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House of Representatives
Commonwealth of Pennsylvania
Harrisburg

COMMITTEES

CONSUMER AFFAIRS, CHAIRMAN
INSURANCE
LEGISLATIVE BUDGET & FINANCE

MEMORANDUM

DATE: October 19, 2011

TO: All House Members

FROM: Representative Robert W. Godshall, Chairman
House Consumer Affairs Committee *R.W.G.*

SUBJECT: Co-sponsorship of Alternative Energy Portfolio Standards

In the near future, I will be introducing legislation to amend Section 2814 (c) of Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes to repeal the quarterly adjustment of Tier I resources currently required by the Alternative Energy Portfolio Standards Act. This has created onerous administrative burdens for electric distribution companies, competitive electric generation suppliers and the Alternative Energy Portfolio Standards Program Administrator.

Electric distribution companies and electric generation suppliers must purchase alternative energy credits in order to meet the mandates set forth in the Alternative Energy Portfolio Standards Act. The Act breaks down alternative energy resources into three categories -- Tier I, Tier II and solar. Act 129 of 2008 amended the Alternative Energy Portfolio Standards Act by adding additional Tier I resources and requiring quarterly increases in Tier I resource purchase requirements. According to the PUC, these quarterly adjustments have produced only minor increases in the total number of credits required to be purchased and it is anticipated that the quarterly adjustment will continue to have an insignificant effect on the overall number of alternative energy credits required to be purchased for Alternative Energy Portfolio Standards Act compliance. The PUC recommended repeal of the quarterly adjustment in its 2010 Annual Report: Alternative Energy Portfolio Standards Act of 2004.

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In its report, the PUC stated: "It is evident that the expenditure of time and resources by [] the [electric distribution companies, electric generation suppliers and the program administrator] to result in an additional 5,482 AECs (or 0.67%) is not an efficient use of resources, for which the costs are then recovered via [electric distribution company] and [electric generation supplier] rates. Therefore, in consideration of the administrative burden caused by the quarterly adjustment compared to the relative insignificance of the adjustment, removal of the quarterly adjustment requirement is recommended." (Report, p. 26).

Costs incurred by utilities to comply with statutory mandates are passed onto ratepayers. Eliminating the quarterly adjustment in favor of annual reporting will reduce the man-hours required for compliance and may reduce the overall costs passed onto ratepayers.

If you would like to co-sponsor this legislation, please contact Jane Hugendubler at 783-6428 or jhugendu@pahousegop.com . Thank you for your interest and support.

RWG:AR:jh
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