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March 8, 2010

VIA OVERNIGHT MAIL

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, Pennsylvania 17120

RECEIVED

MAR 08 2010

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Re: Proposed Policy Statement in Support of
Pennsylvania Solar Projects
Docket No. M-2009-2140263

Dear Secretary McNulty:

Enclosed for filing are an original and fifteen (15) copies of Duquesne Light Company's Comments in the above-referenced proceeding.

Sincerely yours,

Vernon Edwards
Regulatory Compliance Supervisor

Enclosures

cc via E-mail:
Scott Gebhardt
Kriss Brown

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Re: Proposed Policy Statement
in Support of Pennsylvania Solar Projects**

Docket No. M-2009-2140263

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**COMMENTS OF
DUQUESNE LIGHT COMPANY**

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Duquesne Light Company hereby submits these comments in response to the Proposed Policy Statement in Support of Pennsylvania Solar Projects published in the Pennsylvania Bulletin on February 6, 2010. The purpose of this Proposed Policy Statement is to provide guidance to the industry and develop a process to overcome the potential price uncertainty of solar alternative energy credit prices, which will in turn promote funding of future solar projects that will benefit consumers in the Commonwealth.

Duquesne Light Company fully supports the language and intent of the Policy Statement and offers no specific comments on 52 Pa. Code § 69.2902 (Definitions). Duquesne appreciates the opportunity to offer its comments on the remaining sections of the Policy Statement, which are set forth below.

A. 52 Pa. Code § 69.2901 (Purpose)

The purpose as stated is to promote the construction of solar projects in Pennsylvania. Certainly that is a worthwhile goal. The Commission must also consider the possible commerce clause implications of promoting in-state facilities and existing law prescribing that solar RECs can be procured for compliance purposes from the RTO territory of the EDC. The explicit sections of the policy, though, do not distinguish, favor

or discriminate between out-of-state and in-state solar projects, so Duquesne has no specific recommendation.

Second, the Commission should consider whether this policy should apply to Electric Generation Suppliers that they license. The alternative energy requirements apply to EGSs, so perhaps this proposed Commission policy on that subject should apply to EGSs as well as EDCs since all serve customer load in the Commonwealth.

B. 52 Pa. Code § 69.2903 RFPs to establish SREC values recoverable as a reasonable expense.

(a) *SREC procurement from large-scale solar projects.*

Duquesne Light is subject to the Alternative Energy Portfolio Requirements in increasing levels over time. Duquesne Light supports the RFP process for large-scale solar projects (projects greater than 200kw) as those production facilities are fairly standard and lend themselves to an RFP process. Duquesne has proposed to support solar development and to issue a solar RFP in order to construct a small solar facility up to 5 MW, with the output to be used for Residential and Lighting POLR supply. With Commission approval, Duquesne Light is interested in acquiring solar power in an effort to support cost-effective solar resources in the region.

(b) *SREC procurement from small-scale solar projects.*

Duquesne Light agrees with the Commission's proposed provisions and supports using both the competitively bid RFC process as well as the use of bilateral contracts to procure SRECs from small-scale solar projects. Duquesne believes that bilateral contracts are important as small-scale solar

projects are begun to be developed across the Commonwealth. Historically, installation cost assistance from government/tax programs has helped promote small scale projects. However, as those government funding programs change or are potentially eliminated, the price certainty of SRECs through bilateral contracts will allow for a program that provides installers of smaller solar systems financial incentive to invest in these types of installations.

In "Section iii", the proposed Policy statement states "the amount of small-scale solar project SRECs yet to be procured by the EDC, and the EDC's historic and current average SREC market prices from each of the EDC's large solar project procurements should be listed on the Commission's AEPS Credit Administrator's website, as well as the EDC's website, and updated at least monthly". While Duquesne Light does not generally oppose posting "historic and current averages" of SERC prices, Duquesne **does** oppose the requirement to post the amount of small-scale SRECs yet to be procured. Duquesne considers the amount of SRECs it needs (not yet procured) to be market sensitive information, and is concerned that disclosing this information would affect its ability to negotiate the best prices for its customers. Disclosing open positions would place Duquesne Light at a disadvantage by negatively influencing Duquesne's ability to fairly negotiate pricing. Thus, it is Duquesne's position that EDCs should not be required to post the amount of SRECs it has yet to procure,

and “section (iii)” be modified to remove the requirement for EDC’s to post the amount of small-scale SERCs yet to be procured.

