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September 9, 2016

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: ***Proceeding to Evaluate Transition to Corrected Non-Solar Tier I Calculation Methodology*; Docket No. M-2009-2093383**

Dear Secretary Chiavetta:

Pursuant to the Commission's Tentative Order entered August 15, 2016, in the above-referenced proceeding, enclosed herewith for filing are the Reply Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Teresa K. Schmittberger /am

Teresa K. Schmittberger

Enclosures

c: As Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proceeding To Evaluate Transition To Corrected Non-Solar Tier I Calculation Methodology	: : :	**Docket No. M-2009-2093383**

REPLY COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY, AND WEST PENN POWER COMPANY

I. INTRODUCTION AND BACKGROUND

On August 30, 2016, Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (each of which may be referred to as "Company" or in combination as "Companies") submitted Comments at the above-referenced docket in response to the Tentative Order dated August 15, 2016 of the Pennsylvania Public Utility Commission ("PUC" or "Commission"). As part of the Tentative Order, the Commission requested comments and reply comments regarding the remedies that should be available to electric distribution companies ("EDCs") and electric generation suppliers ("EGSs") to address a calculation error of the quarterly adjustment for non-solar Tier I requirements pursuant to the Alternative Energy Portfolio Standards ("AEPS") Act and Act 129 of 2008.[1] EDCs and EGSs were notified by the Commission regarding this calculation error on July 8, 2016. Beginning July 15, 2016, the Program Administrator of the AEPS Program began notifying EDCs and EGSs with their increased non-solar Tier I purchasing obligations, which increased overall non-solar Tier I requirements by

[1] 73 P.S. §§ 1648.1, *et seq.*; 66 Pa.C.S. § 2814.

approximately seven percent for the 2015-2016 reporting period (i.e., June 1, 2015, through May 31, 2016). In its Tentative Order, the Commission specifically requested comments on the two following options: (1) delaying the true-up period for non-solar Tier I obligations; and (2) procurement of the increased non-solar Tier I alternative energy credits ("AECs") by EDCs on behalf of EGSs in their service territories. In addition to the Companies, the following parties submitted comments: PECO Energy Company ("PECO"); PPL Electric Utilities Corporation ("PPL"); Duquesne Light Company ("Duquesne"); the Energy Association of Pennsylvania ("EAP"); the Office of Consumer Advocate ("OCA"); the Office of Small Business Advocate ("OSBA"); the Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the Philadelphia Area Industrial Energy Users Group, the PP&L Industrial Customer Alliance, and the West Penn Power Industrial Intervenors (collectively, the "Industrials"); the Retail Energy Supply Association ("RESA"); Direct Energy Services, LLC ("Direct"); WGL Energy Services, Inc. ("WGL"); the National Energy Marketers Association ("NEMA"); and ConocoPhillips Company ("COP"). The following Reply Comments are submitted on behalf of the Companies to address certain issues raised in other parties' comments.

II. REPLY COMMENTS

The comments from other parties were divided into two categories: (a) EDCs and customer representatives generally support the Commission's proposal to delay the true-up period for non-solar Tier I requirements; and (b) EGS representatives prefer that the Commission order EDCs to procure the additional non-solar Tier I AECs on behalf of EGSs in their service territories and obtain non-bypassable cost recovery. As the Companies already procured the additional non-solar Tier I AECs required by the Commission for their default service load, the Companies took the approach in their Comments of generally addressing each of the Commission's proposed approaches. In Reply Comments, the Companies will provide additional analysis regarding the two approaches in light of issues raised in other parties' comments.

If the Commission extends the true-up period during which EDCs and EGSs may obtain additional non-solar Tier I AECs, other parties' comments highlight the importance of providing EDCs and EGSs with ample flexibility in the methodologies they adopt to procure additional AECs. As described in the comments of PECO, PPL, and the Companies, each EDC is subject to different tariff provisions and supplier master agreements ("SMAs") that will impact their chosen approach. For example, PECO's default service suppliers already made the additional purchases required to meet PECO's increased non-solar Tier I obligations as a result of provisions within PECO's SMA.[2] By contrast, PPL has yet to make any additional purchases, but includes an analysis in its comments of the merits of both auctions and spot market purchases based on the language within PPL's SMA and the Commission's regulations.[3] Finally, as discussed in the Companies' Comments, after determining that its SMA language would not allow for procurement of the additional credits by default service suppliers, the Companies procured additional non-solar Tier I AECs through spot market purchases.[4]

Accordingly, if an extended true-up period is adopted, the Companies urge the Commission to provide EDCs and EGSs with the flexibility required to meet the additional non-solar Tier I requirements through whatever methodologies the EDCs and EGSs determine are consistent with their tariffs, SMAs, contracts, as well as the Public Utility Code and Commission regulations. To the extent the Commission would like to offer specific approaches that may be followed to meet

