



515 West Hamilton Street
Suite 502
Allentown, PA 18101
T: 610-391-1800
F: 610-391-1805

jlushis@norris-law.com

September 8, 2020

E-FILE

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

RE: Petition of PECO Energy Company for Approval of Its Default Service Program for the Period From June 1, 2021 Through May 31, 2025; Docket No. P-2020-3019290

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is the Reply Brief on behalf of Calpine Retail Holdings, LLC in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document.

Thank you.

Sincerely,

NORRIS McLAUGHLIN, P.A.

/s/ John F. Lushis, Jr.

John F. Lushis, Jr.

c: Administrative Law Judge Eranda Vero
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company :
for Approval of Its Default Service Program : Docket No. P-2020-3019290
for the Period From June 1, 2021 Through :
May 31, 2025 :

REPLY BRIEF OF CALPINE RETAIL HOLDINGS, LLC

James Laskey
(NJ Id. No 016311978, admitted *pro hac vice*)
Norris McLaughlin, P.A.
400 Crossing Blvd, 8th Floor
Bridgewater, NJ 08807
Phone: (908) 252-4221
Fax: (908) 722-0755
jlaskey@norris-law.com

John F. Lushis, Jr.
(PA I.D. No. 32400)
Norris McLaughlin, P.A.
515 W. Hamilton Street, Suite 502
Allentown, PA 1810
Phone: (484) 765-2211
Fax: (484) 765-2270
jlushis@norris-law.com

Attorneys for Calpine Retail Holdings, LLC

September 8, 2020

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I. INTRODUCTION

This reply brief is filed on behalf of Calpine Retail Holdings, LLC (“Calpine Retail”) to address two parties’ positions regarding the recovery of certain costs, known as Network Integration Transmission Services, or “NITS,” that are incurred by competitive Electric Generation Suppliers, or EGS’s. Calpine Retail supports PECO’s proposal regarding the recovery of NITS, which is consistent with the two prior DSP proceedings in which this issue has been addressed. In this Reply Brief, Calpine Retail addresses the arguments of the so-called Electric Supplier Coalition (the “ESC” or “Coalition”), which seek to overturn this well-established precedent. The Coalition’s proposal to replace reliance on competition to handle their own individual NITS costs with a shifting of their NITS costs to all customers would remove competitive discipline and reward the underperformers in the marketplace, while simultaneously punishing those who hold themselves accountable for their own business decisions, and who create innovative products and solutions to manage their load and associated risks

Another intervenor, the Pennsylvania Industrial Electric Users Group (“PAIEUG”) has strongly opposed any change in NITS recovery, and Calpine Retail supports PAIEUG in this regard. However, PAIEUG has also proposed what it regarded as a reasonable alternative for a “carve out” for large users. Calpine Retail believes that this alternative is unworkable (as does PECO). Creating a special carve out would still reward poor performance and create a bailout. It would pick winners and losers, discourage innovative products and services, and remove competitive discipline. Calpine Retail serves all rate classes, not just the large users represented by PAIEUG. To offer special carve out treatment based on rate class is discriminatory. Therefore, this alternative should also be rejected. The recovery of NITS costs from Load Serving Entities should continue as it has been implemented for the last ten years.

II. REPLY ARGUMENT

A. The ESC Proposal on NITS Should Be Rejected

The ESC Brief argues that EGS's should be excused from paying for NITS because NITS costs are volatile and hard to predict.¹ This argument is factually unpersuasive, because it is based on the history of NITS charges imposed by other EDCs, not PECO. More fundamentally, however, NITS charges are still based on each individual Load Serving Entities' demands. The better the LSE's can manage their loads, the better they will be able to compete in the marketplace. The ESC position is a tacit admission by a subset of the market that they have difficulty managing their loads, and that they want relief for their own business decisions and shortcomings.

The ESC solution – to excuse EGS's from the obligation to manage their loads, and to treat everyone as if their loads are just like everyone else's – is to remove competition and associated products and services from the marketplace. Those who are better at managing loads would no longer be able to offer products and services that address NITs exposures. Competitive solutions to handle costs and risks should not be stifled because these Coalition members - a small subset of suppliers - are facing competitive discipline resulting from the need to perform in a marketplace and face accountability for their own business and operational management decisions. There must be market consequences and accountability for lack of performance in a market. As pointed out by PAIEUG, the ESC solution in effect would be a rebundling of rates, in contravention of the mandate in the Competition Act that rates be unbundled to encourage competition for shopping customers.²

¹ ESC Main Brief at 6-10.

² PAIEUG Main Brief at 4-6, citing Pa. C.S. § 2802 and 52 Pa. Code § 54.182 and 54.187(d).

B. The PAIEUG Alternative Proposal on NITS Should Be Rejected

While PAIEUG devotes most of its brief to a persuasive critique of the ESC proposal, it also floats as an alternative a “carve-out” for large users.³ It suggests that the ESC proposal could be adopted for some shopping customers, but not others.

Respectfully, such a result would be unworkable and also fundamentally at odds with the principles of competition that PAIEUG clearly values for its own members. Calpine Retail’s interest in competition is not limited to serving large users. Calpine Retail serves all rate classes of customers. It is constantly assessing the market and considering how its expertise in managing load could give it a competitive advantage for all types of customers. The so-called carve-out would eliminate any opportunity to use its expertise and ability to manage its entire load regardless of rate class. Calpine Retail would be limited to large customers and their associated load that is included within the PAIEUG carve-out.