In “Section iv”, the proposed Policy Statement states “The amount of small-scale solar project SRECs procured through bilateral contracts during a single AEPS compliance year should not exceed the number of SRECs procured by the EDC in its last large-scale solar project procurement”.

Duquesne Light opposes this section of the Policy Statement as an unjustifiable restraint on its goal to procure solar on the most cost effective basis for its customers. If it is more cost effective to procure solar from small projects at a given point in time, then the utilities should do that and not be constrained by artificial regulatory limits.

Further, Duquesne feels that small solar projects are an important component in the overall success of Pennsylvania’s alternative energy plan. Owners and operators of properties such as airports, small industrial facilities, schools, colleges, hospitals, shopping centers, office complexes, and residential dwellings are integrating renewable energy into their construction projects. EDCs should be encouraged to promote and assist in the development of these small scale, local Pennsylvania projects by creating a market for small scale project SRECs. The benefit to the local EDC is that small-scale projects, collectively, have the potential to reduce electrical losses during transmission, lessen congestion on high voltage power lines, and meet increased demand for power without the construction of new high voltage transmission lines.

It is Duquesne's position that compliance with AEPS requirements should be able to be derived from any size of solar project, whether small or large, and that "section iv" of the proposed Policy Statement be removed.

C. Pa. Code § 69.2904 (Contracts)

(a) *Standardized contracts*

Duquesne believes that standardized contracts are not required for solar projects. However, Duquesne would not have an objection to utilizing a standardized contract.

(b) *Performance guarantees, security and other contract terms*

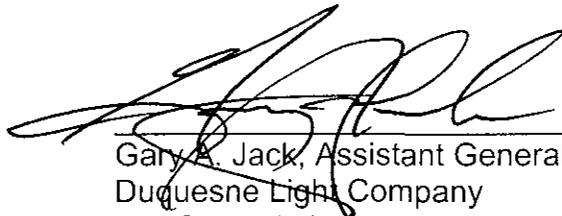
The Proposed Policy Statement states "While EDCs may require the posting of bid security in an RFC for large-scale solar projects, bid security for small-scale solar projects is not necessary due to the manner in which the SREC market price for such projects is established". Duquesne Light disagrees that small projects should not post security. Electric Distribution Companies face substantial monetary fines for non-compliance with the alternative energy requirements. Duquesne is concerned with the Policy Statement language that excludes small scale solar projects from providing assurance for project completion and performance. Those assurances are allowable for with projects at or above 15 kW, and Duquesne believes that those same project completion assurances are needed for projects less than 15 kW as well. While security should not be cost prohibitive, it is necessary to help assure the projects will meet its contractual obligations. Otherwise, due to market price changes or other matters, developers/owners could

much more easily breach their obligations without much recourse or consequence

Conclusion

Duquesne supports the Commissions efforts to reduce or eliminate barriers to solar project development within the Commonwealth. The Proposed Policy Statement is overall helpful to the process by providing price indicators and longer term revenue stability. We appreciate the opportunity to provide comments.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'G. Jack', written over a horizontal line.

Gary A. Jack, Assistant General Counsel
Duquesne Light Company
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412-393-1541

Dated: March 8, 2010

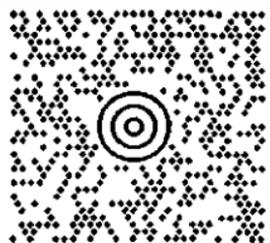
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SHIP TO:

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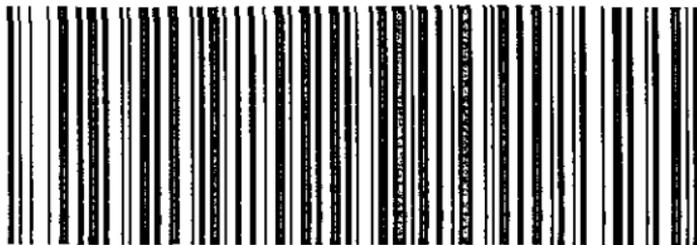
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