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File #:

August 30, 2010

BY HAND

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

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SECRETARY'S BUREAU

RE: Petition of Duquesne Light Company to Contest the Finding of Non-Compliance with the Alternative Energy Portfolio Standards Act and Modify the Alternative Compliance Payment or, in the alternative, Declare a Force Majeure for Duquesne Light Company for the 2008/2009 Alternative Energy Compliance Period - Docket No. P-2010-2153577

Dear Secretary Chiavetta:

As directed by Ordering Paragraph No. 3 of the Interim Order in the above-referenced proceeding, enclosed please find copies of the following written testimony:

- CEEP St. No. 1 - Direct Testimony of Wayne L. Williams, Ph.D
- CEEP St. No. 2 - Direct Testimony of Dina M. Deana
- OSBA St. No. 1 - Direct Testimony Brian Kalcic
- Duquesne Light Company St. No. 1 - Direct Testimony of Anthony F. Pekny
- Duquesne Light Company St. No. 2 - Direct Testimony Gary S. Page
- Duquesne Light Company St. No. 1-R - Rebuttal Testimony of Anthony F. Pekny

A copy of the Interim Order is also enclosed.

August 30, 2010
Page 2

Respectfully Submitted,



Andrew S. Tubbs

AST/jl

Enclosures

cc: Honorable Katrina L. Dunderdale (letter & certificate of service only)
Certificate of Service (letter & certificate of service only)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. P-2010-2153577

Duquesne Light Company

Statement No. 2

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SECRETARY'S BUREAU

Direct Testimony of Gary S. Page

June 25, 2010

1 **Q. Please state your full name and business address.**

2 **A.** My name is Gary S. Page. My business address is 411 Seventh
3 Avenue, Pittsburgh, Pennsylvania 15219.

4

5 **Q. What is your position?**

6 **A.** I am currently the Supervisor, Energy Assets and Markets for Duquesne Power.

7

8 **Q. Please describe your professional and educational background.**

9 **A.** I have a Bachelor of Science in Mechanical Engineering from Virginia Tech, and
10 a Master of Science in Energy Resources from the University of Pittsburgh. At
11 one time, I held the Certified Cogeneration Professional and Engineer in Training
12 status, since relinquished.

13

14 **Q. What has been your business experience?**

15 **A.** I have been with the Duquesne Light Companies for over 25 years, and have
16 served the companies in various capacities.

17 I began my career as a Nuclear Operations Trainee, Instructor and Start-Up
18 Engineer with Duquesne Light Company in 1982. I was with Duquesne Light
19 Company through 1997, during which time I served in various additional
20 capacities including: O&M Budget Supervisor, Beaver Valley Nuclear Units I &
21 II; DSM Technical Specialist; Engineer II; and Marketing Services Consultant.

22 In 1998, I joined DQE Energy Services, where I served as Manager, Project
23 Analysis for 5 years.

1 I subsequently went to work for Duquesne Power in 2004, as Manager, Energy
2 Project Development. In 2007, I was appointed to my current position of
3 Supervisor, Energy Assets and Markets.

4
5 **Q. Please describe your current responsibilities as the Supervisor of Energy**
6 **Assets and Markets.**

7 **A.** One of my responsibilities is to assist and oversee the group that acquires
8 alternative energy credits (AECs) for Duquesne Power on behalf of Duquesne
9 Light Company, to ensure that the appropriate amount and type of alternative
10 energy credits are being procured in order to ensure compliance for any given
11 compliance period with the Alternative Energy Portfolio Standards (AEPS) Act. I
12 became responsible for the AEPS in 2007 and supervise another employee with
13 the day to day responsibility.

14 Another aspect of my responsibilities is to manage the emission allowance (SO₂
15 and NO_x) requirements of Duquesne Power. From this, I was familiar with the
16 Environmental Protection Agency's (EPA) Clean Air Markets Division (CAMD)
17 computer based business system.

