

**DUQUESNE LIGHT STATEMENT NO. 1**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition Of Duquesne Light Company** :  
**For Approval Of Default Service Plan** : **Docket No. P-\_\_\_\_\_**  
**For The Period June 1, 2013 Through** :  
**May 31, 2015** :

**DIRECT TESTIMONY OF  
FREDERICK J. EICHENMILLER**

**Dated: April 27, 2012**

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

2 A. My name is Frederick J. Eichenmiller. My business address is 411 Seventh Avenue,  
3 Pittsburgh, Pennsylvania 15219.

4

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

6 A. I am currently the Director of External Affairs for Duquesne Light Company (“Duquesne  
7 Light” or the “Company”).

8

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

10 A. I have a Bachelor of Science Degree in Electrical Engineering from Grove City College, I  
11 am a graduate of the Management Program for Executives from the Katz Graduate  
12 School of Business at the University of Pittsburgh, and I am a licensed professional  
13 engineer in the Commonwealth of Pennsylvania.

14

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

16 A. I began my career as an electrical engineer with Duquesne Light in 1973, and I have  
17 experience in many varied capacities at the Company. Early in my career, I held  
18 positions related to almost all aspects of the distribution processes, engineering,  
19 operations, and operations support functions.

20 For three years, I served as Executive Assistant to the President, CEO and  
21 Chairman of Duquesne Light. Subsequently, I held the positions of Director of  
22 Operations Support, Director of Work Management and Director of Operations and  
23 Underground. In these roles I had responsibilities for key processes that had direct

1 impact on distribution system reliability and customer satisfaction. In 2004, I was  
2 appointed to Director of Rates and Regulatory Affairs and most recently to Director  
3 External Affairs.

4  
5 **Q. Please describe your current responsibilities as the Director of External Affairs.**

6 A. I am responsible for the oversight and direction of the Company's Rates and Tariff's  
7 Department, Regulatory and Legislative matters, Transmission Planning, RTO Processes,  
8 as well as Media & Community Relations. In this role, I am responsible for the planning,  
9 development and direction of Duquesne Light's filing in this Default Service proceeding.

10  
11 **Q. What is the purpose of your testimony and how is your testimony organized?**

12 A. The purpose of my testimony is to provide an overview and introduction of Duquesne  
13 Light's plan for default service for the period from June 1, 2013 through May 31, 2015  
14 ("Default Service Plan," or "Plan"). Part I of my testimony is this Introduction. Part II of  
15 my testimony provides an overview and summarizes this proposed Default Service Plan  
16 and discusses the market enhancement initiatives Duquesne Light incorporates into the  
17 Plan. Part III is a discussion of applicable regulatory developments that affect default  
18 service plans, including Act 129 and the ongoing Investigation of Pennsylvania's Retail  
19 Electricity Market (hereinafter "Retail Markets Investigation" or "RMI"). This section  
20 also includes a discussion of the impacts of these regulatory developments upon  
21 Duquesne Light and customers. Part IV identifies the major policy considerations  
22 associated with Duquesne Light's development of its Default Service Plan. Part V  
23 provides some further details of the rate methodology in the Default Service Plan, and

1 explains how Duquesne Light balanced the major policy considerations in developing  
2 this Plan.

3  
4 **Q. Please introduce the testimony of Duquesne Light's other witnesses.**

5 A. Duquesne Light is submitting the testimony of six other witnesses. James E. Wilson,  
6 Vice President, Duquesne Light St. No. 2, will discuss the power procurement methods  
7 and products to be used to supply default service for each customer class. He will also  
8 evaluate the consistency of the Plan's procurement methods with Act 129 and associated  
9 Commission guidance. Neil S. Fisher, of The NorthBridge Group, Duquesne Light St.  
10 No. 3, will highlight some of the key accomplishments of Duquesne Light's retail access  
11 program, and will present the overall design of the Company's proposed retail opt-in  
12 electric generation supplier ("EGS") service and standard offer customer referral  
13 program. William V. Pfrommer, Manager of Rates and Tariffs, Duquesne Light St. No.  
14 4, will describe the proposed default service rates and associated tariffs. Michele R.  
15 Sandoe, VP of Customer Care, Duquesne Light St. No. 5, will explain how the Company  
16 will implement the proposed retail market initiatives David G. Wolfe, Director of  
17 Information Technology, Duquesne Light St. No. 6, will address accelerated switching  
18 and Information Technology issues. Joseph H. Vallarian, Manager of Media &  
19 Community Relations, Duquesne Light St. No. 7, will explain the Company's proposals  
20 on consumer education with regard to customer choice.

