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STEVENS & LEE
LAWYERS & CONSULTANTS

17 N. 2nd Street, 16th Fl.
Harrisburg, PA 17101
www.stevenslee.com

Direct Dial: (717) 255-7365
Email: mag@stevenslee.com

November 25, 2015

VIA HAND DELIVERY

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

Re: Duquesne Light Company
Phase III Energy Efficiency & Conservation Plan
Docket Nos. ~~P-2015-~~_____ ; M-2015-_____

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Duquesne Light Company ("Duquesne Light" or "Company") is the original of its Phase III Energy Efficiency & Conservation Plan ("Phase III Plan"). Duquesne Light is filing its Phase III Plan in accordance with Act 129 of 2008 ("Act 129"), 66 Pa.C.S. §§ 2806.1 and 2806.2, and the Implementation Order issued on June 11, 2015 by the Pennsylvania Public Utility Commission ("Commission") in Docket No. M-2014-2424864. The Company's Phase III Plan follows the template set forth in the Commission's September 22, 2015 Secretarial Letter in the same Docket.

The enclosed filing consists of the following documents:

- Duquesne Light's Phase III EE&C Plan,
- Duquesne Light's Petition for Approval of its Phase III Plan,
- Duquesne Light Statement No. 1 - Direct Testimony of David Defide, and
- Duquesne Light Statement No. 2 - Direct Testimony of William Pfrommer, including a pro forma cost recovery mechanism under 66 Pa. C.S. § 1307

Please note that Appendix A to the Plan and Tab 13 to the Plan contain **Confidential** information, and Duquesne Light respectfully requests that these documents be treated accordingly. Appendix A and Tab 13 to the Plan have been marked as **Confidential** and are being provided in a separate envelope for filing under seal.

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Also enclosed is a CD-Rom containing full electronic copies of the Phase III EE&C Plan, the accompanying Petition, and the Testimony in support of the Plan.

Duquesne Light is represented by the following counsel, who are authorized to receive all notices and communications for this proceeding:

Robert Hoaglund, Esquire
Assistant General Counsel
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219
Phone: 412-393-1058
Email: RHoaglund@duqlight.com

Michael A. Gruin, Esq.
Stevens & Lee, P.C.
17 North Second Street, 16th Floor
Harrisburg, PA 17101
Phone: 717-255-7365
Fax: 610-988-0852
Email: mag@stevenslee.com

Linda R. Evers, Esq.
Stevens & Lee, P.C.
111 N. Sixth Street,
PO Box 679
Reading, PA 19601
Phone: 610-478-2265
Fax: 610-988-0855
Email: lre@stevenslee.com

Duquesne Light respectfully requests that the Commission permit its proposed Phase III EE&C Plan and associated Cost Recovery Mechanism to become effective, as proposed, on or before March 30, 2016.

Copies of this filing have been served in accordance with the attached Certificate of Service. Duquesne Light has also posted a copy of its proposed Phase III EE&C Plan on the Act 129 Section of its website, which can be viewed by the public at the following URL address: www.wattchoices.com.

Thank you, and please contact me if you have any questions or concerns.

Respectfully Submitted,

STEVENS & LEE

Michael A. Gruin

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Enclosures

cc: Certificate of Service
Honorable Gladys M. Brown, Chairman (via hand delivery)
Honorable John F. Coleman, Jr., Vice-Chairman (via hand delivery)
Honorable Robert F. Powelson (via hand delivery)
Honorable Pamela A. Witmer (via hand delivery)
Honorable Andrew G. Place (via hand delivery)
Megan Good, Bureau of Technical Utility Services (via hand delivery)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2015 NOV 25 PM 1:18

Petition of Duquesne Light Company for :
Approval of its Energy Efficiency and :
Conservation Phase III Plan :

PA PUC
SECRETARY'S BUREAU
Docket Nos. M-2015-
~~1385~~

PETITION OF DUQUESNE LIGHT COMPANY

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Act 129 of 2008 ("Act 129"), P.L. 1592, 66 Pa.C.S. §§ 2806.1 and 2806.2, Duquesne Light Company ("Duquesne" or the "Company"), the Implementation Order issued by the Pennsylvania Public Utility Commission ("Commission") on June 11, 2015¹, and the Clarification Order issued by the Commission on August 20, 2015², Duquesne Light hereby Petitions the Commission for approval of its attached Phase III Energy Efficiency and Conservation Plan ("Phase III EE&C Plan" or "Phase III Plan"). For the reasons set forth below, Duquesne respectfully requests that the Commission approve its Phase III Plan, as described herein and in the appended attachments, by March 30, 2016.