18
19 **Q. Please briefly describe the subject matter of your testimony in this**
20 **proceeding.**

21 **A.** Part I of my testimony will describe the general process by which Duquesne
22 Power procures alternative energy credits for Duquesne Light Company. Part II
23 of my testimony will discuss the process that we engaged in with respect to this
24 particular alleged non-compliance situation, for both procurement and retirement

1 of the AECs. It will also detail why Duquesne Power and Duquesne Light
2 believed that Duquesne Light was in compliance for the 2008/2009 compliance
3 year, and the items relied upon to support such belief.
4

5 **Q. Are you sponsoring any exhibits to the filing?**

6 **A.** Yes. I am sponsoring the following exhibits:

7 **GSP -1** Snapshot of the Cadillac Credits from the GATS Website

8 **GSP -2** Correspondence between Clean Power Markets and Duquesne
9

10 **I. General Process of Acquiring Alternative Energy Compliance Credits**

11 **Q. Can you please describe the general process that Duquesne Power**
12 **undertakes to procure alternative energy compliance credits for Duquesne**
13 **Light Company?**

14 **A.** Yes. First, I should mention that the contractual arrangement by which Duquesne
15 Power procures such credits for Duquesne Light Company, and subsequent
16 Commission approval, is discussed in the testimony of Duquesne Light witness
17 Anthony F. Pekny.
18

19 Duquesne Power has a detailed process that it utilizes in order to procure
20 alternative energy compliance credits. First, Duquesne Power performs an annual
21 forecast of the credits that Duquesne Light Company needs for the given
22 compliance year, to ensure that its purchases match or exceed the requirements.
23 Then, based upon information from Duquesne Light, Duquesne Power reconciles

1 this forecast on a monthly basis, based upon the reported retail kWh. Based upon
2 this annual forecast and monthly true-up, Duquesne Power calculates the
3 requirements for Duquesne Light Company, and plans its purchasing strategy for
4 the year.

5
6 In purchasing for Duquesne Light Company, Duquesne Power canvasses the
7 marketplace, through various brokers that it has working relationships with, to
8 assess the products and prices being offered. In attempting to buy credits,
9 Duquesne Power specifies the product needed, and further specifies the vintage
10 year. Also, Duquesne Power ensures that all credits purchased are Pennsylvania
11 Certified and are in or could be transferred into the PJM Generator Attribute
12 Tracking System (GATS) for ultimate transfer to a Duquesne Power account
13 within PJM GATS.

14
15 **Q. During this process, does Duquesne Power take any affirmative steps to**
16 **ensure that the credits procured are AEPS compliant?**

17 **A.** Yes. In addition to the steps mentioned above, the seller/counterparty deposits the
18 AECs into Duquesne Light's account through the GATS system. At that point,
19 Duquesne Light has the ability to thoroughly examine the product to verify that it
20 is PA AEPS compliant. Duquesne Power, on behalf of Duquesne Light, verifies
21 the PA Certification and other relevant factors, and if it is the correct product,
22 accepts the transfer of credits. Once this product is accepted, it is in the Duquesne
23 Light inventory bank and can be retained for two years.

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**II. 42,980 Tier I AECs from Cadillac Renewable Energy, Procurement,
Retirement and Compliance**

Q. What process did Duquesne Power follow for the procurement of the 42,980 Tier I AECs from Cadillac Renewable Energy?

A. Duquesne Power followed the process outlined above. Duquesne Power was approached by a broker regarding the credits produced at the Cadillac facility. The Cadillac facility, which generated (through wood burning) the AECs being purchased, was represented to Duquesne Power as being registered and certified by the Commonwealth of Pennsylvania as a qualified alternative energy system, and qualified to generate AECs for use in Pennsylvania. As per its procedure outlined above, when the credits were deposited in Duquesne Light's PJM GATS account, and prior to acceptance of such credits, Duquesne Power further verified that these credits were PA AEPS compliant by reviewing the certificate issued by the Commonwealth, Certificate No. PA-23008-WDS-I, qualifying Cadillac as a Pennsylvania alternative energy facility. Duquesne Power confirmed that the Cadillac plant was deemed a "qualified facility" in Pennsylvania by the Commonwealth for purposes of the AEPS Act, by reviewing the website entitled "Pennsylvania AEPS Alternative Energy Credit Program," located at <http://paaeps.com/credit/index.do>. This website lists those alternative energy systems that have been deemed "qualified facilities" under the AEPS Act, including the Cadillac plant. The Registry made no mention that the "qualified facilities" may only be eligible to provide AECs in certain RTO service territories

1 within the Commonwealth or in fact that it would only be eligible for one utility,
2 Penn Power. Similarly, the PJM GATS, which tracks these credits, did not
3 advise, call out, or otherwise mention that these credits would only qualify for
4 certain utility(ies) within Pennsylvania, and had no field indicating the RTO
5 location of the generator.