1 SUMMARY OF THE DEFAULT SERVICE PLAN

2 **Q. Please provide a summary of the Default Service Plan.**

3 A. The Default Service Plan is a comprehensive program under which Duquesne Light will  
4 provide default service to its customers from June 1, 2013 through May 31, 2015.  
5 Duquesne Light has grouped its default service customers into four primary customer  
6 classes: (1) Large Commercial & Industrial (“Large C&I”), which are customers with  
7 peak demands  $\geq 300$  kW; (2) Medium Commercial & Industrial (“Medium C&I”), which  
8 are customers with peak demands  $\geq 25$  kW and  $< 300$  kW; (3) Small Commercial &  
9 Industrial (“Small C&I”), which are customers with peak demands  $< 25$  kW; and (4)  
10 Residential and Lighting customers. This new Plan is tailored to the needs of each  
11 customer class, and takes into account the objectives of Act 129 and the  
12 recommendations in the Retail Markets Investigation. This new Plan builds upon the  
13 advances made in previous Default Service Plans, which positions Duquesne Light as  
14 having one of the highest shopping levels in the Commonwealth and in the country. This  
15 new Plan also reflects important differences from the Company’s prior default service  
16 plans and reflects continued movement to more market responsive rates as the  
17 competitive market in our service territory has become more robust. In this regard, the  
18 proposed Default Service Plan considers the procurement methods set forth in Act 129,  
19 and is taking into account any benefits of price stability when considering whether a plan  
20 meets the goal of being “least cost.” [Preamble to Act 129.] Duquesne Light’s proposed  
21 Plan includes a mix of spot and short-term market purchases using competitive  
22 solicitations pursuant to the Commission’s December 16 Order at Docket No. I-2011-  
23 2237952. *Investigation of Pennsylvania’s Retail Electricity Market: Recommendations*



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**MEDIUM C&I CUSTOMERS**

- Medium C&I customers, with peak demands  $\geq 25$  kW and  $< 300$  kW, will have supply rates that adjust semi-annually based on six-month, non-laddered full requirements contracts for 100% of the load every six months that are procured close to the commencement of the delivery period. Default supply for these Medium C&I customers will be obtained through competitive solicitations.

**SMALL C&I CUSTOMERS**

- Small C&I customers, customers with peak demands  $< 25$  kW, will have supply rates that adjust semi-annually based on one-year laddered full requirements contracts that are procured close to the commencement of the delivery period. Default supply for these Small C&I customers will be obtained through competitive solicitations.

**RESIDENTIAL AND LIGHTING CUSTOMERS**

- Residential and Lighting customers will have supply rates that adjust annually based on annual full requirements contract purchases at different points in time for the applicable planning year. Default supply for these Residential and Lighting customers will be obtained through competitive solicitations.

The proposed total supply charges for this Plan will be presented in future filings following RFP procurements. The Hourly Priced Service and the RFPs will include the procurement of energy, capacity, line losses, ancillary services, alternative energy requirements, other costs and risks, and gross receipts taxes.

**PROCUREMENT MEASURES TO ENHANCE RETAIL MARKETS**

Relative to Duquesne Light’s current default service plan, there are key changes in its procurement plans that will provide customers with more market-responsive pricing:

- Medium C&I customer supply will change from annual laddered contracts to six-month, non-laddered contracts.

- 1           • Small C&I customer rates will change from annual to six-month rate adjustments,  
2           similar to Duquesne Light’s current default service plan for Medium C&I  
3           customers.
- 4           • Residential and Lighting customer supply will be obtained from a competitive bid  
5           process, and their rates will change from a 29-month fixed rate to a 12-month rate  
6           relying on annual contracts.

7           Meanwhile, Duquesne Light will continue to offer hourly priced default service to all  
8           Large C&I customers, representing nearly half of Duquesne Light’s total system load,  
9           with one of the lowest kW thresholds for hourly price service in the United States.

