

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Petition of Duquesne Light Company
for Approval of Default Service Plan
for the Period January 1, 2011
through May 31, 2013**

**Public Meeting – May 20, 2010
2135500-ALJ
Docket No. P-2009-2135500**

STATEMENT OF VICE CHAIRMAN TYRONE J. CHRISTY

I am voting to approve this Joint Petition for Settlement of All Issues (Settlement) establishing a default service plan (DSP) for Duquesne Light Company (Duquesne) for several reasons. Although this DSP is not perfect, it is an improvement over a DSP that provides for the mechanical issuance by an EDC of a series of scheduled RFPs for full-requirements supply contracts, which has become the norm for obtaining default service supply in Pennsylvania.

Under Duquesne's DSP, it will actively manage a portfolio of bilateral supply contracts to serve its residential customers at a fixed rate of 7.86 cents per kWh. I believe that use of an active portfolio management approach allows EDCs to better meet their obligation under Act 129 to obtain power for customers at the least cost over time. An active portfolio management approach allows EDCs to manage "shopping risk" more cost effectively than a full requirements approach, which requires suppliers to add risk premiums to their bids to cover fluctuations in load. An active portfolio management approach allows EDCs to incorporate bilateral contracts with individual generators, thereby "cutting out the middleman" and eliminating third-party mark-ups that are inherent in purchases of power from aggregators. An active portfolio management approach would allow EDCs to incorporate long-term contracts with new baseload generating units when they are needed, which would provide the requisite long-term commitment to developers to obtain financing. At some point we are going to have to acknowledge the fact that neither the short-term price signals in PJM's capacity market, nor the short-term nature of the DSPs that we are approving for retail generation supply, are providing the long-term commitments for new baseload generation in Pennsylvania that will be needed in the future.

Second, I am voting to approve this Settlement because of the excellent results that Duquesne has achieved for its customers using this approach since its rate caps expired in 2002. Proponents of retail competition nearly always point to Duquesne as proof that competition is working in Pennsylvania. Shopping levels among all customer classes are robust, while default service rates have been low. In addition, this DSP continues to provide a fixed rate to residential customers over the DSP's 29-month period. Rate stability is an important consideration for residential customers.

Third, I am voting to approve this Settlement because it will serve to insulate residential customers from unforeseen price shocks. In 2008, when energy prices reached an all-time high, Duquesne's customers were protected from rate increases. When PJM's capacity prices in western Pennsylvania sky-rocketed, again Duquesne's customers were protected. In both cases,

Duquesne absorbed the cost increases and continued to provide power to customers at the DSP rates. The assumption by Duquesne of the risks of price increases in the energy markets is an important component of this DSP.

Although this DSP is not perfect, it represents a step in the right direction, and a substantial improvement over the full-requirements DSP that has become the norm in Pennsylvania. For these reasons, I am voting to approve the Settlement.

5-20-10
DATE

Tyrone J. Christy
TYRONE J. CHRISTY, VICE CHAIRMAN