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April 1, 2022

Via Electronic Filing

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

**Re: Duquesne Light Company - Default Service Plan IX
Compliance Filing re Solar Power Purchase Agreement
Docket No. P-2020-3019522**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's ("Commission") Order entered January 14, 2021, at the above-captioned docket, please find enclosed Duquesne Light Company's ("Duquesne Light" or the "Company") compliance filing to implement the procurement of certain energy and solar Alternative Energy Credits ("SAECs") from a solar generation facility in Pennsylvania ("Solar Generator") sponsored by Pine Gate Renewables, LLC ("Pine Gate"). This compliance filing comprises:

- Exhibit A, a **CONFIDENTIAL** power purchase agreement between the Company and Pine Gate ("Solar PPA");
- Exhibit B, a **CONFIDENTIAL** opinion letter from Charles River Associates ("CRA") concerning the Solar PPA procurement process and results;
- Exhibit C, the **CONFIDENTIAL** bid scoring matrix that CRA used in the Solar PPA procurement process;
- Exhibit D, Pine Gate's **CONFIDENTIAL** proposal summary;
- Exhibit E, an illustrative example of ratemaking treatment of Solar PPA costs and revenues

The Company respectfully requests that the Commission approve the Solar PPA by its May 26, 2022, Public Meeting, to support Pine Gate's timetable for securing project financing and commencing construction. The Company requests that the Commission apply the provisions of 52 Pa. Code § 5.592(c) with respect to any comments filed in response to this filing such that comments, if any, are due within 10 days of this filing and reply comments, if any, are due within five days thereafter.

I. Background

The Solar PPA implements a component of the Company's Default Service Plan IX ("DSP IX"). As part of its initial DSP IX proposal, the Company requested Commission approval to conduct a competitive procurement for a long-term solar PPA, with a term of four to 20 years, to support a utility-scale solar project of up to 7MW in Pennsylvania. The Company explained that it would use the SAECs acquired through such PPA to meet a portion of its Alternative Energy Portfolio Standards ("AEPS") requirements, and to sell the remaining attributes into the PJM market, and credit the resulting revenues back to default service customers.¹ The Commission approved the Company's proposal as part of its January 14, 2021 Order approving DSP IX. Consistent with that Order, the Company is hereby filing the Solar PPA for the Commission's review and approval.

II. Procurement Process

The Company procured the Solar PPA through a competitive request for proposals ("RFP") process, consistent with the requirements of Act 129.² The Company retained an independent third party, Charles River Associates ("CRA"), to assist in the development, administration, and evaluation of the RFP. The Company also uses CRA to oversee its solicitations for other default supply products. CRA's background is briefly summarized at pp. 1-2 of **CONFIDENTIAL** Exhibit B.

The Company and CRA first jointly developed the general structure of the RFP, including requirements for bidders, a pro forma solar PPA term sheet, informational materials and website,³ and a bid scoring matrix. The scoring matrix, which is provided as **CONFIDENTIAL** Exhibit C, provided for bids to be awarded up to 100 points.

CRA issued the RFP on October 18, 2021, providing a proposal due date of December 6, 2021. CRA administered several pre-bid activities during the period October 18 through December 6, 2021, including a bidder information session, bidder registration and pre-qualification processes, and proposal intake. Nine bidders ultimately submitted proposals supported by fifteen projects. Several bidders submitted proposals for multiple projects, and/or included multiple contract options for the same project. No affiliates of the Company participated in the RFP. The RFP process is described in further detail at pp. 3-6 of **CONFIDENTIAL** Exhibit B.

CRA scored all qualifying proposals according to the pre-established scoring matrix described above. The Company did not participate directly in proposal scoring. In one instance, the Company, in consultation with CRA, opted to disqualify an otherwise-high-scoring proposal due to its material nonconformities with RFP requirements (including, most significantly, its lack of a firm per-MWh price). A summary of bid results is provided at **CONFIDENTIAL** Exhibit B, p. 9. CRA recommended that the remaining top two scored proposals be advanced for further consideration by the Company. *See* **CONFIDENTIAL** Exhibit B, p. 7. The Company thereafter

¹ See Docket No. P-2020-3109522, Direct Testimony of C. James Davis, Duquesne Light St. No. 1, pp. 13-17.

² 66 Pa. C.S. 2807(e)(3.1).

³ <https://www.duquesnesolar-rfp.com/>.

engaged in arms-length negotiations with Pine Gate, the sponsor of the top-scoring proposal, to arrive at the Solar PPA.