10          In addition, the proposed Default Service Plan also incorporates other key measures,  
11          including competitive enhancements recommended in the RMI, that are designed to  
12          further promote retail competition in Duquesne Light’s service territory. Those measures  
13          are set forth below:

14

15                           **OTHER MEASURES TO ENHANCE RETAIL MARKETS**

- 16          • **Purchase of Receivables Plan.** Duquesne Light will continue a Purchase of  
17          Receivables (“POR”) plan with similar rules and conditions to current plans.  
18          Under this Plan, Duquesne Light purchases the account receivables, without  
19          recourse, associated with EGS sales of retail electric commodity service to  
20          Residential, Small C&I customers, and Medium C&I customers. Duquesne Light  
21          purchases the account receivables at a small discount and then reimburses EGSs  
22          for their customer billings regardless of whether it receives payment from  
23          customers.
- 24          • **Discussions with EGSs.** Duquesne Light conducted a webinar with EGSs to  
25          ensure that they are aware and understand the terms of the proposed Default  
26          Service Plan, and had an opportunity to provide input to the Plan before it was  
27          filed.
- 28          • **Ombudsman for Supplier Issues.** Duquesne Light continues to maintain an  
29          ombudsman, dedicated to responding to EGS questions, monitoring competitive  
30          market complaints, and facilitating informal dispute resolution between EGSs.

- 1           • **New/Moving Customer Referral Program.** By year-end 2012, Duquesne will  
2 be implementing a new and moving customer referral programs per the  
3 Commission’s Final Order in the RMI. *Investigation into Pennsylvania’s Retail*  
4 *Electricity Market: Intermediate Work Plan*, Docket No. I-2011-22379521, Order  
5 entered March 2, 2012 (“*March 2 Retail Markets Order*”).
- 6           • **Retail Opt-In EGS Service Program.** As recommended by the Commission’s  
7 *March 2 Retail Markets Order*, Duquesne Light will offer an Opt-In EGS Service  
8 Program, with a cap on the number of customers that can participate. The power  
9 supply will be sourced and priced by EGSs participating in the program and will  
10 provide both a discount to Duquesne Light’s price-to-compare (“PTC”) and a \$50  
11 bonus payment for customers that remain in the program for three billing cycles.
- 12          • **Standard Offer Service.** Commencing June 1, 2014, Duquesne Light will advise  
13 default service customers that contact the Company about its Standard Offer  
14 Program so that customers can receive their supply from participating EGSs at  
15 rates that will be 7% below the current PTC.
- 16          • **Accelerated Switching.** Duquesne Light plans to accelerate the customer  
17 switching process of a new or moving customer to enroll with an EGS at the start  
18 of the Standard Offer Program. The Company expects to have the technology in  
19 place to do so at that time.
- 20          • **Information sharing between Duquesne Light and EGSs seeking to sell**  
21 **electricity in Duquesne Light’s territory.** Duquesne Light will provide  
22 monthly, on the EGS section of its website, to all EGSs licensed in the  
23 Commonwealth, subject to the Commission’s customer privacy and protection  
24 rules, an updated view of each Customer’s name, address (both service and  
25 billing), contact name, 12 individual rolling months of usage and demand, meter  
26 read cycle, rate plan, revenue code, profile group, POLR customer indicator, the  
27 current 1CP, and the current 5CP. EGSs shall be allowed to download this  
28 information from the website.
- 29          • **Customer Awareness.** Duquesne Light undertook a comprehensive customer  
30 education program when its rate caps expired, and continues to inform customers  
31 regarding their shopping choices in a variety of ways, including: a customer  
32 service center that addresses issues and options regarding customer choice;  
33 dissemination of brochures addressing competition and other important energy  
34 issues including energy efficiency and low income assistance; and customer  
35 service booths at various public forums, including the Duquesne Light Home and  
36 Garden Show. In an effort to further customer awareness, Duquesne Light will  
37 continue to circulate information on Customer Choice, including promoting it via  
38 its customer newsletter, links on its website and any telephonic means. Further, in  
39 new customer packets, and any other materials related to new service, Duquesne  
40 Light will continue to advise new customers upon service initiation of the  
41 opportunity to obtain supply from an EGS. The new customer packet and website  
42 areas discussing initiation of new service, or transfer of service, also contain a link

1 to the OCA shopping guide and the Commission’s shopping website. Duquesne  
2 Light has recently notified all customers of their right to opt out of the release of  
3 customer information and will include said material in its new customer packet to  
4 permit new customers to opt out of release of customer information.

- 5 • **Commission website.** Duquesne Light currently provides customers with access  
6 to the Commission’s PA Powerswitch website through a link on the Company’s  
7 website.

