

Paul E. Russell
Associate General Counsel

PPL
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.4254 Fax 610.774.6726
perussell@pplweb.com



Via FedEx

November 28, 2005

James J. McNulty, Esquire
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

**Re: Implementation of the Alternative
 Energy Portfolio Standards Act of 2004:
 Designation of the Alternative Energy Credits Registry
 Docket No. M-00051865**

Dear Mr. McNulty:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") are an original and (15) copies of PPL Electric's comments to the Designation of Alternative Energy Credits Registry addressed in the Commission's Tentative Order, issued on October 28, 2005, in the above-captioned proceeding.

Pursuant to 52 Pa. Code 1.11, the enclosed document is to be deemed filed on November 28, 2005, which is the date it was deposited with an overnight express delivery as shown on the delivery receipt attached to the mailing envelope.

In addition, please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

If you have any questions regarding the enclosed response, please call.

Very truly yours,


Paul E. Russell

Enclosures

cc: Ms. Carrie Beal (and electronic copy)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of the Alternative :
Energy Portfolio Standards Act of 2004: : Docket No. M-00051865
Designation of the Alternative Energy :
Credits Registry :

Comments of PPL Electric Utilities Corporation

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. Introduction

By Order entered October 28, 2005, the Public Utility Commission ("PUC" or the "Commission") issued a Tentative Order addressing issues related to the development of a registry of information regarding Alternative Energy Credits ("AECs"). In this Tentative Order, the Commission tentatively designates PJM Environmental Information Services, Inc.'s ("PJM EIS") Generation Attribute Tracking System ("GATS") as the credits registry required by the Alternative Energy Portfolio Standards Act of 2004 (the "Act"). The Tentative Order also addresses issues related to the recovery of fees and charges that are expected to be imposed by PJM EIS and requests comments on certain issues related to the information contained within GATS.

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) is an Electric Distribution Company (“EDC”) serving 1.3 million customers in central eastern Pennsylvania. PPL Electric has been an active participant in the stakeholder process that the Commission has established to address issues relevant to the implementation of the Act. PPL Electric appreciates the opportunity to provide comments on the above-captioned Tentative Order and looks forward to continuing to work with the Commission and all other stakeholders to address issues associated with implementation of the Act.

II. Comments

Designation of GATS as the Credit Registry

In this Tentative Order, the Commission states that it is tentatively designating PJM EIS GATS as the credits registry required by the Act. PPL Electric has, in previous comments, recommended the use of GATS for this purpose and generally supports the Commission’s tentative designation. However, it is PPL Electric’s understanding that GATS was developed to accommodate the New Jersey Renewable Portfolio Standard structure and, therefore, currently is not able to accommodate certain features specific to Pennsylvania. Examples include the following.

1. The Act includes Demand-Side Management and Energy Efficiency (“DSM/EE”) measures among qualifying Tier II technologies and the Commission recently adopted procedures related to DSM/EE measures. At this point, however, GATS is

only capable of establishing Credits for generation from alternative energy resources that are metered and reported to PJM.

Functionality will have to be added to GATS to permit the recording of Credits from DSM/EE measures. Absent such functionality, the credits program administrator will probably be required to establish a registry for such Credits.

2. The Act requires that “(a)ll qualifying alternative energy systems must include a qualifying meter to record the cumulative electric production to verify the advanced energy credit.” Section 3(e)(3). Because the Act does not require those meters to be monitored by PJM, there may be a population of metered generators that will not be captured within GATS. As with DSM/EE measures, absent the functionality to capture such measures, the credits program administrator will probably be required to establish a registry for such Credits.

PPL Electric understands that PJM EIS is still working on the development of GATS and that PJM EIS expects to add functionality to address these and other issues. PPL Electric supports efforts to develop a single registry in order to avoid inefficiencies associated with the existence of multiple registries. Nevertheless, because PJM EIS is not an entity under the regulatory jurisdiction of the Commission, it is important to acknowledge that GATS may not always be capable of meeting Pennsylvania’s needs. Accordingly, the duties of the credits program administrator

will need to include assessing the functionality of GATS and maintaining systems necessary to interface with GATS.

Also, as discussed in the Tentative Order, PJM EIS has established a schedule of fees and charges to be paid by GATS users. The 2005 PJM Load Forecast Report estimates net energy consumption of almost 309,000 GWH in 2010 within the Mid-Atlantic Region. The Mid-Atlantic Region includes New Jersey, Delaware, Pennsylvania, Maryland, and the District of Columbia. If all of those jurisdictions have portfolio standards and require the use of GATS, volumetric charges of \$8/GWH would result in total revenues to PJM EIS of about \$2.5 million. Potential revenues are even greater when one includes other jurisdictions outside of the Mid-Atlantic Region that also might employ GATS. This sizable revenue potential could lead other entities to develop registries that might compete with PJM EIS for a share of the market. In order to take advantage of the best and most cost-effective product available, the credit program administrator should include in the above recommended assessment a periodic recommendation on the continued use of GATS versus other options.