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[2] Comments of PECO Energy Company, *Proceeding To Evaluate Transition To Corrected Non-Solar Tier Calculation Methodology*; Docket No. M-2009-2093383 (Aug. 30, 2016), p. 3.
[3] Comments of PPL Electric Utilities Corporation, *Proceeding To Evaluate Transition To Corrected Non-Solar Tier I Calculation Methodology*; Docket No. M-2009-2093383 (Aug. 30, 2016), pp. 18-22.
[4] Comments of the Companies, *Proceeding To Evaluate Transition To Corrected Non-Solar Tier I Calculation Methodology*; Docket No. M-2009-2093383 (Aug. 30, 2016), p. 4.

these requirements, the Companies recommend that either spot market purchases or auctions are appropriate methodologies for obtaining additional AECs. The Commission's regulations state that where EDCs and EGSs do not have sufficient AECs at the end of a reporting period, they may procure additional credits during the following 90-day true-up period and obtain corresponding cost recovery.[5] These regulations imply that spot market purchases are permitted in the instant situation, as it would be highly challenging to hold an auction during the short 90-day true-up period. On the other hand, where EDCs' SMAs provide for future auctions to obtain additional AECs, EDCs likewise should be allowed to conduct such auctions to obtain the credits. The Commission should permit the procurement of additional AECs through spot market purchases or auctions as either approach would be consistent with relevant law, regulations, and tariffs, as applicable.

Along these same lines, the Commission should provide EDCs and EGSs with flexibility regarding the timing of their procurement of additional AECs. Certain parties recommend that the non-solar Tier I adjustment apply to the 2016-2017 reporting period as opposed to the 2015-2016 reporting period.[6] When the Commission first notified EDCs and EGSs regarding this adjustment, the Commission applied this adjustment to the 2015-2016 reporting period. As a result, the Companies obtained additional non-solar Tier I AECs intending to retire them as part of the 2015-2016 reporting period. To the extent the Commission modifies this adjustment to apply to the 2016-2017 reporting period, the Commission should provide EDCs and EGSs that have already

[5] 52 Pa. Code §§ 75.61(e), 75.67(a)(4).

[6] Comments of PPL Electric Utilities Corporation, *Proceeding To Evaluate Transition To Corrected Non-Solar Tier I Calculation Methodology*; Docket No. M-2009-2093383 (Aug. 30, 2016), p. 14; *see also* Joint Comments of the Industrials, *Proceeding To Evaluate Transition To Corrected Non-Solar Tier I Calculation Methodology*; Docket No. M-2009-2093383 (Aug. 30, 2016), p. 4.

procured the additional AECs with flexibility to either retire them as part of the 2015-2016 reporting period or the 2016-2017 reporting period.

Alternatively, if the Commission requires EDCs to procure non-solar Tier I AECs on behalf of EGSs in their service territories, the Companies request both flexibility in their chosen methodology and timing of procurement, as well as specific authorization by the Commission that the Companies' procurement and non-bypassable cost recovery on behalf of EGSs is permissible under the Companies' tariffs. If directed by the Commission to procure non-solar Tier I AECs on behalf of EGSs, EDCs should be provided with the same flexibility in chosen methodology and timing as discussed above. In addition, as discussed in the Companies' Comments, the Companies do not currently have a mechanism within their tariffs to procure non-solar Tier I AECs on behalf of EGSs or to obtain cost recovery for such a procurement. Although the Companies' Default Service Support ("DSS") Riders allow for non-bypassable recovery of certain costs from both shopping and default service customers, costs associated with the procurement of non-solar Tier I AECs are not among those costs. Without explicit authorization from the Commission, the Companies do not believe they have the legal authority to purchase additional non-solar Tier I AECs on behalf of EGSs. To the extent this approach is adopted by the Commission, the Companies request that the Commission provide EDCs with flexibility from both a methodology and timing perspective, and specifically hold that EDCs are legally permitted to procure and obtain cost recovery through existing tariff mechanisms for non-solar Tier I AECs on behalf of EGSs.

III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company appreciate the opportunity to provide Reply Comments regarding the Tentative Order at the above-referenced docket by the Pennsylvania Public Utility Commission.

Respectfully submitted,

Dated: September 9, 2016

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West Penn Power Company

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proceeding To Evaluate Transition	:	
To Corrected Non-Solar Tier I	:	**Docket No. M-2009-2093383**
Calculation Methodology	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by first class mail, as follows:

John R. Evans
Office of Small Business Advocate
Suite 1102, Commerce Building
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Tanya J. McCloskey
Office of Consumer Advocate
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Harrisburg, PA 17101

Bureau of Investigation and Enforcement
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Dated: September 9, 2016

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