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October 13, 2020

E-FILE

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

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

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 Mark A. Hoyer
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

REPLY BRIEF OF CALPINE RETAIL HOLDINGS, LLC

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October 13, 2020

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I. INTRODUCTION

This reply brief is filed on behalf of Calpine Retail Holdings, LLC (“Calpine Retail”) to address the so-called EGS Parties’ position 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 the proposal of Duquesne Light Company (the “Company”) 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 EGS Parties, which seek to overturn this well-established precedent. The EGS Parties’ 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 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 to meet the needs of their customers.

Calpine Retail also uses this opportunity to confirm that it has no position regarding two Joint Stipulations that have been filed. These Joint Stipulations address other issues unrelated to the recovery of NITS costs.

II. REPLY ARGUMENT

A. The EGS Parties’ Position Should Be Rejected.

The EGS Parties’ Brief argues that EGS’s should be excused from paying for their own individual demand based NITS costs because NITS costs are volatile and hard to predict.¹ This argument is unpersuasive. Fundamentally, NITS charges are still based on each individual Load

¹ EGS Parties’ Main Brief, at 12-13. Note that this volatility argument is based in part on an out-of-state utility, PSE&G, and is not supported at all with information about Duquesne Light.

Serving Entities' demands. The better the LSEs can manage their loads, the better they will be able to create efficiencies and compete in the marketplace. The EGS Parties' 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, choices and what look to be shortcomings.

The EGS Parties' 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 the EGS Parties - 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 the Company, the EGS Parties' 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

Remarkably, the EGS Parties' Main Brief fails to even cite, much less address, the precedent in which their position has been considered and rejected.³ In seeking to overturn this well-established precedent, the EGS Parties have the burden to show that the existing Company

² Company Main Brief at 14. See also 66 Pa. C.S. § 2802(14) and 66 Pa. C.S. § 2804(3) (requiring rates to be unbundled).

³ *Petition of Duquesne Light Company for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015*, Docket No. P-2012-2301664, Opinion and Order dated January 25, 2013, at 221-222; *Petition of Duquesne Light Company for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2015 through May 31, 2017*, Docket No. P-2014-2418242, Opinion and Order dated January 15, 2015, at 45-46 and 52-53.

tariffs on recovery of NITS costs are unreasonable.⁴ By failing to address this precedent, the EGS Parties have clearly not met this burden.

In a footnote, the EGS Parties cite to an alleged precedent from Ohio regarding First Energy companies.⁵ Calpine Retail has three responses to this claim. First, whatever has been done in Ohio is irrelevant without first considering whether it is reasonable and consistent with prior Commission decisions here in Pennsylvania. As shown above, it is not. Second, there is no support in this record for whatever has been done in Ohio. Without that, the Commission here would be left to guess as to what the thinking might have been in Ohio. Finally, and most importantly, whatever was decided in *Ohio* regarding First Energy companies is far less relevant than what has been decided here in *Pennsylvania* regarding First Energy companies. In Pennsylvania, NITS are recovered separately from Default Service customers and other Load Serving Entities, just as Calpine Retail is advocating for in this proceeding.⁶ This precedent regarding First Energy companies in Pennsylvania is fully consistent with what the Company is proposing in this proceeding.

B. Calpine Statement Regarding Joint Stipulations.

The Company has filed two joint stipulations, one with the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, and the Office of Consumer Advocate, and one with the Natural Resources Defense Council, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, the Office of Consumer Advocate and the Office of Small Business Advocate. Neither of these stipulations would have any bearing on the

⁴ *Shenango Township Board of Supervisors v. Pa. Pub. Util. Comm'n*, 686 A.2d 910, 914 (Pa. Commw. Ct. 1996). See also 66 Pa. C.S. § 332 (regarding burden of proof).

⁵ EGS Parties' Main Brief, at 15 n. 9.

⁶ *Petition of Metropolitan Edison Company et al. for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023*, Docket No. P-2017-2637855 et al., Opinion and Order dated September 4, 2018, at 9, 11.

issue in this case of interest to Calpine Retail, namely, the recovery of NITS costs. Accordingly, Calpine Retail takes no position with regard to these stipulations.

III. CONCLUSION

For the foregoing reasons and the reasons stated in Calpine Retail's Main Brief, the proposal of the EGS Parties to change the way NITS costs are recovered by the Company from EGS Load Serving Entities should be rejected.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Reply Brief on behalf of Calpine Retail Holdings, LLC upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by electronic mail as follows:

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