6
7 **Q. Why did Duquesne Power believe that the credits purchased from the**
8 **Cadillac plant were acceptable to meet the AEPS requirements for**
9 **2008/2009?**

10 A. Duquesne Power performed due diligence steps to ensure that the credits were
11 satisfactory at the time of purchase and at the time of delivery into the PJM
12 GATS. The GATS, which is the central repository for tracking of these AEPS
13 credits, made no distinction between PJM PA certified credits and MISO PA
14 certified credits, either at the time of purchase or at the time of retirement. There
15 was no visible category addressing the RTO location of generator. I had no
16 thought or knowledge that a MISO AEC could reside in the PJM GATS. The
17 PJM GATS, by name and by definition should only contain PJM AECs. This was
18 consistent with my understanding and use of the EPA CAMD system. Because
19 Cadillac was certified by the Commonwealth, approved as a qualified facility by
20 the Commonwealth, listed on the Commission's website as a qualified facility,
21 and registered in the PJM GATS, all without any indication of the location of
22 production or notice that they were not acceptable credits except for Penn Power,
23 Duquesne Power believed that the AECs procured from Cadillac were eligible for

1 compliance with the AEPS Act. I believe this was a reasonable conclusion to
2 make given the information provided.

3
4 **Q. How did you decide to utilize these particular AECs?**

5 **A.** The AECs procured from the Cadillac facility were used for the 2008/2009
6 compliance year because they were reaching the point of expiration (their vintage
7 was 2007). However, it is important to note that if Duquesne Power had been
8 aware that these AECs were non-compliant, it could have immediately substituted
9 other credits that it had in its repository inventory, and would have done so. At
10 the time, there were enough AECs in Duquesne Light's account to utilize other
11 AECs for this compliance period, and to sell the Cadillac plant AECs back into
12 the market. This was not an attempt to get rid of non-qualifying credits or
13 anything of the sort. The Cadillac credits were considered for use in conjunction
14 with all others, and being of early vintage, were selected for use in the 2008/2009
15 compliance period.

16
17 **Q. Would you please describe Exhibit GSP-1.**

18 **A.** Exhibit GSP-1 is a report from GATS after the retirement of the Cadillac AECs.
19 It shows that they were retired within GATS and accepted as PA Tier I
20 Renewables. Note the "Yes" in the PA Tier I column. If they were disqualified
21 and had been rejected by GATS, we would have known at the time of the filing
22 and would have substituted them for another block of AECs that we had in
23 inventory at the time. This is a picture of an actual GATS certificate for a block
24 of the Cadillac AECs. You can see that the certificate shows the PA "Stamp"

1 designated under Pennsylvania as "Certification Number" "PA-23008-WDS-I."
2 This Certification Number corresponds to the listing in the AEPS database (which
3 is included in Mr. Pekny's testimony as Exhibit AFP-1) The second page of
4 this certificate shows the "Location of the Generating Unit" as Midwestern States
5 (RFCW). The nomenclature for this designation is not one of the field codes
6 listed in the PJM-GATS Operating rules.

7
8 **Q. Would you please explain Exhibit GSP-2.**

9 A. Exhibit GSP-2 is the correspondence between CPM and the Duquesne Power
10 employee that did the day-to-day activities regarding compliance with the AEPS
11 Act. Specifically, the correspondence shows that CPM told Duquesne Power that
12 it had met its obligations, and that the follow-up was to make sure the paperwork
13 reflects the obligation. This shows that as of October 2, 2009, Duquesne Light
14 was considered compliant for the 2008/2009 compliance year by the PUC.

15
16 **Q. Is there anything else that you would like to add?**

17 A. Yes. I understand that Duquesne Light, given that its rate caps expired well
18 before other Pennsylvania utilities, is one of the first major Pennsylvania utilities,
19 if not the first, to have such AEPS compliance obligations. It seems that Clean
20 Power Markets (CPM) is working through program issues as this is a new
21 program, which is perfectly understandable. It is my belief, based upon
22 experience with this situation as well as experience with other similar programs
23 (the Clean Air Markets Division (CAMD) Business System and the PJM GATS

1 system for solar credits) that this GATS program and the Commission's AEPS
2 registry for AECs has a programming oversight that should be remedied to
3 prevent this issue in the future. I intend to work with PJM GATS and CPM to see
4 if they can align their systems to provide notice of potential non-compliant credits
5 entered. The addition of this functionality will prevent this from happening in the
6 future, and in this case, Duquesne would not have filed with non-compliant
7 credits.

8 The CAMD system tracks emission allowances that are created by the
9 EPA and traded by entities working in the emission markets. In the CAMD
10 business system, there is no question if an emission allowance qualifies for
11 meeting the emission obligation. If the allowance is in the system, it qualifies.