III. Solar Generator and Solar PPA Key Terms

The Solar Generator, PJM Queue Number AF2-314, is a new 10-megawatt (MW) solar photovoltaic facility to be located in Armstrong, Pennsylvania, about 10 miles from the Company's service territory. It is presently under development. Construction is scheduled to begin in June 2022, with a target in-service date of September 2023.⁴ The project will interconnect to West Penn Power Company's 25-kV distribution facilities pursuant to an executed Interconnection Agreement. Additional details of Pine Gate's background and the Solar Generator facility are available in the proposal summary provided as **CONFIDENTIAL** Exhibit D.

The Solar PPA is provided as **CONFIDENTIAL** Exhibit A. It provides for the Company to purchase approximately 70% of the Solar Generator's total energy and SAEC output (i.e., corresponding to 7MW worth of the full energy and SAEC output of the 10MW facility⁵), estimated at about 16,000-17,000 MWh per year.⁶ See **CONFIDENTIAL** Exhibit A, "Exhibit F – Expected Generation." The price per MWh of energy plus SAEC is indicated in the Solar PPA at **CONFIDENTIAL** Exhibit A, p. 6, "Energy Payment Rate." The Company believes this price is highly competitive. By way of comparison, the market price of a Pennsylvania SAEC (not including energy) is \$42.44 in 2022 and is projected to be \$39.63 in 2023.⁷

As indicated above, the Solar PPA would be for a 20-year term, the maximum duration available under the Company's DSP IX. The Company believes this duration is reasonable because it supports the Solar PPA's competitive pricing. Of the proposals received through the RFP, those with longer durations tended to have lower per-MWh prices, possibly because longer contracts enable project developers to obtain lower-cost financing.

The remainder of the Solar PPA comprises commercial terms consistent with those conventionally included in such agreements.

IV. SAEC Crediting and Ratemaking Treatment

The Company will use the energy and SAECs obtained through the Solar PPA as described in its DSP IX and approved by the Commission.

The Company will sell all energy purchased through the Solar PPA on a real-time basis into the PJM Real-Time Energy Market. The Company will accrue the revenues resulting from such sales and reconcile them back to default service customers at the same weighting as each customer class's SAEC obligation share. Rider Nos. 8 (Default Service Supply) and 9 (Day-Ahead

⁴ Actual in-service date may vary.

⁵ Pine Gate has indicated that it intends to sell the Solar Generator facility's remaining output to other counterparties or at PJM wholesale markets.

⁶ This estimated annual production is higher than the Company projected for a 7MW solar facility in its DSP IX testimony. This is attributable to Pine Gate's use of a higher projected capacity factor for the facility. These production projections are estimates that may not be achieved in practice.

⁷ S&P Capital IQ, SNL REC Index (mid-March 2022).

Hourly Price Service) of the Company's retail tariff already include the language necessary to credit Solar PPA revenues and recover Solar PPA costs in this fashion. Exhibit E illustrates how these revenues and costs will be calculated and included in the Company's reconciliation statements.⁸

SAECs obtained through the Solar PPA will be allocated on a load share basis to the Company's third-party wholesale suppliers of default supply, and used to offset those suppliers' SAEC obligations. The Company's current Supplier Master Agreement includes the language necessary to implement such SAEC crediting.⁹ SAECs obtained through the Solar PPA will be banked and credited to wholesale suppliers in the subsequent year, such that the number of SAECs available to offset wholesale suppliers' SAEC obligation will be fixed at the time of each default service procurement. The SAEC banking period will align with the PJM Energy Year of June 1 through May 31, except for the first and last banking periods, which will be shorter or longer as necessary to account for the start and end dates of the PPA.

By way of illustration: in the first banking period of the Solar PPA, September 30, 2023, through May 31, 2024, the Company projects purchasing approximately 12,578 SAECs through the Solar PPA. The Company will bank these SAECs, and allocate them to wholesale suppliers participating in the default supply procurements scheduled for September 2024 through June 2025. *See* Exhibit E. Wholesale suppliers will continue to bear all volumetric risk associated with procuring additional SAECs, as they do already. In advance of each default supply procurement for which an SAEC bank applies, the Company will include the amount of the SAEC bank in its pre-bid communications and informational sessions with prospective wholesale suppliers, to ensure that such reduced SAEC obligation is reflected in those suppliers' bids.

