PPM Energy
A ScottishPower Company

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Carrie Beale
PA Public Utility Commission
Bureau of Conservation, Economics & Energy Planning
cbeale@state.pa.us

VIA EMAIL

Docket No. M-00051865	Implementation of the Alternative Energy Portfolio Standards Act of 2004
Docket No. L-000410169	Rulemaking RE Electric Distribution Companies' Obligations to Serve Retail Customers at the Conclusion of the Transition Period Pursuant to *66 PA. C.S. § 2807(e)(2)*

Dear Ms Beale:

To follow, please find the comments of PPM Energy regarding the Implementation of the Alternative Energy Portfolio Standards Act of 2004.

Respectfully submitted,

Theo deWolff
Director, Business Development

PENNSYLVANIA PUBLIC UTILITIES COMMISSION

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COMMENTS OF PPM ENERGY

PPM Energy, a developer and owners of wind power facilities, has previously commented in Docket M-00051865 regarding Implementation of the Alternative Energy Portfolio Standards Act of 2004 (AEPS) and appreciates the opportunity address the interaction of the AEPS with the proceeding on Provider of Last Resort (POLR) service to retail customers.

1—Should Act 213 cost recovery be addressed in the Default Service regulations as opposed to a separate rulemaking? Is it necessary to consider Act 213 cost recovery regulations on a different time frame in order to encourage the development of alternative energy resources during the "cost recovery period?"

Act 213 cost recovery should be addressed in its own rulemaking so that the specific needs related to the development of alternative energy supply can be considered on their own and in a timely fashion.

Substantial alternative energy resources must be developed to meet the full requirements of the AEPS after the end of the so-called "the cost recovery period," the period during which a utility operates under a Pennsylvania Public Utility Commission approved rate plan. To ensure that the intentions of Act 213 are met and that adequate alternative energy supply is available, new projects must begin to move forward immediately to meet the various requirements of development and financing. Establishing contracting and cost-recovery provisions as soon as possible will allow the timely development of eligible alternative energy facilities.

2-Do the prevailing market conditions require long-term contracts to initiate development of alternative energy resources? May Default Service Providers employ long-term fixed-price contracts to acquire alternative energy resources? What competitive procurement process may be employed if the Deault Service Provider acquires alternative energy resources through a long-term fixed priced contract?

PPM Energy believes t hat long-term contracts for both energy and renewable credits are needed in order for the AEPS program to be successful. Such contracts are the best way to ensure that consumers' interests are met under the AEPS requirement. For the AEPS to be successful in delivering its multiple benefits to the citizens of the Commonwealth, it must be regarded as a long-term, durable requirement. Those contracting for alternative energy should be encouraged to enter into long-term contracts. By doing so, they will obtain for their customers the lowest cost for alternative energy supply. Long-term contracts will enable the Commonwealth's consumers to get the benefits of alternative energy like wind at the best price.

Competitive procurement, with a transparent Request for Proposals, is one means of identifying qualified bidders. To ensure that bids are legitimate, bidders should be required to post a bid bond. A bond of $3 per megawatthour is a reasonable figure. A financial penalty for failure to perform will help prevent the submission unrealistic bids, which can undermine the RFP process and result in a shortage of eligible supply. Other qualifications could also be put in place to establish that the bidding projects will be completed in a timely manner and able to offer their output at the price offered in the RFP. Such qualifications could include demonstration of progress with respect to important development milestones, including necessary interconnection and permitting approvals. There may need to be flexibility in establishing appropriate development milestones within a particular RFP, depending upon the time between the deadline for the submission of proposals and the proposed operation of the alternative energy facility.

3-Should the force majeure provisions of Act 213 be integrated into the Default Service Procurement process? Should Default Service be required to make force majeure claims to their Default Service implementation filing? What criteria should the Commission consider in evaluating force majeure claims. How may the Commission resolve a claim of force majeure by an electric generation supplier?

Force majeure should be determined independently of the Default Service Procurement process and addressed in a separate proceeding to ensure this essential feature of Act 213 is not diluted by other considerations.

PPM Energy has previously commented on force majeure and believes, as stated earlier, that a successful AEPS depends upon its being universally understood to be *a long-term, durable requirement* no different from the requirement to have adequate supply to meet their customers' electricity needs. Consequently those with the obligation to meet the AEPS requirement must engage in the acquisition of the necessary supply sufficiently in advance of the date the requirement takes effect to enable them to comply with the law. They should have contingency plans to meet their obligation in the event their procurement does not proceed as expected.

Establishing rules that will encourage a market for AEPS credits that is as flexible, deep, and efficient as possible will help all market participants in meeting AEPS requirement. Such rules should allow:

1. A diversity of market participants—generators, wholesale power suppliers, commodities traders, competitive energy suppliers, utilities, and others—to own and trade credits, and
2. An extended banking period for credits. Maryland and Texas have three-year banking periods, and utilities may bank credits under Act 213. The Commission should consider rules that allow others to bank credits both during the "cost-recovery period" and afterward to support the market for alternative energy supply.

PPM Energy has not comments on other questions posed by the Commission. Thank you for your consideration of these comments.