



COMMONWEALTH OF PENNSYLVANIA

September 29, 2016

E-FILED

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

**Re: Petition of Duquesne Light Company for Approval of its
Default Service Plan for the Period June 1, 2017 through May 31, 2021
Docket No. P-2016-2543140**

Dear Secretary Chiavetta:

Enclosed for e-filing is the Statement of the Office of Small Business Advocate in Support of the Joint Petition for Full Settlement, in the above-referenced proceeding. As evidenced by the enclosed Certificate of Service, all known parties in this case have been served, as indicated.

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

Sincerely,

A handwritten signature in cursive script, appearing to read 'Sharon E. Webb'.

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

Enclosure

cc: Mr. Brian Kalcic
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
For Approval of Default Service Plan : **Docket No. P-2016-2543140**
for the Period June 1, 2017 through :
May 31, 2021 :

**STATEMENT OF THE
OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR FULL SETTLEMENT**

I. Procedural History

The Office of Small Business Advocate (“OSBA”) is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50) to represent the interest of small business consumers as a party in proceedings before the Pennsylvania Public Utility Commission (“Commission”).

On May 2, 2016, Duquesne Light Company (“Duquesne” or “Company”) filed a petition for approval of a default service plan (POLR VIII) for the period of June 1, 2017, through May 31, 2021 (“Petition”). Specifically, Duquesne sought the Commission’s approval of its plan pursuant to Chapter 28 of the Public Utility Code and 52 Pa Code § 5.41.

Notice of the Petition was published in the May 21, 2016 edition of the *Pennsylvania Bulletin*. The notice required that formal protests, petitions to intervene, and answers be filed with the Secretary of the Commission by or before June 6, 2016. In accordance with said notice, and also with 52 Pa. Code § 5.61, the OSBA timely filed an Answer and Notice of Intervention on June 6, 2016.

Subsequently, the OSBA filed the rebuttal testimony of OSBA witness Brian Kalcic. *See* OSBA Statement No. 1-R. The OSBA also actively participated in the negotiations which led to the execution of the Joint Petition for a Non-Unanimous Settlement on September 23, 2016 (“Settlement”).

II. Duquesne’s Original Proposal

In its Answer, the OSBA was generally supportive of the Company’s proposal to acquire default service electricity for Small and Medium Commercial and Industrial (“C&I”) customers through full-requirements, load-following contracts. The OSBA also supported Duquesne’s proposal to impose a cap on the load which can be awarded to a single supplier. However, the OSBA reserved the right to comment on the details of these, and other, provisions of Duquesne’s Petition after the OSBA had the opportunity to engage in discovery.

III. Settlement

A. Small C&I and Medium C&I Procurement

Under the Settlement, Duquesne will procure power to provide default service to Small C&I customers (less than 25 kW maximum peak demand) and Medium C&I customers (from 25 kW up to, but not including, 300 kW maximum peak demand) for the period commencing June 1, 2017, and ending May 31, 2021, through full-requirements contracts. (Settlement at 4 and Petition at 7).

Default service rates for Small C&I customers will be based on the results of competitive procurements that are a combination of twelve (12) and twenty-four (24)

month full requirements contracts obtained from semi-annual RFPs with laddered delivery periods. Default service rates for Medium C&I customers with a monthly metered demand of equal to or greater than 25kW and less than 300 kW will be based on the results of competitive procurements with three-month supply contracts and no laddering.

In his direct testimony, RESA's witness Mr. White, asserts that there is no need to modify Duquesne's POLR VII Small C&I procurement plan since Small C&I customers have not experienced significant rate changes during the POLR VII period. Mr. White further claims that the Company's proposal to include two-year supply contracts represents a "step backwards" in the evolution of moving toward more market responsive default service rates for Small C&I customers over time. (OSBA Statement No. 1-R at 5, and RESA Statement No. 1 at 20.)

The OSBA has always viewed price stability as an important element of a default service procurement plan. As Mr. Kalcic testified on rebuttal with respect to Small C&I procurement, Duquesne is proposing to place greater emphasis on price stability in this proceeding than it has in its recent default service proceedings. The OSBA welcomes the Company's greater emphasis on price stability and supports the Company's proposed Small C&I procurement plan.

While RESA objects to Duquesne's Small C&I procurement plan since it would reverse some of the progress made in making Small C&I default service rates more market responsive over time. In doing so, RESA is implicitly suggesting that "prevailing market prices" remains the statutory procurement standard in the Commonwealth. However, that is incorrect.

When the Act 129 of 2008 was implemented, it revised Section 2807 of the Public Utility Code to require a default service provider to procure default service supply using a prudent mix of contracts designed to produce “the least cost to consumers over time.” (66 Pa. C.S. §2807) Previously, the standard required that default service products reflect “prevailing market prices.”

Since “prevailing market prices” is no longer the Commonwealth’s current statutory procurement standard, the fact that Duquesne’s proposed Small C&I procurement plan would not promote that “standard” should not preclude its adoption by the Commission.

B. Unbundling

In direct testimony, RESA witness Matthew White took issue with the unbundling of costs associated with the provision of default service rates from the Company’s base rates and the Company’s proposed procurement plan for Small C & I. In its filing, Duquesne proposed to unbundle from base rates (i) external legal and consulting service costs incurred to prepare and obtain approval of its default service plan and (ii) cash working capital costs associated with default service, and to recover those costs in its Default Service Supply (“DSS”) rates. The proposed unbundling would be implemented on the effective date of new rates in the Company’s next base rate proceeding or June 1, 2020, whichever comes first. (OSBA Statement 1-R at 2).