I. INTRODUCTION

1. Duquesne Light is a public utility as the term is defined under Section 102 of the Public Utility Code, 66 Pa.C.S. § 102, certificated by the Commission to provide electric service in the City of Pittsburgh and in Allegheny and Beaver Counties in Pennsylvania. Duquesne Light is also an electric distribution company ("EDC") and a default service provider as those

¹ *Energy Efficiency and Conservation Program*, Docket No. M-2014- 2424864, (Implementation Order entered on June 11, 2015) ("*Phase III Implementation Order*")

² *Energy Efficiency and Conservation Program*, Docket No. M-2014- 2424864, (Clarification Order entered on August 20, 2015)

terms are defined under Section 2803 of the Public Utility Code. 66 Pa.C.S. § 2803. Duquesne Light provides electric distribution service to approximately 580,000 customers.

2. Duquesne Light's attorneys are:

Robert Hoaglund, Esquire
Assistant General Counsel
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219
Phone: 412-393-1058
Email: RHoaglund@duqlight.com

Michael A. Grun, Esq.
Stevens & Lee, P.C.
17 North Second Street, 16th Floor
Harrisburg, PA 17101
Phone: 717-255-7365
Fax: 610-988-0852
Email: mag@stevenslee.com

Linda R. Evers, Esq.
Stevens & Lee, P.C.
111 N. Sixth Street,
PO Box 679
Reading, PA 19601
Phone: 610-478-2265
Fax: 610-988-0855
Email: lre@stevenslee.com

Duquesne Light's attorneys are authorized to receive all notices and communications regarding this proceeding.

3. Enclosed with this Petition are:

- (a) Duquesne Light's proposed Phase III EE&C Plan to become effective June 1, 2016;
- (b) Direct Testimony of David Defide explaining the methodology employed to analyze, develop, and implement the Company's Phase III plan; and
- (c) Direct Testimony of William V. Pfrommer detailing the Company's proposed cost recovery mechanism.

The Company anticipates submitting its proposed Conservation Service Provider ("CSP") contracts in February 2016. However, an approved CSP contract template is included in the Phase III Plan, at Appendix B.

4. Act 129, which became effective on October 15, 2008, created, *inter alia*, an energy efficiency and conservation ("EE&C") program, codified in the Pennsylvania Public Utility

Code, 66 Pa.C.S. §§ 2806.1, 2806.2. This program required each EDC with at least 100,000 customers to adopt and implement a Commission-approved EE&C Plan. EE&C Plans are programs designed to achieve the Act 129 conservation and peak load reduction requirements, by specified dates, within the specified cost cap.

5. During the Phase I EE&C Plans, EDCs were required to achieve consumption reductions of at least one percent (1%) by May 31, 2011, and at least three percent (3%) by May 31, 2013. Additionally, EDCs were required to achieve a four and one-half (4.5%) percent peak demand reduction of the one hundred (100) highest hours by May 31, 2013 measured against the EDC's peak demand during the period of June 1, 2007 through May 31, 2008. 66 Pa.C.S. § 2806.1(c) and (d). By November 30, 2013, and every five years thereafter, the Commission was to assess the cost-effectiveness of the EE&C Program and set additional incremental reductions in electric consumption if the EE&C Program's benefits exceed its costs.

6. On June 30, 2009, Duquesne Light filed its Energy Efficiency Conservation and Demand Response Phase I plan ("EE&C Phase I Plan"). Duquesne Light's EE&C Phase I plan was approved by the Commission on October 27, 2009, with certain modifications. *Petition of Duquesne Light Company for Approval of its Energy Efficiency and Conservation and Demand Response Plan*, Docket No. M-2009-2093217 (Order Entered October 27, 2009). The EE&C Phase I Plan was further revised by *Petition of Duquesne Light Company for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093217 (Order entered January 28, 2011).

7. Act 129 required the Commission to evaluate the cost and benefits of the EE&C plans by November 30, 2013, and implement additional incremental consumption and peak demand reductions only if the benefits of the EE&C plans exceed the costs. 66 Pa.C.S. §§ 2806.1(0)(3).

