

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 22, 2020

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

Re: Petition of Duquesne Light Company for Approval
of Default Service Plan for the Period of June 1,
2021 through May 31, 2025
Docket No. P-2020-3019522

Dear Secretary Chiavetta:

Enclosed please find the Answer of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ David T. Evrard
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Enclosures:

cc: The Honorable Mark A. Hoyer (**email only**)
Certificate of Service

*288911

CERTIFICATE OF SERVICE

Re: Petition of Duquesne Light Company for :
Approval of Default Service Plan for the : Docket No. P-2020-3019522
Period of June 1, 2021 through May 31, 2025 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 22nd day of May 2020.

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Dated: May 22, 2020
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company :
For Approval of Default Service Plan : P-2020-3019522
For the Period June 1, 2021 :
Through May 31, 2025 :

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On April 20, 2020, Duquesne Light Company (Duquesne or the Company) filed a Petition with the Pennsylvania Public Utility Commission (Commission) for approval of its ninth default service plan (DSP) for the period June 1, 2021 through May 31, 2025, as well as approval of the Company's: (i) Electric Vehicle Time-of-Use (EV-TOU) Pilot Program, (ii) Long-Term Solar Power Purchase Agreement (Solar PPA), (iii) Standard Offer Program (SOP), (iv) Customer Assistance Program (CAP) Shopping Program, (v) proposal to recover cash out payments to customer generators and such other approvals required for the implementation of the DSP. This filing has been made pursuant to the requirements of Section 2807(e) of the Public Utility Code, 66 Pa.C.S. § 2807(e), the Commission's Default Service Regulations, 52 Pa. Code §§54.181-54.189, the Commission's *Default Service End State Order*¹, and the Commission's January 23, 2020 Secretarial Letter.² The Office of Consumer Advocate (OCA) files this Answer to the

¹ *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Order entered February 15, 2013 (*Default Service End State Order*).

² *Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms*, Docket No. M-2019-300710, Secretarial Letter issued January 23, 2020.

Company's Petition to ensure that a reasonable DSP is approved that complies fully with the applicable provisions of the Public Utility Code and the Commission's Regulations.

In its Petition, Duquesne proposes that default service for residential customers be supplied through a combination of 12-month and 24-month, laddered supply contracts. Petition at ¶ 8. Specifically, the Company proposes a product mix consisting of 50% laddered, one-year, fixed-price full requirements (FPFR) supply contracts and 50% laddered, two-year, FPFR supply contracts procured through semi-annual competitive auctions. Petition at ¶ 8, Duquesne St. No. 2 at 6. Under the Company's proposal, the auctions for Residential customers will include the procurement of energy, capacity, ancillary services, losses, alternative energy requirements, and other costs and risks. Petition at ¶ 8. The Company proposes to procure four (4) residential contracts with delivery periods that extend beyond the end of the DSP period. Petition at ¶ 11. Default Supply rates for residential customers will change every six months as the Company proposes to reconcile residential default service costs and revenues semi-annually Petition at ¶¶ 9,12.

In its Petition, the Company proposes certain competitive procurement guidelines. Specifically, Duquesne proposes that no one supplier should be awarded more than 50% of the tranches available for the residential procurement class in any auction. Petition at ¶¶ 14, 34. Moreover, Duquesne proposes to engage an independent third party for assistance in qualifying bidders; conducting bidder information sessions; and receiving all bids, ranking bids, and determining winning bids for all four procurement groups. Petition at ¶ 35. All winning bids will be submitted to the Commission for approval prior to award. Petition at ¶ 35. Within fifteen calendar days from the closing of each solicitation, Duquesne will post the weighted average winning bid price and a default service rate calculation model on its website. Petition at ¶ 37. The

Company will also post the Price-to-Compare (PTC) 60 days in advance of each change in default service rates, with the exception of the application periods beginning June 1 of each year. Petition at ¶ 36.

In the event that an auction fails to attract a sufficient volume of bidders, or the Commission does not approve the submitted bids, or an accepted supplier defaults, Duquesne proposes to procure supply on an interim basis through purchases in the PJM spot market and to recover all costs from the applicable customer class. Petition at ¶ 37. Within 15 days after any such occurrence, Duquesne will submit to the Commission a contingency plan to handle any default service shortfall. Petition at ¶ 37.

Duquesne proposes that it will recover the full cost of competitive auctions for residential customers, gross receipt taxes, and the costs of administering the auctions and hiring the independent monitor through a fully reconcilable cost recovery mechanisms pursuant to 66 Pa.C.S. § 1307(e). Petition at ¶ 45.

In its petition, Duquesne is proposing an Electric Vehicle Time of Use (EV-TOU) Pilot Program. The program will be available to Residential, Small Commercial and Industrial (C&I) and Medium C&I customers (the latter subject to a 200 kW maximum demand) who own or lease an EV or have EV charging equipment at their service location. Petition at ¶¶ 48-49. Customers who elect to be part of the Pilot, will be charged different supply rates for Peak, Shoulder and Off-Peak Time periods. Petition at ¶ 50. The rates for each time period will be set by adjusting the wholesale price for each class using rate class factors based in part on hourly locational marginal prices for energy between 2016 and 2019. Petition at ¶ 51. The Company will procure default service supply for EV-TOU customers through the same FPCR products that provide default supply for the respective customer classes. The wholesale suppliers will be paid

the same price for per Mwh of supply regardless of how much of its supply is for EV-TOU customers. Petition ¶ 52. Any mismatch between EV-TOU supply revenues and wholesale supply costs will be recovered or refunded through reconciliation. Id.