12 My belief seems to be supported by the recent dissent issued by Vice Chairman
13 Tyrone J. Christy in the Evaluation of Proposals to Select the Alternative Energy
14 Credits Administrator proceeding, wherein Vice Chairman Christy criticized
15 CPM because it elected to keep the Regional Transmission Organization (RTO)
16 information, specifically PJM or MISO, in which an AEPS facility is located, as
17 "regulator only read." When facilities such as Cadillac register with the
18 Commission, RTO information is supplied, but this information was never posted
19 on the website. Had the RTO field been clearly denoted as part of the AEC
20 information, a scan of the Cadillac AECs in the GATS would have readily shown
21 them to be in MISO. However, this crucial information was withheld from users
22 for no apparent reason where releasing this category to users may have prevented
23 this problem.

IV. CONCLUSION

1

2

3 Q. Does this complete your direct testimony?

4 A. Yes.

5

6

7



Duquesne Power LLC - Reserve Subaccount Details - PA - Jun 2008-May 2009



Year/ Month	Unit ID	Facility Name	Certificate Serial Numbers	Quantity State Certification Number	PA Solar Renewable	PA Tier I Renewable	PA Tier II Renewable
2008/9	NON34338	B Washington Residence - Solar PV	44026 - 1 to 1	1 PA-10005-SUN-I	Yes	No	No
2006/6	MSET96044211	Bath County - 2	15620 - 1 to 183565	183,565 PA-46001-HPS-II	No	No	Yes
2006/7	MSET96044211	Bath County - 2	16863 - 19533 to 78053	58,521 PA-46001-HPS-II	No	No	Yes
2008/12	NON34551	Bauer Residence - Solar PV	47066 - 1 to 1	1 PA-10095-SUN-I	Yes	No	No
2008/10	NON34551	Bauer Residence - Solar PV	45183 - 1 to 1	1 PA-10095-SUN-I	Yes	No	No
2006/8	NON34210	Beecher - Beecher	19124 - 1351 to 1506	156 PA-15005-LFG-I	No	Yes	No
2006/10	NON34210	Beecher - Beecher	22000 - 1001 to 1501	501 PA-15005-LFG-I	No	Yes	No
2008/9	NON34632	Biggs Residence - Solar PV	44076 - 6 to 6	1 PA-10096-SUN-I	Yes	No	No
2008/9	NON34632	Biggs Residence - Solar PV	44076 - 7 to 7	1 PA-10096-SUN-I	Yes	No	No
2008/12	NON34320	Binnebose Residence - Solar PV	47543 - 1 to 1	1 PA-10007-SUN-I	Yes	No	No
2008/8	NON34316	Boyd Residence - Solar PV	42802 - 1 to 1	1 PA-10008-SUN-I	Yes	No	No
2008/7	NON34491	BP and L - BP and L	41609 - 1 to 10	10 PA-10009-SUN-I	Yes	No	No
2006/10	NON34273	Brickyard Energy Partners, LLC - BR1, BR2, BR3	22008 - 1 to 1882	1,882 PA-15007-LFG-I	No	Yes	No
2006/11	NON34273	Brickyard Energy Partners, LLC - BR1, BR2, BR3	22057 - 1 to 1571	1,571 PA-15007-LFG-I	No	Yes	No
2007/1	NON34273	Brickyard Energy Partners, LLC - BR1, BR2, BR3	25027 - 1 to 1663	1,663 PA-15007-LFG-I	No	Yes	No
2007/2	NON34273	Brickyard Energy Partners, LLC - BR1, BR2, BR3	25028 - 1 to 431	431 PA-15007-LFG-I	No	Yes	No
2008/7	NON34350	Buckley Solar Power - Buckley Solar Power	41563 - 1 to 3	3 PA-10010-SUN-I	Yes	No	No
2006/8	NON34209	Cadillac Renewable Energy - 316x88	18061 - 148749 to 151897	3,149 PA-23008-WDS-I	No	Yes	No
2006/8	NON34209	Cadillac Renewable Energy - 316x88	18061 - 151898 to 162060	10,163 PA-23008-WDS-I	No	Yes	No
2006/9	NON34209	Cadillac Renewable Energy - 316x88	19152 - 32457 to 39307	6,851 PA-23008-WDS-I	No	Yes	No
2006/9	NON34209	Cadillac Renewable Energy - 316x88	19152 - 1 to 9688	9,688 PA-23008-WDS-I	No	Yes	No
2006/9	NON34209	Cadillac Renewable Energy - 316x88	19152 - 9689 to 22817	13,129 PA-23008-WDS-I	No	Yes	No
2008/7	NON34398	Carter-Crofts Solar System - Carter-Crofts Solar System	41578 - 1 to 3	3 PA-10013-SUN-I	Yes	No	No