With regard to unbundling, Mr. White recommended that the Company’s proposal failed to unbundle a number of costs which should be included resulting in shopping customers subsidizing default service. (RESA Statement No. 1)

In rebuttal testimony, OSBA witness Mr. Kalcic opposed RESA's unbundling recommendation and its interpretation of the Commission's regulations, set forth at 52 Pa. Code 69.1808(a). RESA allocated \$32.3 million worth of costs to default service, based on the ratio of (i) the number of default service customers to (ii) the total number of the Company's distribution service customers plus the total default service customers or 40.12%. (OSBA Statement No. 1-R, *citing* RESA Statement No. 1 at 19.) However, contrary to RESA's representation and as set forth by Mr. Kalcic:

Section 69.1808(a) of the Commission's Regulations provides that default service rates, or the price to compare ("PTC"), should reflect all generation, transmission or *other related costs* of default service. Among its list of other related costs, Section 69.1808(a) includes administrative costs, such as billing collection, education, regulatory, litigation, tariff filings, working capital, information system and associated administration and general expenses, to the extent such costs are *related to default service*. The fact that Duquesne incurs such costs, as a result of providing the related services to both default service customers and shopping customers, does not imply that 40.12% of such costs are related to the provision of default service, or the default service function.

Default service costs are properly defined as those costs that an electric distribution company would not incur, but for the provision of default service. Since Duquesne would not save (avoid) \$32.3 million of expenses if all of its customers were to switch to alternative suppliers, it would not be appropriate to include such costs in the PTC.¹

Consistent with Mr. Kalcic's testimony, the Settlement rejects RESA's recommendation unbundling costs and accepts Duquesne's filed proposal.

¹ OSBA Statement No. 1-R at 3-4

IV. Conclusion

By resolving the issues of principal concern to the OSBA, the Settlement will enable the OSBA to conserve its resources and avoid the uncertainties inherent in fully litigating the issues addressed by the Settlement.

Therefore, for the reasons set forth above and in the Settlement itself, the OSBA respectfully requests that the Administrative Law Judge and the Commission approve the Joint Petition for a Non-Unanimous Settlement without modification.

Respectfully submitted,



Sharon E. Webb
Assistant Small Business Advocate
Attorney I.D. No. 73995

For: John R. Evans
Small Business Advocate

Date: September 29, 2016

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
For Approval of Default Service Plan : **Docket No. P-2016-2543140**
for the Period June 1, 2017 through :
May 31, 2021 :

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (unless other noted below) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Conrad A. Johnson
Administrative Law Judge
PA Public Utility Commission
301 5th Avenue, Suite 220
Piatt Place
Pittsburgh, PA 15222
cojohnson@pa.gov

Kristine E. Marsilio, Esquire
Aaron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street - 5th Floor
Harrisburg, PA 17101-1923
devrard@paoca.org
krobinson@paoca.org
abeatty@paoca.org
(Email and Hand delivery)

Gina L. Lauffer, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
ginlauffer@pa.gov
(Email and Hand delivery)

David P. Zambito, Esquire
Cozen O'Connor
17 N. 2nd Street, Suite 1410
Harrisburg, PA 17101
dzambito@cozen.com

Michael W. Gang, Esquire
Anthony D. Kanagy, Esquire
Post & Schell
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
akanagy@postschell.com
mgang@postschell.com

Adrienne D. Kurtanich, Esquire
Tishekia E. Williams, Esquire
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219
akurtanich@duqlight.com
twilliams@duqlight.com

Charles E. Thomas, III, Esquire
Thomas, Niesen & Thomas
212 Locust Street, Suite 600
Harrisburg, PA 17101
cet3@tntlawfirm.com

Patrick Cicero, Esquire
Elizabeth R. Marx, Esquire
Joline Price, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@palegalaid.net

George Jugovic, Jr. Esquire
Citizens for Pennsylvania's Future
200 First Avenue, Suite 200
Pittsburgh, PA 15222
gjugovic@pennfuture.org

Pamela Polacek, Esquire
Teresa K. Schmittberger, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
Harrisburg, PA 17101
ppolacek@mwn.com
tschmittberger@mwn.com

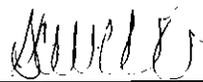
Brian R. Greene, Esquire
GreeneHurlocker, PLC
1807 Libbie Ave., Suite 102
Richmond, VA 23226
BGreene@GreeneHurlocker.com

Thomas J. Sniscak, Esquire
Todd S. Stewart, Esquire
Hawke, McKeon & Sniscak, LLP
100 North 10th Street
Harrisburg, PA 17101
tjsniscak@hmslegal.com
tsstewart@hmslegal.com

H. Rachel Smith, Esquire
Asst. General Counsel
Exelon Business Services Corp.
100 Constellation Way, Suite 500C
Baltimore, MD 21202
Holly.smith@exeloncorp.com

Colleen P. Kartychak, Esquire
Consolidated Edison Solutions
698 Gamble Road
Oakdale, PA 15071
kartychakc@conedsolutions.com

DATE: September 29, 2016



Sharon E. Webb
Assistant Small Business Advocate
Attorney I.D. No. 73995