

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Petition of Pennsylvania Power
Company for approval of
default service program for
period from January 1, 2011
through May 31, 2013.

Public Meeting: October 21, 2010
2157862-ALJ
Docket No. P-2010-2157862

STATEMENT OF CHAIRMAN CAWLEY

Before us is the Petition of Pennsylvania Power Company ("Penn Power" or "Company") for approval of its default service program for the period from June 1, 2011 through May 31, 2013,* the Joint Petition for Settlement filed on July 23, 2010, by Penn Power, and the Recommended Decision of Administrative Law Judges Mark A. Hoyer and Mary D. Long issued August 25, 2010.

First, the parties should be commended for their collaborative effort to reach consensus on the issues. Not only did they work together, but, to the extent possible, the parties also complied with Commission policies regarding default service procurement, competitive efforts, and consumer protections. Those efforts have not gone unnoticed.

With regard to the settlement agreement, there appears to be an omission on Penn Power Exhibit LWG-1, page 2 of 2. When calculating the credit amount to offset distribution rates, related to unbundled generation service uncollectible accounts expense, the Company failed to include transmission uncollectible accounts expense dating from 1996. The company should voluntarily correct this omission when it files its compliance tariff.

Secondly, Penn Power should comply with the Commission's final order in Docket No. M-2010-2183412, when issued, regarding data elements in the eligible customer list, as well as the release of information for all customer accounts other than telephone and personal historical usage information. Future supplier tariff filings should reflect these later competitive market advancements.

Of course, Penn Power's efforts to enhance its default service and competitive market processes should be ongoing, leading to continuous improvement. Among the areas for future improvement in its next default service filing are: more consistent default service customer groupings; and allocation of default service costs, including associated bad debt expense, consistent with the Commission's policy statement.

Additionally, the Recommended Decision references the Alternative Energy Portfolio Standards Act (AEPS Act), 73 P.S. §§ 1641.1-1648.8. As we recognized in

* The case caption does not reflect the actual default service period of this case, which commences June 1, 2011, and ends May 31, 2013.

our recently adopted Policy Statement on Pennsylvania Solar Projects, 52 Pa. Code §§ 69.2901-69.2904, the AEPS Act and the Alternative Energy Investment Act, 73 P.S. §1649.101 -§ 1649.2901, established “a clear policy to promote construction of small-and large-scale solar projects in this Commonwealth.” The Policy Statement recognized that price uncertainty for Solar Renewable Energy Credits (SRECs) with regard to development of solar projects was an impediment and suggested a SRECs procurement methodology for Electric Distribution Companies (EDCs), like Penn Power, which would allow for cost recovery consistent with the AEPS Act and other applicable law.


The Settlement includes the Penn Power’s Solar Photovoltaic Alternative Energy Credit Purchase and Sale Agreement. Article 9 of that Agreement, entitled “Change in Law,” provides in part:

The Company’s obligations under this Agreement are contingent on, and limited by, the Company’s ability to recover all costs incurred by it under this Agreement from its retail customers in full and on a current basis. If any statutes, rules, regulations, permits or authorizations are enacted, amended, granted or revoked, which have the effect of changing the recovery of costs, the Company may terminate this Agreement upon 45 days written notice. Prior to the effectiveness of such termination, the parties to the Agreement shall use good faith and reasonable commercial efforts as promptly as practicable to consider an alternative to termination that would provide for full and current cost recovery by the Company.

The Commission’s position is that any contract approved by the Commission for the purchase of SRECs allows for EDC cost recovery of those purchases. Thus, such a contract provision should be unnecessary. Although every EDC has the right to protect itself contractually, all parties to the development of SRECs should recognize that enforcement of such a contractual provision will not be required.

Again, while room always exists for improvement, the efforts of the parties have produced a settlement that achieves a significant number of the Commission’s objectives to advance consumers’ interests in today’s competitive energy market.

October 21, 2010


James H. Cawley
Chairman