEPS Tier I obligations for the 2016 compliance year. This notice is being provided in advance so that all electric distribution companies (EDCs) and electric generation suppliers (EGSs) with compliance obligations are informed of this increase as soon as practical.

Act 129 of 2008, P.L. 1592, (“Act 129”) was signed into law on October 15, 2008. Section 5 of Act 129 added Section 2814 to the Pennsylvania Public Utility Code, 66 Pa. C.S. § 2814. Section 2814 expanded the types of sources that qualify as Tier I alternative energy sources under the Alternative Energy Portfolio Standard (AEPS) Act to include specific categories of low impact hydropower and biomass energy. Section 2814 also required the Pennsylvania Public Utility Commission (Commission) to increase, at least quarterly, the percentage share of Tier I resources to be sold by EDCs and EGSs to reflect any new Tier I resources added as a result of this amendment. *See* 66 Pa. C.S. § 2814(c).

On May 28, 2009, the Commission issued a Final Order at Docket Number M-2009-2093383 establishing procedures and guidelines relative to the aforementioned Tier I quarterly adjustment. As part of its obligation to inform EDCs and EGSs that have served load during the 2016 compliance year, the AEPS Program Administrator will soon be providing notification to each EDC and EGS of its total compliance obligation including these quarterly Tier I adjustments.

This letter serves as notification that the Commission has become aware of an error in how the quarterly adjustments were calculated over the past six years. This error has been corrected for the 2016 compliance year, resulting in an approximate seven percent increase in the otherwise anticipated annual Tier I obligations.

The Commission is in the process of reviewing how this error occurred and whether any additional actions are necessary to address this error.

Please direct all questions or concerns regarding compliance with the increased Tier I obligations to Mr. Joseph Sherrick at 717-787-5369 or josherrick@pa.gov.

 Very truly yours,

 Rosemary Chiavetta

 Secretary