In this proceeding, Duquesne is also proposing to enter into a long-term Solar PPA as a means of supporting a utility-scale solar project (up to a total of 7 MW) in Pennsylvania and preferably, in the Company's service territory. Petition at ¶ 54. Duquesne proposes to use the Alternative Energy Credits (AECs) from the project to meet its solar energy purchase requirements under the Alternative Energy Portfolio Standards Act. 73 P.S. §1648.1 *et seq.* The Company will also acquire the project's energy to sell into the PJM spot market. Revenue from the sale of energy will be credited back to default service customers. Petition at ¶ 56. The Company will conduct a competitive solicitation for the Solar PPA and will report the results of the solicitation to the Commission using the same process used for the Company's other default service supply auctions. Petition at ¶ 57.

Duquesne is proposing a change to its Standard Offer Customer Referral Program (SOP) in this proceeding. Unlike in previous DSPs, the Company proposes to utilize a third-party vendor to market and enroll SOP customers rather than using Duquesne personnel to perform those tasks. The Company explains that its referral rate is lower than other EDCs that use third-party vendors. Petition at ¶ 62. Duquesne plans to contract with the firm AllConnect as its third-party vendor. The Company maintains that because it has an existing business relationship with AllConnect, the transition from Company personnel to AllConnect will be less costly and more efficient. Petition at ¶ 63. Duquesne will pay AllConnect \$30 per enrollment and will, in turn, pass these costs through to the Electric Generation Suppliers (EGSs) participating in the SOP. Petition at ¶ 65.

With regard to the Company's CAP Shopping initiative, Duquesne is proposing to incorporate the customer protection guidelines set forth by the Commission in its *Proposed Policy Statement Order*, entered February 28, 2019 at Docket No. M-2018-3006578. Duquesne will allow CAP customers to contract with an EGS provided the EGS agrees to provide service subject to the Commission's guidelines. In addition, the EGS must agree to use "rate ready" consolidated EDC billing and agree to file an annual affidavit affirming its intention to comply with all aspects of the Company's CAP Shopping Program. Petition at ¶¶ 69-70. Duquesne expects to incur \$160,000 to implement CAP customer shopping. In light of these costs and the Company's concern that EGSs may not be willing to meet the requirements of the program, Duquesne states that it will implement the program only if it has received affidavits from at least five EGSs. Petition at ¶ 71.

Finally, Duquesne is proposing for the first time, to recover from default service customers amounts it pays to customer-generators for excess generation (as determined at the end of a year) not previously credited against the customer-generators usage in prior billing periods. These payments for excess generation are authorized by the Commission's regulations on net-metering. 52 Pa. Code § 75.13(e). Recovery will be through each default service class' over/under collection calculation within the Company's Rider No.8 – DSS and Appendix A – Transmission Service Charge 1307(e) reconciliations. Petition at ¶¶ 73, 75. Duquesne states that it is appropriate to recover these payments from default service customers because the excess generation reduces the costs the Company must pay to wholesale suppliers for default service supply. Petition at ¶ 76.

II. ANSWER

As indicated above, the OCA has preliminarily reviewed the Company's Petition and identified a number of significant issues presented by the filing. The OCA anticipates that

additional issues will arise as a more comprehensive review of the Company's filing is undertaken and after discovery is conducted. The preliminary issues of particular concern identified by the OCA include the following:

A. Procurement Methodology

The OCA submits that consideration must be given to whether the proposed procurement plan will provide the least cost over time for residential customers in accordance with the requirements of Act 129. The OCA intends to examine the type and mix of resources being procured to ensure that the products and plan are designed to meet Act 129's requirements.

The OCA further submits that the Company's proposed choice of residential products and the Company's proposed procurement methods must be reviewed to ensure that the procurement methodology adopted in this proceeding is consistent with the Public Utility Code and is designed to provide the least cost reliable supply, taking into account price stability for customers over time.

B. Rate Design and Cost Recovery

The OCA intends to carefully examine the reasonableness of the Company's proposals relating to rate design and cost recovery to ensure that they produce stable, just and reasonable rates for residential default service customers.

C. EV-TOU Pilot Program

The OCA will review the structure of the program and the method for determining the TOU rates applicable to residential customers who participate in the program. The OCA's review will include the appropriateness of sourcing supply for the pilot program from the full requirements contracts used for standard default service and to ensure that the program and the rates charged are just and reasonable.

D. Solar PPA

The OCA will examine this proposal to assess whether it will provide benefits to the Company's customers and whether there may be alternative means for the procurement of AECs that may provide greater benefit to default service customers.

E. Standard Offer Customer Referral Program

The OCA will review the proposed change to utilize a third-party vendor for marketing and enrolling SOP customers and will examine the costs and benefits of doing so and whether this is in the best interest of customers. The OCA will further review the SOP to ensure that any changes to consumer education are appropriate and that the program provides overall benefits to customers.

F. CAP Shopping

The OCA will review the various aspects of the Company's proposal related to CAP shopping to ensure that it satisfies the Commission's consumer protection guidelines. The OCA will also evaluate the reasonableness of the Company's five EGS threshold for implementation of the program.

III. CONCLUSION

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Company's default service filing should be thoroughly reviewed to ensure that the default service rates that will be charged starting June 1, 2021, and all other programs proposed in the Petition, are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully Submitted,

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Dated: May 22, 2020

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