8 Also, I want to emphasize that the proposed Plan was developed with input from many  
9 interested parties. We believe this Default Service Plan balances the interests of  
10 customers and their advocates, EGSs, wholesale suppliers and Duquesne Light. As  
11 competitive markets have continued to develop, Duquesne Light has built upon the  
12 success achieved in promoting competition through its prior default service plans and  
13 again here proposes advances intended to further promote competition and advance more  
14 market responsive pricing in its service territory. This Plan also advances the objectives  
15 of Act 129 by providing “the availability of adequate, reliable, affordable, efficient and  
16 environmentally sustainable electric service at the least cost, taking into account any  
17 benefits of price stability, over time and the impact to the environment.” (Preamble of  
18 Act 129.) Duquesne Light believes that the Plan reflects an appropriate balance of these  
19 interests and should be approved.

## 20 COMPETITIVE PROCUREMENT GUIDELINES

21  
22 **Q. Please provide an overview of the competitive procurement guidelines that will be  
23 followed for the Residential, Small C&I and Medium C&I procurements.**

24 **A.** Duquesne Light will engage an experienced independent third party to assist in qualifying  
25 bidders, conducting bidder information sessions, receiving bids, ranking qualifying bids  
26 and determining winning bids. Discretion for rejecting bids is reserved only for the  
27 Commission and the RFP independent consultant, based upon the RFP’s defined rules.

1 Duquesne Light will utilize a procurement contract (i.e., Supply Master Agreement),  
2 which is attached to the testimony of Duquesne Light witness Jim Wilson as Exhibit  
3 JEW-1. Additionally, Duquesne Light will take the following steps to ensure that the  
4 solicitations achieve the best possible result: (i) send communications to potential  
5 suppliers providing notification of each bid date, including the address for the RFP  
6 website; (ii) provide copies of all proposed RFP prebid documents on the RFP website;  
7 and (iii) answer all questions bidders may have.

8 Duquesne Light will release the weighted average of all the winning bids  
9 separately for the three procurement groups (not individual bid prices or supplier names)  
10 within two business days after approval by the Commission (to all parties interested in  
11 the RFP). Within 15 calendar days from the closing of each solicitation, Duquesne Light  
12 will post the weighted average winning bid price on its website and publish a default  
13 service rate calculation model on its website that shows the build-up of the auction results  
14 into retail default service rates.

15 If for any reason an RFP fails to attract a sufficient volume of bids, the  
16 Commission does not approve the submitted bids or an accepted supplier defaults,  
17 Duquesne Light will meet its default supply obligation on an interim basis through  
18 purchases in the PJM spot market and will be permitted to recover all the costs of such  
19 purchases and reasonable administrative costs from Residential & Lighting, Small C&I  
20 and/or Medium C&I customers. Duquesne Light will submit to the Commission within  
21 10 days after any such occurrence, a contingency plan to handle any default service  
22 shortfall.

23

1 **MISCELLANEOUS ITEMS RELATED TO THIS PLAN**

2 Duquesne Light will continue to place all outside service costs, and all other out of  
3 pocket costs related to default service power procurement into a separate account and will  
4 only recover those costs through its default supply charges unless otherwise directed by  
5 the Commission. In order to avoid any cost subsidization, the aforementioned costs shall  
6 be allocated to the appropriate procurement group (Residential, Small C&I, Medium  
7 C&I) based on the costs incurred to serve that particular group.

8  
9 **REGULATORY DEVELOPMENTS: ACT 129, THE RETAIL MARKETS**  
10 **INVESTIGATION, AND RESULTING EFFECTS ON DUQUESNE LIGHT**

11 **Q. What are some of the key factors driving Duquesne Light’s proposed Default**  
12 **Service Plan?**

13 **A.** Several major issues were considered in Duquesne Light’s drafting of this Default  
14 Service Plan, including:

- 15 • Act 129, and in particular its requirements for a prudent mix of supply and to  
16 obtain supply at the “least cost over time,” as well as to recognize that “least cost”  
17 must take into account any benefits of price stability;
- 18 • The Commission’s Retail Market Investigation proceeding;
- 19 • The Company’s continuing commitment to advance the competitive market in its  
20 service territory.

21  
22 **Q. Would you like to address any of these matters in more detail?**

1 A. Yes. One of the considerations in this default service plan is Act 129, and continuing to  
2 abide by its standards for power procurement.

