



April 10, 2018

VIA E-FILE

David P. Zambito

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

Re: Peoples Natural Gas Company LLC v. Duquesne Light Company; Docket No. C-2018-_____

PREHEARING MEMORANDUM OF PEOPLES NATURAL GAS COMPANY LLC TO PROPOSED GENERAL RATE INCREASE; Docket No. R-2018-3000124

Dear Secretary Chiavetta:

Enclosed for filing with the Commission, please find the Prehearing Memorandum of Peoples Natural Gas Company LLC in the above-referenced proceeding. A copy of this document has been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please direct them to me. Thank you for your attention to this matter.

Sincerely,

COZEN O'CONNOR



By: David P. Zambito
Counsel for *Peoples Natural Gas Company LLC*

DPZ/kmg
Enclosure

cc: Honorable Katrina L. Dunderdale
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Peoples Natural Gas Company LLC

v.

Duquesne Light Company

:
:
:
:
:
:

Docket No. C-2018-_____

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing **Prehearing Memorandum** of Peoples Natural Gas Company LLC, upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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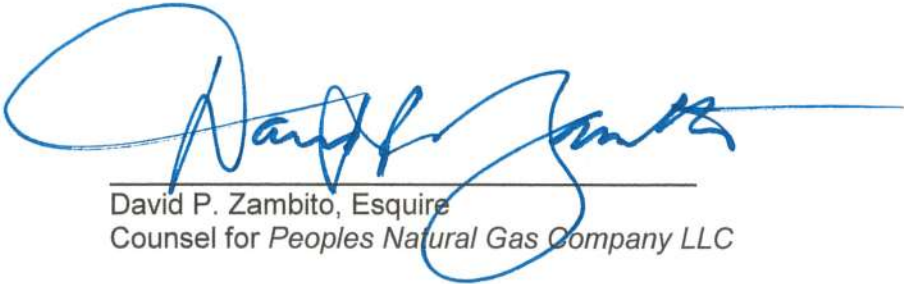
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DATED: April 10, 2018



David P. Zambito, Esquire
Counsel for *Peoples Natural Gas Company LLC*

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Administrative Law Judge Katrina L. Dunderdale

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-3000124
	:	
Duquesne Light Company	:	
1308(d) Proceeding	:	

**PREHEARING CONFERENCE MEMORANDUM
OF PEOPLES NATURAL GAS COMPANY LLC**

AND NOW COMES, Peoples Natural Gas Company LLC (“Peoples”), by and through its counsel, Cozen O’Connor, pursuant to 52 Pa. Code § 5.222(d) and in compliance with the Prehearing Conference Order of the Honorable Administrative Law Judge Katrina L. Dunderdale, dated April 4, 2018, to file this Prehearing Conference Memorandum in the above-captioned matter.¹ In support thereof, Peoples states as follows:

I. INTRODUCTION AND PROCEDURAL HISTORY

On March 28, 2018, Duquesne Light Company (“Duquesne Light”) filed Supplement No. 174 to its Tariff Electric – Pa. P.U.C. No. 24, proposing a general increase in electric distribution rates of approximately \$133.8 million.

¹ The Prehearing Conference Order directed that prehearing conference memoranda be distributed by Noon on April 10, 2018. Given the fact that Peoples filed its Formal Complaint in this proceeding in the afternoon of April 10, 2018 (*i.e.* approximately two weeks after Duquesne Light Company’s base rate filing and well-before the due date for formal complaints) and given the expedited scheduling of the Prehearing Conference, Peoples respectfully requests a waiver of the Noon filing requirement.

On March 30, 2018, counsel for the Commission's Bureau of Investigation and Enforcement entered their appearance. On April 6, 2018, counsel for the Office of Consumer Advocate entered their appearance. The International Brotherhood of Electrical Workers Local 29 and the Community Action Association of Pennsylvania filed Petitions to Intervene on April 9, 2018. On April 10, 2018, Peoples filed a Formal Complaint pursuant to 52 Pa. Code §§ 5.21-5.23.

II. COUNSEL

Counsel for Peoples are:

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III. SERVICE OF DOCUMENTS

Peoples' attorneys are authorized to accept service on behalf of Peoples in this proceeding. Peoples requests that hard copies of documents be served on Attorneys Zambito and Roberts at the addresses listed above. Peoples agrees to receive service of documents electronically in this proceeding and requests that all listed counsel for Peoples receive electronic service.