In addition to being antithetical to competition, the so-called carve-out would be very difficult to implement, as demonstrated by PECO.⁴ It would be an awkward and expensive solution in search of a problem that does not exist. There is no reason to change the existing system for recovering NITS costs from EGS’s such as Calpine Retail and the members of the ESC Coalition, all of whom compete as individual Load Serving Entities.

³ PAIEUG Main Brief at 18-19.

⁴ PECO Main Brief at 31-32.

III. CONCLUSION

For the foregoing reasons, the proposal of the Electric Supplier Coalition to change the way NITS costs are recovered by PECO from EGS Load Serving Entities should be rejected. The “carve-out” suggested by PAIEUG as an alternative to maintaining the status quo should also be rejected. There should be no change to the way NITS costs are recovered by PECO from EGS Load Serving Entities.

Respectfully submitted,

James Laskey
(admitted *pro hac vice*)
NORRIS McLAUGHLIN, P.A.
400 Crossing Blvd, 8th Floor
Bridgewater, NJ 08807
Phone: (908) 252-4221
Fax: (908) 722-0755
jlaskey@norris-law.com

/s/ John F. Lushis, Jr.
John F. Lushis, Jr. (I.D. No. 32400)
NORRIS McLAUGHLIN, P.A.
515 W. Hamilton Street, Suite 502
Allentown, PA 1810
Phone: (484) 765-2211
Fax: (484) 765-2270
jlushis@norris-law.com

Attorneys for Calpine Retail Holdings, LLC

September 8, 2020

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing Main Brief of Calpine Retail Holdings, LLC upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA E-MAIL

Honorable Eranda Vero
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120
evero@pa.gov

Kenneth M. Kulak, Esq.
Anthony C. DeCusatis, Esq.
Catherine G. Vasudevan, Esq.
Brooke E. McGlinn, Esq.
Morgan, Lewis and Bockius LLP
1701 Market Street
Philadelphia, PA 19103
ken.kulak@morganlewis.com
anthony.decusatis@morganlewis.com
catherine.vasudevan@morganlewis.com
brooke.mcglinn@morganlewis.com

Erin Fure, Esq.
Office of Small Business Advocate
555 Walnut Street, 1st Floor
Harrisburg, Pennsylvania 17101
efure@pa.gov

W. Craig Williams, Esquire
Anthony Gay, Esquire
Jack Garfinkle, Esquire
Exelon Business Services Company
2301 Market Street, S23-1
Philadelphia, PA 19101-8699
craig.williams@exeloncorp.com
anthony.gay@exeloncorp.com
jack.garfinkle@exeloncorp.com

Aron J. Beatty, Esq.
David T. Evrard, Esq.
Office of Consumer Advocate
555 Walnut Street
5th floor, Forum Place
Harrisburg, PA 17101-1923
abeatty@paoca.org
devrard@paoca.org

Richard Kanaskie, Esq.
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265
rkanaskie@pa.gov

Karen Moury, Esq.
Eckert Seamans, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
kmoury@eckertseamans.com

Elizabeth R. Marx, Esq.
PA Utility Law Project
118 Locust Street
Harrisburg, PA 17101
emarxpulp@palegalaid.net

Charis Mincavage, Esq.
Adeolu A Bakare, Esq.
Jo-Anne S. Thompson
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, Pennsylvania 17108
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
jthompson@mcneeslaw.com

Robert W. Ballenger, Esquire
Josie B. H. Pickens, Esquire
Joline R. Price, Esquire
Kintéshia Scott, Esq.
Community Legal Services, Inc.
1424 Chestnut Street
Philadelphia, PA 19102
rballenger@clsphila.org
jpickens@clsphila.org
jprice@clsphila.org
kscott@clsphila.org

Logan Welde, Esq.
Joseph Minott, Esq.
Clean Air Council
135 S. 19th Street, Suite 300
Philadelphia, PA 19103
lwedle@cleanair.org
joe_minott@cleanair.org

Devin McDougall, Esq.
Rebecca Barker, Esq.
Earth Justice
476 Clinton Ave, Apt 6F
Brooklyn, NY 11238
dmcougall@earthjustice.org
rbarker@earthjustice.org

Gregory Peterson, Esq.
Phillips Lytle, LLP
201 West Third Street, Suite 205
Jamestown, NY 14701
gpeterson@phillipslytle.com

Kevin Blake, Esq.
Phillips Lytle, LLP
125 Main Street
Buffalo, NY 14203
kblake@phillipslytle.com

Thomas F. Puchner, Esq.
Phillips Lytle, LLP
Omni Plaza
30 South Pearl Street
Albany, NY 12207-1537
tpuchner@phillipslytle.com

James Laskey, Esq.
Norris McLaughlin, P.A.
400 Crossing Blvd, 8th Floor
Bridgewater, NJ 08807
jlasky@norris-law.com

/s/ John F. Lushis, Jr.

John F. Lushis, Jr.
Counsel to Calpine Energy Solutions, LLC

Dated this 8th day of September, 2020, in Allentown, Pennsylvania.