8. By Order entered on August 3, 2012, the Commission adopted its Energy Efficiency and Conservation Phase II Implementation Order (“*Phase II Order*”), after holding a stakeholder meeting and gathering input and comments from interested stakeholders. Pursuant to the Commission’s *Phase II Order*, Duquesne Light was required to achieve a 2.0% energy consumption target, or 276,722 MWhs, over a three year period spanning June 1, 2013 through May 31, 2016. *Phase II Order* at 24. The Commission further established June 1, 2009 through May 31, 2010 as the baseline from which to measure savings.

9. Consistent with the requirements set forth in the Act 129 and the Commission’s *Phase II Order*, Duquesne’s filed its Phase II EE&C Plan on November 15, 2012, and filed a revised Phase II EE&C Plan on February 7, 2013. Duquesne Light’s EE&C Phase II plan was approved by the Commission on October March 14, 2013, with certain modifications. *Petition of Duquesne Light Company for Approval of its Energy Efficiency and Conservation Phase II Plan*, Docket No. M-2012-2334399 (Order Entered March 13, 2013).

10. Following Phase II, the Statewide Evaluator (“SWE”) submitted the final versions of its Demand Response (“DR”) Potential Study and Energy Efficiency (“EE”) Potential Study to the Commission on February 25, 2015.³ The results of these Studies were presented to stakeholders during a stakeholder meeting on April 8, 2015.

11. After issuing a Tentative Order and receiving Comments and Reply Comments from a number of interested parties, the Commission issued its Energy Efficiency and Conservation Phase III Implementation Order (“*Phase III Implementation Order*”) on June 19, 2015. For Duquesne Light, the *Phase III Implementation Order* adopted a consumption reduction for the five-year Phase III period of 440,916 MWh, and a demand reduction target of 42 MW.

³ The DR Potential Study analyzed the cost effectiveness of the legislative peak demand reduction requirements and of potential improvements to the peak demand reduction program. The EE Potential Study analyzed the cost effective consumption reduction potential in the Commonwealth.

12. Consistent with the requirements set forth in Act 129 and the Commission's *Phase III Implementation Order*, Duquesne Light's Phase III Plan (a) includes measures to achieve or exceed the required reductions and states the manner in which the consumption reductions will be achieved or exceeded; (b) complies with the designated expenditure cap of 2% of 2006 Annual Revenues for each year of the five-year plan; (c) achieves a total cumulative energy reduction of at least 440,916 MWh by May 31, 2021, with at least 15% of the savings compliance target being achieved in each of the five program years; (d) achieves a minimum of 5.5% of the total required reductions from the low-income customer sector by May 31, 2021; (e) achieves a minimum of 3.5% of all consumption reduction requirements from units of federal, state and local governments, including municipalities, school districts, institutions of higher education and non-profit entities ("G/E/NP"); (f) includes a proportionate number of energy efficiency measures for low income households as compared to those households' share of the total energy usage in the service territory; (g) offers at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers; (h) achieves peak demand reductions of at least 42 MW; i) includes a contract with one conservation service provider ("CSP"); (j) includes an analysis of administrative costs of the plan; (k) includes a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307; and (l) demonstrates that the Phase III Plan is cost-effective based on the Commission's Total Resource Cost Test ("TRC").

II. DUQUESNE LIGHT COMPANY'S PROPOSED PHASE III EE&C PLAN

A. OVERVIEW OF THE PHASE III EE&C PLAN

13. Duquesne's Phase III EE&C Plan is attached hereto and marked as "Exhibit 1". Duquesne's Phase III Plan, as more fully described below, is designed to meet the Company's Phase III consumption reduction and demand reduction targets, and to comply with the other

requirements set forth in the Commission's *Phase III Implementation Order*. The Phase III Plan includes a range of energy efficiency programs that include every customer segment in Duquesne's service territory. These programs are the key components of a comprehensive electric energy efficiency initiative designed to achieve the required 440,916 MWh of reduced energy consumption and the required demand reduction of 42 MW.

14. The proposed Phase III Plan follows the template provided in the September 22, 2015 Secretarial Letter at Docket No. M-2014-2424864.