[My Account](#)

[Help](#)

Certificate Information

Plant - Unit Name: **Cadillac Renewable Energy - 316x88**
Month and year of generation : **9/2006**
Certificate Serial Numbers: **From 19152-1 to 19152-9688**
Type of Certificate: **Standard**
Total Certificates: **9,688**

100% - Wood

Short Description - **Wood - Wood/Wood Waste Solids**
Description - **Paper Pellets, Railroad Ties, Utility Poles, Wood Chips, and other wood solids**
Fuel Type Attributes - **NA**

Part 23A Renewable Portfolio Standard ("RPS") Eligibility

New Jersey

New Jersey: **N/A**
Certification Number:
Eligibility End Date: **NA**

Maryland

Maryland: **Tier I**
Certification Number: **MD-30013-WDS-01**
Eligibility End Date: **NA**

District of Columbia

District of Columbia: **N/A**
Certification Number:
Eligibility End Date: **NA**

Pennsylvania

Pennsylvania: **Tier I**
Certification Number: **PA-23008-WDS-I**
Eligibility End Date: **NA**

Delaware

Delaware: **N/A**
Certification Number:
Eligibility End Date: **NA**

Illinois

Illinois: **N/A**
Certification Number:
Eligibility End Date: **NA**

Ohio

Ohio: **N/A**
Certification Number:
Eligibility End Date: **NA**

Part 3: Emissions

CEM Reporting: **No**
ORIS PL: **54415**
Emissions Unit ID(s): **N1395**
Peer unit name and address (if not reporting actual generator emissions): **NA**

Normalized emission per MWh (pounds)

- Carbon dioxide: **3.2609**
- Nitrogen oxides: **2.1933**
- Sulfur dioxides: **0.0078**

EFEC Eligible: **No**
EFEC Certification Number: **NA**

Part 4: Vintage

Vintage (month and year of commercial operation): **07/1993**
Repowering/derate date: **NA**
Capacity addition/subtraction: **NA**
FERC hydroelectric license relicensing date: **NA**

Part 5: Asset Identification

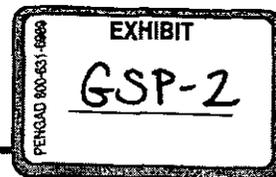
Asset identification:
Asset owner: **NA**
Status : **ACT**
Capacity : **40**

Part 6: Location of CAIS Generator

Location of generating unit: **Mid-Western States (RFCW)**
County: **Wexford**
State: **MI**
NERC Region: **RFCM**

Part 7: Green-e Energy Eligibility

Green-e Energy Eligible: **NA**
Green-e Energy Eligible Registration Number: **NA**



Jack, Gary A.

From: "Deana, Dina" [deana@Cleanpowermarkets.com]
Sent: Friday, October 02, 2009 9:52 AM
To: Jenkins, Joan M.; Jack, Gary A.
Cc: "Williams, Wayne"; maa@pjm.com
Subject: Duquesne compliance
Attachments: Copy of Duquesne AEPS Compliance Requirements.xls

Dear Joan and Gary,

I have been reviewing the compliance reports for Duquesne as the EDC and Duquesne's EGSs. I have noticed that the certificates are not in the right accounts. I am attaching the spreadsheet we had emailed you over the summer indicating the individual requirements for the three Duquesne companies. Since an EDC cannot comply for an EGS (or vice versa), we need to make sure that the correct certificates are in the correct accounts to demonstrate compliance. Please work with GATS to move the certificates into the appropriate individual accounts. When this is complete, please let me know so that I can download the corrected reports. I recognize that the totals between the three accounts meet the obligations, but the paperwork needs to reflect the obligation.

In addition, it is very important that the pricing information contained within the My Compliance Report accurately reflects the purchase price for the certificates. We rely on this information to determine weighted average pricing for each Tier.

Thank you for your assistance. If you could please complete this as soon as possible, it would be appreciated.

Best,

Dina M. Deana, LEED AP

Senior Program Manager

Clean Power Markets, Inc.

Phone: (877) 237-7773

deana@cleanpowermarkets.com

www.cleanpowermarkets.com