Proof of Subscriber Agreement with PJM EIS

The Tentative Order directs EDCs to enter into subscriber agreements with PJM EIS for GATS accounts and to file executed subscriber agreements with the Commission as proof of compliance. The Tentative Order also states, "EGSs should enter into subscriber agreements...for an EDC territory in which they sell electricity to retail customers." PPL Electric believes that the Act establishes the same

compliance obligations for all load serving entities regardless of whether they are an EDC or an EGS. Accordingly, PPL Electric recommends that the Commission direct EGSs to enter into subscriber agreements with PJM EIS for GATS accounts as a condition of receiving and maintaining an EGS license, and to file executed subscriber agreements with the Commission as proof of compliance.

Credit Pricing Information

The Tentative Order specifically requests comments on the scope and availability of credit pricing information that may be captured by GATS. At the outset, PPL Electric believes that it must be recognized that GATS will not be a “perfect” source of credit pricing information. For example, a sale of credits from one party to another, with no other consideration, would result in a credit price equal to the number of credits divided by the amount paid and this amount could be recorded in GATS. However, the same number of credits might be purchased along with generation or pursuant to a tariffed rate. In these instances, it is unclear what figure would be recorded in GATS and, further, what conclusions could be drawn by a comparison of the two figures.

PPL Electric believes that credit pricing information is necessary for four purposes:

1. The price of credits retired for compliance purposes must be included in an EDCs recovery of costs.

2. The Commission will need credit pricing information to establish a market price for solar photovoltaic credits in order to set the Alternative Compliance Payment for such credits.
3. The Commission will need credit pricing information to determine whether an economic Force Majeure exists.
4. Some credit pricing information is necessary to support development of a viable credits market.

PPL Electric believes that information developed through GATS will contribute to the above needs, but it will not be the only source of information nor can the other sources be ignored. PPL Electric believes that the situation is somewhat analogous to SO₂ emission allowance markets wherein the Environmental Protection Agency conducts a highly visible auction of allowances and publishes the resultant prices, while, at the same time, it is recognized that many allowances are exchanged through other transactions that vary widely in nature and complexity. With this in mind, following are PPL Electric's comments on the four issues raised in the Tentative Order:

1. Frequency. PPL Electric believes that price information should be recorded at the time the associated transaction is recorded. Presumably, a user with proper authorization would then be able to summarize pricing information for specific periods of its own design.
2. Level of detail. Because credits will be tracked individually, PPL Electric believes that pricing should be recorded for each credit.

3. Availability of price information. PPL Electric believes that price information should be made widely available, but that the confidentiality of the transacting parties must be maintained.
4. Recording pricing information within GATS as opposed to in other systems. As noted above, PPL Electric believes that there will be no single repository of credit pricing data. EDCs seeking the recovery of costs associated with credits retired for compliance will need to maintain their own records of credit prices. Brokers currently quote and will continue to quote prices. PPL Electric believes that credit pricing information recorded in GATS with appropriate protections can provide an additional source of publicly available data.

Fees, Charges, and Cost Recovery

As noted above, the Tentative Order acknowledges that PJM EIS has established a schedule of fees and charges to be paid by GATS users. The Tentative Order states that the fees and charges incurred by EDCs in subscribing to GATS are indirect costs within the meaning of the Act and are recoverable. The Tentative Order further states that recovery of such costs incurred during an EDC's Cost Recovery Period shall be deferred to the first reporting year after the expiration of the Cost Recovery Period, and recovery shall be pursuant to an automatic adjustment clause. Finally, the Tentative Order states, "The Commission finds the level of these charges to be just and reasonable costs for complying with the Act." PPL Electric

concurs with the Tentative Order on these points and commends the Commission for providing clarity on these issues. In addition, however, PPL Electric recommends that the Tentative Order be amended to specifically state that costs incurred by EDCs to interface with and to use GATS also are recoverable.

III. Conclusion

For all of the reasons stated above, PPL Electric Utilities Corporation recommends that the Public Utility Commission proceed with implementation of the Alternative Energy Portfolio Standards Act consistent with its October 28, 2005 Tentative Order and PPL Electric Utilities Corporation's comments.

Respectfully submitted,



Paul E. Russell
Associate General Counsel
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101
(610) 774-4254

Dated: November 28, 2005
at Allentown, Pennsylvania