15. The Company's EE&C Phase III Plan includes programs that reduce consumption for each customer class. The chart below details the Company's proposed programs and expected consumption reductions:

**Projected Portfolio Savings
Energy and Demand Savings—May 31, 2021**

Sector	Program Name	Energy Savings (kWh)	Demand Savings (kW)
Residential			
	Residential Energy Efficiency Program	85,894,931	9,267
	REEP Whole House Audit/Retrofit	1,750,916	950
	Residential Appliance Recycling	8,815,961	987
	Residential Behavioral Savings	24,146,105	0
	Savings by Design (New Construction)	409,000	59
	Low Income Energy Efficiency	16,550,885	353
	Subtotal	137,567,798	11,616
Small Commercial & Industrial Sectors			
	Express Efficiency	35,147,555	6,566
	Small/Medium Nonresidential Upstream Lighting	19,464,329	5,850
	Small Commercial Direct Install	10,934,231	1,282
	Multifamily Housing Retrofit	8,912,014	551
	Subtotal	74,458,130	14,250
Large Commercial & Industrial Sectors			
	Commercial Efficiency Program	50,575,285	5,660
	Industrial Efficiency Program	46,966,828	14,115
	Large Nonresidential Upstream Lighting	84,021,466	9,403
	Subtotal	181,563,579	29,178
Governmental/Nonprofit/Education Sectors			
	Public Agency Partnership Program	46,772,369	5,234
	Community Education	9,372,444	162
	Subtotal	56,144,813	5,396
Total EE&C Plan Savings		449,734,320	60,439
Mandated Energy Savings		440,916,000	N/A
Demand Response Programs			
	Direct Load Control Program	N/A	2,205
	Large Curtailable Load Program	N/A	<u>41,895</u>
	Total DR Impacts	N/A	44,100
Mandated Demand Response Program Demand Reduction			42,000

These programs are further detailed in Section 3 — Program Descriptions in the Company’s proposed Phase III EE&C Plan.

16. Duquesne Light’s Phase III EE&C Plan includes a total of fifteen programs: six programs targeting the residential sector; four programs targeting the small commercial and industrial sector; three programs targeting the large commercial and industrial sector; and two programs specifically targeted to the G/E/NP sector. Of these fifteen programs, five are newly created programs that were added based on the Company’s analysis and experiences in Phases I and II of the EE&C program. The Company’s Phase III Plan also includes a demand response (“DR”) program that will include two program components: 1) a direct load control program for residential and/or small commercial and industrial customers; and 2) a large C & I customer curtailment component, in order to achieve the required reduction of 42 MW.

B. PROCESS TO DEVELOP PHASE III EE&C PLAN

17. The Company’s EE&C Phase III Plan development was primarily guided by its initial benchmarking study completed and provided in Phase I; experiences with Phase I and Phase II programs and measures, particularly in program years 5 and 6; stakeholder input; and best practices in energy efficiency. The Company also reviewed the SWE’s EE Potential Study, DR Potential Study, and Pennsylvania Saturation Studies for residential, commercial and industrial customers.

18. The Company conducted an extensive review of Phase I and Phase II program and measure performance. Current EE&C Phase II programs were reviewed for cost effectiveness, energy savings, customer participation and interest. Based on the review, particular measures

were selected for each customer segment. The savings expected from the programs selected were updated to reflect changes contained in the 2016 TRM.

19. The Company also considered input received from stakeholders. In preparation for Phase III, a series of stakeholder meetings were held to solicit input into the design of the Phase III Plan. Specifically, Duquesne held ten sessions to solicit input with regard to what has worked well and what could be approved upon or modified in future Watt Choices program. The sessions held were with the Commission Staff, Office of Consumer Advocate, Office of Small Business Advocate, CAUSE-PA, gas distribution companies, Hospital Association of Pennsylvania, universal services partners and conservation service providers in the Commonwealth.⁴

20. Finally, the Company cross referenced the information gathered against the requirements detailed in the Phase III *Implementation Order* and *Clarification Order*⁵. The Company added new programs and modified existing programs to ensure compliance with the EE&C Phase III Plan requirements.

21. Duquesne Light's Phase III EE&C Plan development process employed a "bottoms-up" approach comprised of a sequence of four task areas. A summary of these tasks is provided below:

1) Measure content and projected mix

Phase III Plan is built upon the Phase II PY 5-6 record of program performance. The initial measure mix was established based on the previous two years of measure activity. This was modified incorporating measures that were popular but treated as custom measures in Phase II. Next, Plan measure content was reconciled with content

⁴ The Duquesne Light Industrial Intervenors were also invited to attend the stakeholder meetings

⁵ *Energy Efficiency and Conservation Program*, Docket No. M-2014- 2424864, (Clarification Order entered on August 20, 2015)

of the 2016 Technical Reference Manual (“TRM”) and information provided in the SWE saturation studies and potential forecast (2015 Statewide EE Potential Study).⁶

2) Measure savings impact, cost and benefit

Measure deemed savings were updated consistent with the 2016 TRM. Measure costs were documented, referenced to California Public Utilities Commission Database of Energy Efficient Resources (DEER), the SWE incremental costs database⁷, invoice data from PY5-6 and specific measure cost research. Incentive amounts were established starting with baseline assumptions applied in the 2015 Statewide EE Potential Study. These were adjusted based upon historic incentives provided by Duquesne Light, the other six Pennsylvania EDCs, escalated for the Phase III performance period and adjusted as required to achieve budgetary requirements. Avoided cost assumptions were updated consistent with the Total Resource Cost Test (TRC) Order⁸ and applied to render measure, program, portfolio and Plan level cost-effectiveness as expressed by the TRC ratio.