IV. ISSUES

A. Rider No. 16 – Service to Non-Utility Generating Facilities: Rates for Back-Up Service

Duquesne Light has proposed an increase in rates for Back-Up Service from \$2.50 per kW to \$8.00 per kW. In addition, Duquesne Light has proposed to retain existing language in its tariff that charges twice the normal rate if the customer exceeds its reserved capacity. As a result, the Tariff would increase rates for Back-Up Service in this situation from \$5.00 per kW to \$16.00 per kW.

Back-Up Service is defined as distribution services provided by Duquesne Light to a non-utility generating facility during any outage of the non-utility generating facility's electric generating equipment or otherwise, to replace electric energy ordinarily generated by the non-utility generating facility's generating equipment. Rider No. 16, Section A. It is service provided to cogeneration and small power production facilities, including but not limited to combined heat and power ("CHP") facilities.

The proposed rates would have a significant adverse economic impact on Peoples because those rates would negatively impact Peoples' distributed generation projects in the Pittsburgh area. Peoples has customers using distributed generation today and is currently pursuing additional distributed generation projects, including CHP projects, throughout Duquesne Light's certificated service territory. In fact, CHP projects are an important part of Peoples' voluntary energy efficiency and conservation plan. *See Petition of Peoples Natural Gas Company, LLC for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2017-2640306.

The proposed rates are inconsistent with sound public policy, as reflected in the Commission's recently-adopted Final Policy Statement on CHP. This policy statement seeks to advance the development of CHP in Pennsylvania by reducing barriers to projects, including high prices for back-up power during plant maintenance and unplanned downtime. *Final Policy*

Statement on Combined Heat and Power, Docket No. M-2016-2530484 (Order entered April 5, 2018) p. 3. Although Duquesne Light claimed in comments in the policy statement proceeding that it does not oppose CHP in its service territory, Duquesne Light's substantial proposed increase in Back-Up Service rates would certainly discourage the development of CHP projects in Duquesne Light's service territory.

B. Rider No. 16 – Service to Non-Utility Generating Facilities: Fees and Rules for Interconnection

Duquesne Light proposes to retain existing language in its tariff regarding fees and rules for interconnecting non-utility generating facilities to Duquesne Light's distribution system. This language is set forth in Section C of Rider No. 16. These interconnection fees and rules create an interconnection process that is so cumbersome and lengthy that it effectively discourages CHP and other distributed generation projects.

The Commission's Order adopting the Final Policy Statement on CHP noted that interconnection fees and costs, as well as interconnection rules, can be a barrier to the development of CHP projects. *Final Policy Statement on Combined Heat and Power*, *supra*, at 7. The Commission should review Duquesne Light's tariff language in this proceeding to reduce existing barriers to the development of CHP and other types of distributed generation projects.

V. WITNESSES AND EVIDENCE

Peoples expects to call two or three witnesses. Peoples is still in the process of identifying its witnesses and will notify the Administrative Law Judge and the other parties as soon as the witnesses are identified. The witnesses will testify to the following topics:

Rates

The primary issue in this proceeding is whether the rates proposed by Duquesne Light are just and reasonable, and in conformity with regulations and orders of the Commission, as required by 66 Pa. C.S. § 1301. In addition, the proposed allocation of the revenue increase and the proposed rate design may be unlawfully discriminatory in violation of the Code, 66 Pa. C.S. §§ 1301 and 1304, and may otherwise be contrary to sound ratemaking principles and public policy. Specifically, the rates for Back-Up Service customers appear to violate the Code and the Commission's regulations and orders. Peoples' witness will likely challenge the cost allocation methodologies used by Duquesne Light to arrive at the proposed Back-Up Service rates.

Distributed Generation in the Pittsburgh Area

Peoples' witness will introduce testimony concerning the public policy and economic development benefits of distributed generation projects in the Pittsburgh area. This testimony will address the adverse impact that rates for Back-Up Service have on distributed generation projects.

VI. DISCOVERY

Peoples is willing to agree to reasonable modifications of the Commission's standard discovery rules.

VII. PROTECTIVE ORDER

Peoples has no objection to the entry of a reasonable Protective Order.

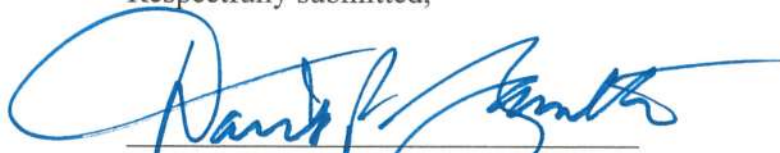
VIII. PROCEDURAL SCHEDULE

Peoples is willing to agree to a reasonable procedural schedule.

IX. SETTLEMENT DISCUSSIONS

Peoples is open to and available for settlement discussions to resolve this proceeding.

Respectfully submitted,



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Counsel for
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Dated: April 10, 2018