⁸ The Company will recover its third-party costs to prepare and implement the Solar PPA (e.g., the costs of retaining CRA) from default service customers in a similar fashion to the Solar PPA costs as depicted in Exhibit E over the remaining term of DSP IX (i.e., December 1, 2022 through May 31, 2025).

⁹ *See* SMA Appendix E – DS Supplier's Obligations for AEPS Requirements, which provides in part:

For each compliance period during the Delivery Period, the number of AECs that a DS Supplier is obligated to provide may be reduced by a pre-determined number of AECs allocated to the DS Supplier ("Allocated AECs"). The number of Allocated AECs will be defined prior to the Transaction Date. Any Allocated AECs will not be transferred to the DS Supplier; but instead, the DS Supplier's AEC obligations will be reduced by a pro rata share of the Allocated AECs, and the Allocated AECs will remain the property of the Company.

V. Conclusion

As the foregoing demonstrates, the Solar PPA (1) was the product of a competitive solicitation; (2) conforms to the requirements of DSP IX approved by the Commission; and (3) represents a prudent, low-cost mechanism for acquiring a portion of the Company's SAEC obligation. The Company respectfully requests that the Commission approve the Solar PPA by its May 26, 2022, Public Meeting, to support Pine Gate's financing and construction timetable.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael Zimmerman".

Michael Zimmerman
Senior Counsel, Regulatory

Enclosures

Cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant):

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Date: April 1, 2022



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EXHIBIT A

CONFIDENTIAL

EXHIBIT B

CONFIDENTIAL

EXHIBIT C

CONFIDENTIAL

EXHIBIT D

CONFIDENTIAL

EXHIBIT E

Step 1: Beginning September 2023, begin to track banked solar SRECs and the associated regulatory asset deferral.

Month	Solar SREC Bank	Regulatory Asset	Avg. Cost
Sep-23	1,377	\$34,430	
Oct-23	2,800	\$70,007	
Nov-23	4,177	\$104,436	
Dec-23	5,601	\$140,013	
Jan-24	7,024	\$175,590	
Feb-24	8,355	\$208,872	
Mar-24	9,778	\$244,449	
Apr-24	11,155	\$278,879	
May-24	12,578	\$314,456	\$25.00

Overview: The illustrative regulatory asset example reflects the estimated cost associated with the solar contract that will be recovered from default service customers. The regulatory asset will also reflect the estimated proceeds of the solar energy that will be sold into the PJM market on a real-time basis. The solar contract cost, offset with the accrued revenues, will be allocated to default service customers at the same weighting as each customer class's solar SREC obligation share.

Step 2: Placeholder [1] - Reflect the September 2024 customer class SREC & deferred cost allocation.

Customer Class	POLR MWh Forecast [2]	Allocation Percentage	September 2024 Reg. Asset Allocation
Residential	2,722,000	67.2%	\$211,413
Small C&I	480,600	11.9%	\$37,327
Medium C&I	542,600	13.4%	\$42,143
HPS Eligible	303,500	7.5%	\$23,572
Total	4,048,700	100.0%	\$314,456

1/ Actual cost allocation will be based on the number of SRECs that are allocated to wholesale suppliers.
 2/ Sourced from Docket No. R-2021-3024750 (DLC Co 2021 Rate Case), Exhibit DBO-1R - DSP IX - Updated Unbundling Default Service Costs

Step 3 - Distribute the customer class allocation based on number of tranches and the length of the product.