3) Program definition

PY 5-6 program performance as well as customer participant feedback supported retention of many Phase I and Phase II programs. Residential sector programs retain the successful downstream and upstream rebate offerings, but are expanded to include a new Savings by Design (new construction) program. The Commercial and Industrial portfolios retain proven customer market segment engagement channels. The Small Commercial Direct-Install Program and Multifamily Housing Retrofit Program were both successful in Phase II and are continued in Phase III. Such programs demonstrate Duquesne Light’s commitment to providing comprehensive measures to under-served market segments. The Phase III EE&C Plan also places an emphasis on expanded and aggressive governmental/ educational/nonprofit programs through Duquesne Light’s Public Agency Partnership Program.

4) Portfolio/Program Goals and Funding

Program goal allocation and associated program budgets were adjusted to accommodate the Commission’s Implementation Order, which required segment carve-outs for the low income and governmental/nonprofit segments and specified program comprehensiveness requirements.⁹ Goal allocation for the remaining customer segments was based on segment energy use, previous delivery channel strengths and weaknesses, as well as requirements to achieve mandated reductions at authorized budgets.

⁶ *Energy Efficiency Potential Study for Pennsylvania*, GDS, February 2015

⁷ *Id.*

⁸ *2016 Total Resource Cost Test*, Order entered June 11, 2015, at Docket No. M-2015-2468992 (“*2016 TRC Order*”)

⁹ *Id.*

22. Further, the Company applied the lessons learned about what worked effectively during the Company's Phase I and Phase II EE&C Plans. The Company then made decisions to include or exclude particular EE&C programs/measures within its Phase III EE&C Plan to cost effectively achieve its Phase III required consumption reductions.

C. DESCRIPTION OF PHASE III EE&C PLAN

23. Duquesne designed its Phase III Plan to deliver cost effective programs that will meet customers' needs, fulfill the Company's Phase III Plan objectives, and achieve the results required by Act 129 and the Commission's *Phase III Implementation Order*.

24. The proposed Phase III Plan, as noted above, consists of 15 programs. Generally, the Phase III Plan is designed to educate customers about energy efficiency and conservation and lower customer energy consumption. The Phase III Plan is largely comprised of home energy audits, building retrofits, lighting programs, appliance recycling and rebates program that have been customized to meet the needs of specific customer segments within Duquesne Light's service territory. The programs are organized to facilitate participation by three broad customer sectors: residential, commercial and industrial customers. Additionally, each of the three customer sectors are offered additional programs tailored to meet the specific needs of certain customer segments, such as low income customers, and governmental/educational/non-profit entities.

25. Below is a summary of the proposed Phase III programs and a brief description of the implementation of these programs over the five year Phase III plan period:

- **Residential Sector:** Duquesne Light has developed six programs targeting the residential sector: a low income program; a residential rebate program including upstream components; a whole house retrofit program; a home energy reporting program; a residential appliance recycling program, and a

new construction program. The low income program will leverage the public agency partnership program operated during Phase I and II Plans.

- Small Commercial/Industrial Sector: Duquesne Light has developed four programs targeting the small commercial/industrial sector: the Express Efficiency Program; the Small Commercial Direct-Install Program; the Small Non-Residential Upstream Lighting Program; and the Multifamily Housing Retrofit Program.
- Large Commercial/Industrial Sector: Duquesne Light has developed three programs targeting the large commercial/industrial sector: Commercial Efficiency Program; Large Non-Residential Upstream Lighting; and Industrial Efficiency Program.
- Governmental/Educational/Non-Profit/ Sector Programs: Duquesne Light plans an expanded effort to engage this sector and will focus on governmental infrastructure, such as water and wastewater operations, centrally located district plants and the region's expansive primary, secondary and higher education institutions. In Phase III a new Community Education Program will be added under this sector. The program will educate middle-school and high school students about energy efficiency and train them to perform energy efficiency audits first at their schools, and later into the broader community.

