

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Proceeding to Evaluate Transition to
Corrected Non-Solar Tier I Calculation
Methodology**

**Public Meeting held August 11, 2016
2093383-CMR
Docket No. M-2009-2093383**

MOTION OF CHAIRMAN GLADYS M. BROWN

On July 8, 2016, the Pennsylvania Public Utility Commission (PUC) notified all electric generation suppliers (EGSs) and electric distribution companies (EDCs) by Secretarial Letter that it discovered an error in how the non-solar Tier I quarterly adjustments were calculated. The July 8, 2016, Secretarial Letter explained that the Commission has corrected this error for the 2016 compliance year, resulting in an approximate seven percent increase in the otherwise anticipated annual non-solar Tier I obligations. In light of the miscalculation of non-solar Tier I Alternative Energy Credits (AECs), I am requesting comments from affected parties about the impact of the increase, offer possible remedies, and soliciting proposals for other appropriate actions.

After the issuance of the July 8, 2016, Secretarial Letter, the Commission's legal and technical staff facilitated discussion among stakeholders from the retail electric market and EDC default service programs. These discussions included a conference call held by Commission staff to answer questions related to the AEPS Tier 1 quarterly adjustment correction that was the subject of the July 8, 2016 Secretarial Letter. Some stakeholders conveyed a concern with the adverse impact of this unanticipated increase in non-solar Tier I AECs on their business models. Consequently, the Commission issued a Secretarial Letter on August 9, 2016, which extended the true-up period from September 1, 2016, to November 30, 2016, for the non-solar Tier I adjustment obligations relevant to the 2016 Alternative Energy Portfolio Standards (AEPS) compliance year.¹² The Commission established this extension so that we could more fully explore, with input from all stakeholders, the impact of the unanticipated increase in Tier I requirements and any potential options to mitigate that impact on EGSs and EDCs for the 2016 AEPS compliance year.

By this Motion, I propose options for remedial action to consider. The principal goal of these proposals is to have a minimal effect on stakeholders while upholding the Commission's responsibility to effectively implement the AEPS Act. At the same time, the comment periods prescribed in the Motion should provide the opportunity for commenters to provide other remedial actions that the stakeholders deem viable to address the corrected 2016 quarterly adjustment. As such, I submit the following for consideration:

¹ Adjustment obligations or adjustment AECs refers only to the increment of non-solar Tier I AECs required under the quarterly adjustment provisions of 66 Pa. C.S. § 2814.

² The 2016 AEPS compliance year ran from June 1, 2015 through May 31, 2016.

I. AEC Procurement & Non-Bypassable Cost Recovery by the EDC of the Non-Solar Tier I Adjustments

One course of action would be for the Commission to leverage the purchasing power and billing functionality of the EDCs to ameliorate the market effects of the miscalculation. This process would require the Commission to determine for each EDC the number of adjustment AECs for procurement in its distribution zone for the 2016 AEPS compliance year. The EDC would then procure these credits either through (1) the over-the-counter spot market; or (2) a request-for-proposal process. The EDCs would then transfer the procured credits to all load serving entities (LSEs) operating in the respective EDC distribution zone during the 2016 AEPS compliance year on a load-weighted basis.³ The EDC would recover the costs of this procurement through a preexisting non-bypassable charge, such as a competitive enhancement rider, solar photovoltaic alternative energy credit rider, or other tariff mechanism as deemed optimal by individual EDCs, so long as the charge is applicable to all rate classes. Each EDC would be required to provide a compliance filing detailing the specific implementation protocols for procurement and tariffed cost-recovery.

II. Delaying the True-Up Period for the Non-Solar Tier I Adjustment Credits

Another option is to delay the obligation to settle the adjustment amount associated with the non-solar Tier I credit obligation for an appropriate time period as discussed in the comments. This would give parties more time to procure the additional AECs necessary to meet the increase in the otherwise anticipated annual non-solar Tier I obligations. The appropriate time period can include compliance by the presently set November 30, 2016 deadline, as extended in our August 9, 2016 Secretarial Letter.

As stated previously, I welcome comments from all interested parties on the necessity and efficacy of the above proposals. Further, I welcome comments detailing other proposals that would remedy this situation.

THEREFORE, I MOVE THAT:

1. The Law Bureau, with assistance from the Bureau of Technical Utility Services, prepare a Tentative Order consistent with this Motion.
2. The Tentative Order shall be served on the parties of record at Docket No. M-2009-2093383 including all parties served with the Commission's July 8, 2016 and August 9, 2016 Secretarial Letters at this same docket. The Tentative Order also shall be served on the Office of Consumer Advocate, the Office of Small Business Advocate, and the Commission's Office of Competitive Markets distribution list.

³ The load weighted basis would coincide to the exact time frame as the 2016 AEPS compliance year, calculated as the LSE individual load divided by the total zonal load for that time frame.

3. Comments shall be due within fifteen (15) days of issuance of the Tentative Order with reply comments being due ten (10) days thereafter.
4. The Law Bureau, with assistance from the Bureau of Technical Utility Services, shall review the comments and reply comments, and all the information provided therein, and shall present a Final Order to the Commission for consideration.

August 11, 2016

Date



Gladys M. Brown, Chairman