

STEVENS & LEE
LAWYERS & CONSULTANTS

17 North Second Street
16th Floor
Harrisburg, PA 17101
(717) 234-1090 Fax (717) 234-1099
www.stevenslee.com

Direct Dial: (717) 255-7365
Email: mag@stevenslee.com
Direct Fax: (610) 988-0852

January 10, 2014

VIA ELECTRONIC FILING

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

**Re: Public Utility Commission Bonding Requirements for Electric Generation
Suppliers; Acceptable Security Instruments
Docket No. M-2013-2393141**

Dear Secretary Chiavetta:

Enclosed for filing are the Comments of Duquesne Light Energy, LLC in the above-captioned docket.

If you have any questions, please do not hesitate to contact me. Thank you.

Best Regards,

STEVENS & LEE


Michael A. Gruin

Encl.

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A PROFESSIONAL CORPORATION

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Bonding Requirements for EGSs, : Docket No. M-2013-2393141
Acceptable Security Instruments :

**COMMENTS OF DUQUESNE LIGHT ENERGY, LLC TO
TENTATIVE ORDER**

I. INTRODUCTION

On December 5, 2013, the Pennsylvania Public Utility Commission (“Commission”) entered its Tentative Order (“Tentative Order”) with regard to Bonding Requirements for Electric Generation Suppliers and Acceptable Security Instruments. By notice published in the Pennsylvania Bulletin on December 21, 2013, the Commission requested comments on the Tentative Order be filed by January 10, 2014. These Comments are filed by Duquesne Light Energy (“DLE”), an Electric Generation Supplier (“EGS”) licensed to provide service in all service territories and to all customers classes in the Commonwealth.

DLE supports the conclusions in the Tentative Order, and DLE's Comments are submitted to provide further support for the conclusions in the Tentative Order.

II. COMMENTS

A. REDUCTION OF BONDING REQUIREMENT

The Tentative Order suggests a reduction in the amount of security to be posted by an Electric Generation Supplier (an “EGS”) from 10% to 5% of annual gross receipts after the first year the EGS’s license is in effect. DLE supports this proposal, as the 10% requirement is too burdensome on growing companies. DLE is a growing company and therefore the 10% security requirement is becoming increasingly higher as its revenues grow and eliminates DLE's ability to

reinvest in its expansion. Accordingly, DLE is in favor of reducing the security requirement from 10% to 5% of gross annual receipts for each year after the first year in which an EGS is licensed.

B. EXPANSION OF ACCEPTABLE SECURITY INSTRUMENTS

The Tentative Order provides for an expansion in the types of security instruments that should be accepted by the Commission to include the following:

- Parental guarantee, in a form acceptable to the Commission, where the parent maintains an investment-grade long-term bond rating from two of the four rating agencies (Standard & Poors, Moody's Investors' Services, Fitch IBCA and Duff and Phelps Credit Rating Company);
- Segregated cash accounts, held by federally insured financial institutions, specific to Pennsylvania customers and callable only by the Commission; and
- A mix of bonds; LOCs; parental guarantees and/or segregated cash accounts as set forth above sufficient to meet the required security amount of 5% of annual gross receipts.

DLE supports an expansion of the types of acceptable security instruments to the aforementioned security instruments. DLE believes that the Commission and the public would be adequately protected by those additional security instruments set forth above. Accordingly, DLE is in favor of expanding the acceptable types of security instruments to include a parental guarantee, among others.

C. CHANGES TO CURRENT REGULATIONS

DLE believes that the Commission will need to change the regulation at 52 Pa. C.S. § 54.40 in order to implement the proposed changes set forth above. Section 54.40 explicitly states that the security level will be set at 10% for each year after the first year that an EGS is licensed.

Further, Section 54.40 clearly sets forth the types of security that satisfy such 10% requirement, without leaving room for discretion. Accordingly, DLE believes that the Commission would need to undertake a rulemaking proceeding to change the regulation. In the interim, the Commission should consider waiving the requirements of those provisions of Section 54.40 pending the rulemaking process, and issue Interim Guidelines to implement the proposed changes until the regulation is officially changed.

III. CONCLUSION

DLE appreciates the opportunity to provide comments in connection with the Tentative Order regarding bonding requirements for electric generation suppliers and acceptable security instruments and requests that the Commission consider these comments.

Respectfully submitted,

Lisa M. Meyer (ID #308739)
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219
Phone: (412) 393-1498
E-Mail: LMeyer@duq.light.com

Clifford E. Blashford
President
Duquesne Light Energy, LLC
424 South 27th Street, Suite 220
Pittsburgh, PA 15203
Phone: (412) 393-1133
Fax: (412) 393-5514
E-Mail: cblashford@dqenergy.com

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