All of the Company's programs are voluntary and, subject to the budget limitations for each program, customers can elect to participate in any program for which they are eligible.

26. A full description of each of the 15 programs is set forth in Section 3 of the Phase III EE&C Plan. In compliance with the Secretarial Letter dated September 22, 2015 at Docket No. M-2014-2424864, Duquesne has differentiated its programs according to the customer classes defined in the EE&C Plan template. Duquesne Light has defined its customer sectors consistent with its existing tariff. However, where programs offer customer benefits across multiple classes, and where similar implementation, marketing, and administrative strategies may be utilized to capture functional efficiencies, those programs will be offered to all appropriate customer classes. Regardless, Duquesne will document, track and report on its program results and progress by the customer classes identified in its Phase III Plan.

27. In its *Phase III Implementation Order*, the Commission directed that each EDC obtain a minimum of 5.5% of their total required consumption reduction from low-income customers by May 31, 2021. *Phase III Implementation Order* at 69. Reductions counted towards the 5.5% target may only come from specific low-income programs or low-income verified participants in multifamily housing programs.

28. Duquesne's Phase III Plan includes a proportionate number of energy efficiency measures for low income households as compared to those households' share of the total energy usage in the service territory. The Company Phase III EE&C Plan offers three programs to the low-income sector, thereby providing this sector with a proportion of measures in excess of their share of the Company's total load. See, Phase III EE&C Plan Section 3.2.6.

29. To achieve the required 5.5% low income consumption carve out target, the Company is required to achieve a reduction of 24,250,380 kWhs from the low-income section. The Company's Phase III Plan proposes to implement low income energy efficiency measures to achieve a reduction 25,462,899 kWhs, which equals 5.5775% of the overall Phase III reduction.

30. Likewise, the Company's EE&C Phase III Plan is designed to achieve at least the minimum 3.5% G/E/NP carve-out consumption reduction target through the Public Agency Participation Program and the Community Education Segment Program. Collectively, Duquesne Light anticipates achieving 56,144,813 kWhs of energy savings for the G/E/NP sector, which is more than adequate to achieve the 3.5% G/E/NP reduction target.

31. The Company's Phase III Plan also includes a demand response ("DR") program that will include two program components: 1) a direct load control program for residential and/or small commercial and industrial customers; and 2) a large C & I customer curtailment component, in order to achieve the required reduction of 42 MW.

32. The direct load control DR program component for residential and/or small commercial and industrial customers is projected to reduce system peak demand by 2.2 MW. The large C & I customer curtailment DR program component is projected to reduce system peak demand by 41.9 MW. Together the two program components are projected to reduce system peak demand by 44.1 MW, which is approximately 105% of the mandated 42 MW of peak demand reduction from DR programs. Together the DR program components are projected to cost \$9,739,719 to implement.

33. The DR Components of the Company's Phase III EE&C Plan fully comply with all of the requirements for demand response programs as outlined in the *Phase III Implementation Order*.

34. The Company's Phase III Plan ensures that no more than two percent of funds available to implement the Plan shall be allocated for experimental equipment or devices. Experimental equipment or devices have not been planned in the program designs. In the event that customized programs are developed for customers who provide for the use of such equipment or devices, funding will be tracked to ensure that no more than two percent of funds are available for such equipment.

35. The Company's Phase III Plan will be competitively neutral to all distribution customers even if they are receiving supply from an EGS. The Plan does not discriminate on the basis of generation supply nor does it provide additional opportunities based on the specifics of a customer's generation supply.

36. Duquesne Light's EE&C Phase III Plan is cost effective as defined by the Total Resource Cost ("TRC") test. The TRC Test was initially adopted by the Commission at Docket No M-2009-2108601 on June 23, 2009. The TRC test was modified at the same docket on

August 2, 2011, and further modified by the Commission by Order entered August 30, 2012 in Docket Nos. M-2012-2300653 and M-2009-2108601. The TRC test was most recently modified by the Commission's Order entered on June 11, 2015 in Docket No. M-2015-2468992. The modification contained in the most recent Order is applicable beginning June 1, 2016.

37. Duquesne Light measured the cost effectiveness of its EE&C Phase III Plan based on all of the applicable provisions of all of these TRC Test Orders. The results of the TRC are expressed as the net present value and benefit/cost ("B/C") ratio. Consistent with the aforementioned TRC Test Orders, a B/C ratio greater than one indicates that the program is beneficial to the utility and its ratepayers on a total resource cost basis. Duquesne Light's proposed EE&C Phase III Plan overall B/C score is 1.9. Accordingly, the Plan is cost effective as a whole. The cost effectiveness of each program measure is discussed in Section 8 of the Phase III EE&C Plan.

