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May 25, 2021

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
400 North Street
Harrisburg, PA 17120

Re: Pa. Public Utility Commission v. Duquesne Light Company
Docket No. R-2021-3024750

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Prehearing Memorandum of Peoples Natural Gas Company LLC with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

/s/ Karen O. Moury

Karen O. Moury

KOM/lww
Enclosure

cc: Deputy Chief Administrative Law Judge Joel H. Cheskis w/enc. (jcheskis@pa.gov)
Chief Administrative Law Judge John M. Coogan w/enc. (jcoogan@pa.gov)
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of Peoples Natural Gas' Prehearing Memorandum upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email Only

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Dated: May 25, 2021

Karen O. Moury

Karen O. Moury, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3024750
	:	
Duquesne Light Company	:	

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

Pursuant to 52 Pa. Code §§ 5.72-5.75 and the Prehearing Order issued May 20, 2021, and subject to the granting of the Petition to Intervene being filed on this same date, Peoples Natural Gas Company LLC (“Peoples”) submits this Prehearing Memorandum.

I. BACKGROUND

On April 16, 2021, Duquesne Light Company (“Duquesne”) filed Supplement No. 25 to its Tariff Electric – Pa. P.U.C. No. 25 with the Pennsylvania Public Utility Commission (“Commission”), which proposed an annual distribution revenue increase of approximately \$115 million, to become effective June 15, 2021. On May 20, 2021, pursuant to 66 Pa. C.S. § 1308(d), the Commission ordered suspension of the proposed tariff changes until January 15, 2022, unless permitted by Commission Order to become effective at an earlier date. Through its Order, the Commission assigned this case to the Office of Administrative Law Judge for the scheduling of hearings as necessary for the issuance of a recommend decision.

A Prehearing Conference is scheduled for May 27, 2021 at 10:00 a.m. before Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge John M. Coogan (the “ALJs”). Peoples submits this Memorandum in compliance with the Prehearing Conference Order issued by the ALJs on May 20, 2021.

II. SERVICE OF DOCUMENTS

Peoples requests that all documents be served on:

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Peoples also agrees to receive service of documents electronically in this proceeding. To the extent that materials are available electronically, it is requested that copies be served upon all counsel listed above.

III. PROCEDURAL SCHEDULE

Peoples is willing to work with the other parties in this matter to adopt a reasonable procedural schedule.

IV. SETTLEMENT

Peoples is willing to participate in settlement discussions with any party to narrow the issues in this matter.

V. WITNESSES

Although Peoples plans to present one or more witnesses to provide testimony in this matter, Peoples is still in the process of identifying its witnesses and will notify the ALJs and the parties as soon as the witnesses are identified. Peoples anticipates that its testimony will address

whether the rates proposed by Duquesne are just and reasonable, and in conformity with regulations and orders of the Commission, as required by 66 Pa. C.S. § 1301. In addition, Peoples will examine the proposed allocation of the revenue increase and the proposed rate design from the perspective of whether the proposals are consistent with sound ratemaking principles and public policy. Peoples will particularly focus on the proposed rates for Back-Up Service and may challenge the cost allocation methodologies used by Duquesne to arrive at Back-Up Service rates. Peoples expects that its testimony will also address the economic development benefits of Combined Heat and Power (“CHP”)/distributed generation projects in Peoples’ service territory and the adverse impact that unjust and unreasonable rates for Back-Up Service would have on those efforts. After identifying witnesses in this proceeding, Peoples reserves the right to add additional witness(es) or change the identity of their witness(es) at any time upon appropriate notice to the ALJs and the parties.

VI. ISSUES

Peoples has preliminarily identified the following issues that it intends to examine in this proceeding:

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

Rider No. 16 addresses Supplementary Power and Back-Up Power. Duquesne’s proposed changes to Rider No. 16, particularly to Back-Up Power, will directly affect the economic viability of CHP and other distributed generation projects, possibly rendering the projects uneconomically unfeasible if the proposed rate changes are approved by the Commission. The Commission’s Policy Statement on CHP encourages electric distribution companies and natural gas distribution companies “to support the development of CHP by evaluating and implementing new strategies,

programs and other initiatives to promote the deployment of CHP and to reduce barriers to deployment within their service territories.” 69 Pa. Code § 69.3201(d).

Currently under Rider No. 16, Duquesne supplies Back-Up Power at a distribution charge of \$2.50 per kW, which is applied to the Back-Up Power Billing Determinants. Back-Up Service is defined as distribution services provided by Duquesne to a non-utility generating facility during any outage to replace electric energy ordinarily generated by the facility’s generating equipment. These distribution charges are applied each month based on the customer’s Contract Demand without regard to whether or not back-up energy is supplied. As proposed, the distribution charge would be increased to \$3.09 per kW and be applied to Back-Up Service Maintenance Demand Billing Determinants.

In addition, Duquesne proposes to apply an additional distribution charge of \$6.79 per kW to the Back-Up Service As-Used Contract Demand Billing Determinants. The proposed tariff further provides a Maintenance Overage Charge of \$9.98 per kW will apply if the customer exceeds Maintenance Demand by 10% or more. Duquesne’s filing also proposes changes to provide that if a customer’s Back-Up Service requirement at any time exceeds the customer’s Maintenance Contract Demand by 5% or more, the actual Back-Up Service requirement provided will become the customer’s new Maintenance Contract Demand for the remaining term of the back-up contract. Further, as proposed by Duquesne, if a customer’s actual Back-Up Service requirement provided at any time exceeds the customer’s Maintenance Contract Demand by 10% or more, the customer will be assessed a fee equal to the difference between the actual Back-Up Service provided at the time during the billing period and the Maintenance Contract Demand multiplied by the Overage Charge of \$9.98 per kW.

Peoples intends to examine these proposed changes to Rider No. 16 from the perspective of whether they will thwart the development of CHP/distributed generation projects in Peoples' service territory, in direct contravention of the Commission's Policy Statement encouraging these efforts. To the extent this would occur, Peoples will propose alternative rates to enhance the economic viability of CHP and other distributed generation projects.

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

Duquesne proposes to retain existing language in its tariff regarding fees and rules for interconnecting non-utility generating facilities to Duquesne's distribution system. These interconnection fees and rules create a process that is so cumbersome and lengthy that it has the tendency to discourage CHP and other distributed generation projects. In the Commission's CHP Policy Statement, it specifically identifies interconnection fees as a way for EDCs to provide incentive programs for CHP. As a result, it is important to review Duquesne's tariff language in this proceeding to eliminate any existing barriers to such projects and explore ways to incentivize CHP development and deployment.

C. Other Issues

Peoples continues to evaluate the filing and will refine its position based on further study of Duquesne's proposal, review of discovery and additional input from other parties. Peoples reserves the right to address other issues, including but not limited to the appropriateness of promotional rates. Peoples also reserves the right to raise matters identified through its continued review and analysis of the filing or raised by other parties.

VII. DISCOVERY

Peoples does not oppose reasonable modifications to the Commission's discovery regulations.

Respectfully submitted,

Karen O. Moury

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Dated: May 25, 2021

Counsel for Peoples Natural Gas Company LLC