3  
4 **Q. Please discuss Act 129 and its effects on Duquesne Light's Default Service Plan.**

5 A. On October 8, 2008, the General Assembly of the Commonwealth of Pennsylvania  
6 adopted House Bill No. 2200 ("HB 2200"), which was subsequently signed into law by  
7 the Governor on October 15 as Act 129 of 2008. Act 129 amended Section 2807(e)(3) of  
8 the Public Utility Code, 66 Pa. C.S. § 2807(e)(3), with respect to, among other things,  
9 power procurement for default service providers. Based upon the advice of counsel, it is  
10 my understanding that Act 129 amended the Competition Act and imposes standards for  
11 default service procurement plans. Such plans must be designed to ensure "adequate and  
12 reliable service" at "the least cost to customers over time." 66 Pa.C.S. 2807(e)(3.4). In  
13 an effort to reach these goals, the power "shall be procured through competitive  
14 procurement processes," (including auctions, requests for proposals, and bilateral  
15 agreements) and these procurements are to reflect a "prudent mix" of spot market  
16 purchases, short-term contracts (less than four years) and long-term contracts (four to  
17 twenty years). *Id.* at 2807(e)(3.1)-(3.2). In furtherance of the procurement guidelines set  
18 forth above, Act 129 requires that the default service provider file a competitive  
19 procurement process with the Commission and obtain Commission approval of the plan.  
20 66 Pa. C.S. § 2807(e)(3.6). Duquesne Light has developed its proposed procurement  
21 process and seeks Commission approval thereof as soon as practical.

22

1 **Q. Please discuss the final orders issued in the investigation of Pennsylvania’s retail**  
2 **electricity market proceeding, as well as its effects on Duquesne Light’s Default**  
3 **Service Plan.**

4 A. Pursuant to an Order entered on April 29, 2011, the Commission initiated an  
5 investigation into Pennsylvania’s retail electricity market, designed, in part, to study how  
6 to best address and resolve issues identified by the Commission as being the most  
7 relevant to improving the current retail electricity market. The Investigation was based  
8 on a determination that “Pennsylvania’s current retail market requires changes in order to  
9 bring about the robust competitive market envisioned by the General Assembly when it  
10 passed the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S.  
11 §§ 2801, et seq., in 1996. *December 16 Retail Markets Order*, p. 3. The Investigation  
12 commenced with technical conferences and public comment. The Commission’s  
13 *December 16 Retail Markets Order* provided guidance on the format and structure of  
14 Electric Distribution Companies’ upcoming default service plans. The guidance included  
15 information on many topics, several which are relevant to the development of this Default  
16 Service Procurement Plan:

- 17 • The Commission recommended that the default service plan time period should be  
18 two years. *December 16 Retail Markets Order*, p. 11. As detailed above, the  
19 proposed duration for Duquesne Light’s Plan is two years;  
20
- 21 • The *December 16 Retail Markets Order* provided guidance regarding energy contract  
22 durations. Specifically Default Service Plans should limit or eliminate the existence  
23 of short-term energy contracts extending past the end date of the upcoming default  
24 service plan time period, and EDCs should limit the proportion of long-term contracts  
25 that make up their default service plan energy portfolios. *December 16 Retail*  
26 *Markets Order*, p. 19. Duquesne Light has considered these recommendations in the  
27 formulation of its procurement Plan;  
28
- 29 • The Commission expressed a preliminary view that a retail Opt-In EGS Service  
30 Program represents a viable tool to “kick-start” retail competition, and that EDCs

1 should include such a program as part of its upcoming default service plans.  
2 *December 16 Retail Markets Order*, p. 32-33. The Commission later recommended  
3 adoption of retail Opt-In EGS Service Program. *March 2 Retail Markets Order*, pp.  
4 33-78. As discussed in the testimony of Duquesne Light witness Neil S. Fisher,  
5 Duquesne Light has proposed a retail Opt-In EGS Service Program as part of this  
6 Default Service Plan.  
7