D. COST RECOVERY AND FUNDING

38. Section 2806.1(g) of Act 129 requires that the total cost of any EE&C Plan cannot exceed two percent (2%) of the EDC's total annual revenues as of December 31, 2006. Duquesne Light's Phase III annual spending cap is \$19,545,951.58, and the total five year program spending cap is \$97,739,968. The five year cost of the Company's EE&C Phase III Plan is projected to be \$97,652,861, which is consistent with the spending cap established by Act 129, inclusive of EGS revenue. Phase III EE&C Plan Section 7.1. The projected costs include incentives, program administration and portfolio administration costs, exclusive of the Company's share of costs for the Statewide Evaluator.

39. The Company's total cost to implement its Phase III Plan will include the costs incurred to develop its EE&C Plan. See, Phase III EE&C Plan Sections 1.7, 7.2. In the *Phase III Implementation Order*, the Commission found that EDCs should be permitted to

recover the incremental cost incurred to design, create, and obtain Commission approval of a plan. *Phase III Implementation Order* at 135.

40. Included in Section 15 of the Phase III EE&C Plan is the proposed pro forma tariff supplement for the Energy Efficiency and Conservation (“EEC”) Surcharge, which is designed to fully recover all applicable EE&C-related costs. The EEC Surcharge is fully reconcilable and will be applied on a non-bypassable basis to customers who receive distribution service from the Company.

41. The Commission’s *Phase III Implementation Order* directed each EDC to develop a Phase III reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307 and include this mechanism in its Phase III Plan. *Phase II Order* at 144-149.

42. The *Phase III Implementation Order* adopted a plan regarding the transition from the cost recovery methodology utilized during Phase II, ending May 31, 2016, to the cost recovery methodology to be utilized during Phase III, beginning on June 1, 2016. Each EDC must reconcile its total actual recoverable EEC Phase II Plan expenditures incurred through March 31, 2016, with its actual EEC Phase II Plan revenues received through March 31, 2016. The net over- or under-recovered amount shall be reflected as a separate line item of the E-factor calculation of the Phase III rates to become effective June 1, 2016. In addition, each EDC must include, as part of the calculation of the Phase III rates to become effective June 1, 2016, as clearly identified separate line items, projections of the: expenses to finalize any measures installed and commercially operable on or before May 31, 2016(i.e., in April 2016 and May 2016); expenses to finalize any contracts; and other Phase II administrative obligations. The Phase II rate that became effective June 1, 2015 will remain effective through May 31, 2016. The reconciliation period for Phase III will be revised to run from April 1 to March 31 of a given

plan year. This reconciliation will reconcile actual expenses incurred with actual revenues received in order to calculate an over or under recovery. In accordance with the *Phase III Implementation Order*, no interest will be charged on over or under recoveries.

43. The Company is proposing to continue the same cost recovery mechanism used in Phase II in its Phase III EE&C Plan, with one change. The reconciliation period for Phase III will run from April 1 to March 31 of a given plan year instead of June 1 to May 31 in the current EEC Phase II Surcharge. The Company has the ability to track Phase II revenue and expense separate from Phase III revenue and expense to ensure separate and accurate reconciliation. Any Phase II costs that remain through the end of Phase II on May 31, 2016 will be included and reconciled separately as separate line items in the April 1, 2016 through March 31, 2017 reconciliation period for Phase III.

44. The Company will utilize five surcharges to recover costs as close as reasonably possible to the customer class receiving the benefit. The Residential surcharge is designed to recover costs on a cents per kilowatt-hour basis with an annual reconciliation, and the charges would be included in the overall distribution kWh rate. The Small and Medium Commercial and Industrial surcharges are also designed to recover costs on a cents per kilowatt-hour basis with an annual reconciliation. The Large Commercial and Industrial surcharges are designed to recover costs through a combination of a fixed monthly surcharge and a demand-based surcharge with an annual reconciliation. All of the commercial and industrial customers will have a separate line item delineation of these charges on the bill.