Month	Residential \$211,413				Small C&I \$37,327				Medium C&I \$42,143				HPS Eligible \$23,572	Total \$314,456
	Residential 12 Month - Sep-24 RFP	Residential 12 Month - Mar-25 RFP	Residential 24 Month - Sep-24 RFP	Residential 24 Month - Mar-25 RFP	Small 12 Month - Sep-24 RFP	Small 12 Month - Mar-25 RFP	Small 24 Month - Sep-24 RFP	Small 24 Month - Mar-25 RFP	Medium 3 Month - Sep-24 RFP	Medium 3 Month - Dec-24 RFP	Medium 3 Month - Mar-25 RFP	Medium 3 Month - Jun-25 RFP	HPS 12 Month - Jun-25 RFP	
Dec-24	\$5,873		\$1,468		\$1,037		\$259		\$3,512					\$72,892 [A]
Jan-25	\$5,873		\$1,468		\$1,037		\$259		\$3,512					
Feb-25	\$5,873		\$1,468		\$1,037		\$259		\$3,512					
Mar-25	\$5,873		\$1,468		\$1,037		\$259		\$3,512					
Apr-25	\$5,873		\$1,468		\$1,037		\$259		\$3,512	\$3,512				
May-25	\$5,873		\$1,468		\$1,037		\$259		\$3,512	\$3,512				
Jun-25	\$5,873	\$5,873	\$1,468	\$1,468	\$1,037	\$1,037	\$259	\$259		\$3,512			\$1,964	\$136,500 [B]
Jul-25	\$5,873	\$5,873	\$1,468	\$1,468	\$1,037	\$1,037	\$259	\$259		\$3,512			\$1,964	
Aug-25	\$5,873	\$5,873	\$1,468	\$1,468	\$1,037	\$1,037	\$259	\$259		\$3,512			\$1,964	
Sep-25	\$5,873	\$5,873	\$1,468	\$1,468	\$1,037	\$1,037	\$259	\$259		\$3,512		\$3,512	\$1,964	
Oct-25	\$5,873	\$5,873	\$1,468	\$1,468	\$1,037	\$1,037	\$259	\$259		\$3,512		\$3,512	\$1,964	
Nov-25	\$5,873	\$5,873	\$1,468	\$1,468	\$1,037	\$1,037	\$259	\$259		\$3,512		\$3,512	\$1,964	
Dec-25		\$5,873	\$1,468	\$1,468			\$1,037	\$259	\$259					\$1,964
Jan-26		\$5,873	\$1,468	\$1,468			\$1,037	\$259	\$259					\$1,964
Feb-26		\$5,873	\$1,468	\$1,468			\$1,037	\$259	\$259					\$1,964
Mar-26		\$5,873	\$1,468	\$1,468			\$1,037	\$259	\$259					\$1,964
Apr-26		\$5,873	\$1,468	\$1,468			\$1,037	\$259	\$259					\$1,964
May-26		\$5,873	\$1,468	\$1,468			\$1,037	\$259	\$259					\$1,964
Jun-26			\$1,468	\$1,468			\$259	\$259						\$1,964
Jul-26			\$1,468	\$1,468			\$259	\$259						\$1,964
Aug-26			\$1,468	\$1,468			\$259	\$259						\$1,964
Sep-26			\$1,468	\$1,468			\$259	\$259						\$1,964
Oct-26			\$1,468	\$1,468			\$259	\$259						\$1,964
Nov-26			\$1,468	\$1,468			\$259	\$259						\$1,964
Dec-26				\$1,468				\$259	\$259					\$1,964
Jan-27				\$1,468				\$259	\$259					\$1,964
Feb-27				\$1,468				\$259	\$259					\$1,964
Mar-27				\$1,468				\$259	\$259					\$1,964
Apr-27				\$1,468				\$259	\$259					\$1,964
May-27				\$1,468				\$259	\$259					\$1,964

Step 4 - Reflect the solar cost allocation for the first SREC allocation year with the DSS/FRA filing and the associated costs that would be captured within the 1307e reconciliation.

SREC Allocation - September 2024 Auction:	12/1/24 Rate Filing [3] & [4]	1307e Reconciliation						
	Solar Cost Allocation	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Total
Residential/Lighting	\$44,044	\$7,341	\$7,341	\$7,341	\$7,341	\$7,341	\$7,341	\$44,044
Small C&I	\$7,777	\$1,296	\$1,296	\$1,296	\$1,296	\$1,296	\$1,296	\$7,777
Medium C&I	\$21,071	\$3,512	\$3,512	\$3,512	\$3,512	\$3,512	\$3,512	\$21,071
								<u>\$72,892 [A]</u>

SREC Allocation - March 2025 Auction:	6/1/25 Rate Filing [3] & [4]	1307e Reconciliation						
	Solar Cost Allocation	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Total
Residential/Lighting	\$88,089	\$14,681	\$14,681	\$14,681	\$14,681	\$14,681	\$14,681	\$88,089
Small C&I	\$15,553	\$2,592	\$2,592	\$2,592	\$2,592	\$2,592	\$2,592	\$15,553
Medium C&I	\$21,071	\$3,512	\$3,512	\$3,512	\$3,512	\$3,512	\$3,512	\$21,071
HPS Eligible [3]	\$11,786	\$1,964	\$1,964	\$1,964	\$1,964	\$1,964	\$1,964	\$11,786
								<u>\$136,500 [B]</u>

3/ Medium C&I would also reflect an allocation within their 3/1 & 9/1 Rate Filings.
 4/ Only illustrated 6 months of the 12 month reconciliation.