E. PLAN MODIFICATIONS

45. The Company will file semi-annual reports detailing incremental consumption reductions and expenditures and monitor the Plan to identify the most effective programs. As the success of the Company's EE&C Phase III Plan depends in part on circumstances beyond the

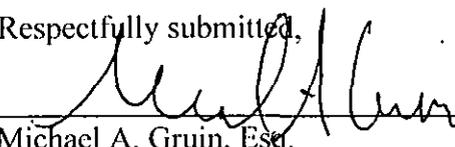
Company's control, Duquesne anticipates that it may make minor modification to its plan in order to achieve the targets established by the Commission as needed. Major modifications to the Plan will be filed with the Commission as required.

III. THE PROPOSED PHASE III EE&C PLAN IS IN THE PUBLIC INTEREST

46. Duquesne Light believes that its proposed Phase III EE&C Plan is in the public interest and in compliance with the requirements of Act 129 and all of the Commission's applicable Act 129 Orders. The Phase III EE&C Plan includes a broad range of cost effective energy efficiency programs that are targeted to all of the Company's customer segments. The Company has developed these programs in order to achieve energy consumption reductions required by Act 129 and the Commission's *Phase III Implementation Order* and within the cost cap established by Act 129. Duquesne Light's Phase II EE&C Plan provides a structure by which the Company's residential, low-income, commercial and industrial, and government and non-profit sector customers have the opportunity to achieve energy efficiency savings. The Phase III EE&C Plan also includes a demand management program that will achieve the required reduction of 42 MW, in a cost effective manner. In addition, the Company's Phase III Plan details its strategy to marketing and education its customers about the various programs available as well as details how customer care and quality assurance, program tracking, evaluation, monitoring, and verification will be achieved.

WHEREFORE, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission approve the Phase III Energy Efficiency and Conservation Plan, without modification, as set forth in this petition and the attachments hereto. Duquesne Light also requests that the Commission enters its final order approving the Phase III Energy Efficiency and Conservation Plan on or before March 30, 2016.

Respectfully submitted,


Michael A. Gruin, Esq.
PA. I.D. No. 78625
Stevens & Lee, P.C..
17 North Second Street, 16th Floor
Harrisburg, PA 17101
Phone: 717-255-7365
Fax: 610-988-0852
Email: mag@stevenslee.com

Linda R. Evers, Esq.
PA I.D. No. 81428
Stevens & Lee, P.C..
111 N. Sixth Street, PO Box 679
Reading, PA 19601
Phone: 610-478-2265
Fax: 610-988-0855
Email: lre@stevenslee.com

Robert Hoaglund, Esq.
PA I.D. No. 313383
Assistant General Counsel
Duquesne Light Company 411 Seventh Avenue
Pittsburgh, PA 15219
Phone: 412-393-1058
Email: RHoaglund@duqlight.com

Attorneys for Duquesne Light Company

Dated: November 25, 2015

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company for :
Approval of its Energy Efficiency and : **Docket No. M-2015-_____**
Conservation Phase III Plan :

VERIFICATION

I, David Defide, being a Manager of Customer Programs of Duquesne Light Company ("Duquesne Light") hereby state that the testimony set forth in the foregoing Petition is true and correct to the best of my knowledge, information and belief. I further state that the information set forth in the Duquesne Light Energy Efficiency and Conservation Program Phase III Plan is true and correct to the best of my knowledge, information and belief.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: November 25, 2015



David Defide

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CERTIFICATE OF SERVICE

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

VIA FIRST-CLASS UNITED STATES MAIL

Patrick Cicero, Esquire
Harry S. Geller, Esquire
CAUSE-PA
118 Locust Street
Harrisburg, PA 17101

Sharon Webb, Esquire
Office of Small Business Advocate.
Suite 1102 Commerce Building
300 North Second Street
Harrisburg, PA 17101

David Evrard, Esquire
Brandon J. Pierce
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101

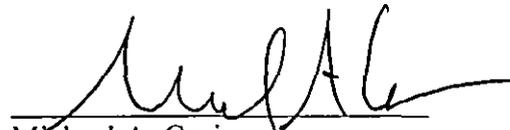
Johnnie Simms, Esq.
Pennsylvania Public Utility Commission
Bureau of Investigation & Enforcement
PO Box 3265
Harrisburg, PA 17105-3265

Theodore S. Robinson, Esquire
Citizen Power Inc.
2121 Murray Avenue
Pittsburgh, PA 15217

Jeffrey J. Norton, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101

Pamela C. Polacek, Esquire
Teresa K. Schmittberger, Esquire
McNees Wallace & Nurick LLC
100 Pine Street, PO Box 1166
Harrisburg, PA 17108-1166

Joseph L. Vulló, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704


Michael A. Gruin

November 25, 2015

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