- 8 • The Commission also has recommended that EDCs propose in their next default  
9 service plans a Standard Offer Program. *March 2 Retail Markets Order*, pp. 31-33.  
10 As explained by Mr. Fisher, Duquesne Light has proposed a Standard Offer Program  
11 as part of this Default Service Plan.  
12
- 13 • The Commission also has concluded that EDCs should adopt a new and moving  
14 customer referral program by the end of 2012, as customer referral programs  
15 represent a viable means to educate customers about the retail electric market and  
16 may allow customers to achieve savings on their bills. *March 2 Retail Markets*  
17 *Order*, pp. 17-20. As recommended by the Commission in its order, Duquesne Light  
18 will implement a new and moving customer referral program by year-end 2012.  
19
- 20 • The Commission recommends that EDCs, as part of upcoming Default Service Plans,  
21 contemplate contracting with an EGS in order to satisfy the EDC's Time of Use  
22 requirement. *December 16 Retail Markets Order*, p. 47. This topic is discussed in  
23 more detail in the testimony of William Pfrommer.  
24
- 25 • The Commission recommends that EDCs contemplate the incorporation of quarterly,  
26 semi-annual and/or annual default service rate over/under collection reconciliations  
27 within their next default service plans, and include more detailed information on how  
28 supply charges will be calculated for default service customers. *December 16 Retail*  
29 *Markets Order*, p. 55. This is discussed in more detail in the testimony of William  
30 Pfrommer;  
31
- 32 • The Commission recommends separate procurement groups for Small C&I and  
33 Medium C&I customers, which Duquesne Light plans to continue with in this Default  
34 Service Plan. *December 16 Retail Markets Order*, p. 61;  
35

36 While I address some of these items in my testimony above, the specifics regarding how  
37 each of these items affect Duquesne Light's Plan are discussed in more detail in the  
38 testimony of other Duquesne Light witnesses.  
39

1           **POLICY CONSIDERATIONS AND DEFAULT SERVICE SUPPLY OPTIONS**

2   **Q.    Is Duquesne Light’s Default Service Plan intended to establish precedent for other**  
3           **EDCs?**

4   A.    No. Duquesne Light’s Default Service Plan is not intended to establish a precedent for  
5           the other EDCs in the Commonwealth.

6  
7   **Q.    What was the important policy considerations associated with developing the**  
8           **Default Service Plan?**

9   A.    We considered several important policy issues in developing our proposed Default  
10          Service Plan. The important issues were: (i) the standards for procurement of default  
11          service supply in Act 129, (ii) developments in the Retail Markets Investigation (iii) the  
12          level of price certainty and rate stability provided by the Plan for different customer  
13          groups, and (iv) the effect of the Plan on competition.

14  
15   **Q.    Can there be tension among these policy considerations?**

16   A.    Yes, there can be tension. For example, a shorter term competitively procured price may  
17          provide a more market responsive price, but provides less certainty for customers.  
18          However, Duquesne Light has worked with all parties in advance of this filing and  
19          believes this plan strikes a balance that meets the price stability needs and expectations of  
20          customers by class under Act 129 and advances competition.

21  
22   **Q.    What other considerations were important to Duquesne light in designing its**  
23           **Default Service Plan?**

1 A. Duquesne Light also was cognizant of the different characteristics of, and circumstances  
2 facing, our small and large customer groups. For example, there is significant  
3 competition by EGSs to serve Large C&I customers. In addition, larger customers  
4 generally are better able to weigh the benefits and risks of various power supply options  
5 and have the resources to shop for products meeting their needs. While there are multiple  
6 EGSs serving residential customers in Duquesne Light's territory (over 20 EGS are  
7 serving residential load), there remains a need to continue to provide stable rates to  
8 smaller customers who for whatever reason have been less likely to take advantage of  
9 opportunities to shop with an EGS. We have attempted to accommodate these  
10 differences in this proposed Default Service Plan.

11  
12 **Q. How does Duquesne Light's Default Service Plan address these policy**  
13 **considerations?**

14 A. Duquesne Light's Default Service Plan is designed to balance the policy considerations  
15 outlined above in light of the circumstances faced by Duquesne Light and its customers at  
16 this time. This does not mean that our Plan has generic applicability to other utilities in  
17 the Commonwealth or the state-wide rules for post-transition period default service that  
18 the Commission may ultimately adopt. Also this Plan represents a balance of input from  
19 most parties including customers, consumer advocates, competitive EGSs, wholesalers  
20 and the Commission.

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**DEFAULT SERVICE PLAN**

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**Q. Please summarize the rate methodology proposed by Duquesne Light in this proceeding.**

A. The proposed methodology for calculating supply rates is presented in Duquesne Light witness Mr. Pfrommer’s testimony.

For Large C&I customers, Duquesne Light will continue to offer hourly priced service. Duquesne Light will also procure the alternative energy credits. An administrative fee is charged for those credits and for other costs associated with operating the procurement process. Under the Duquesne Light Plan, this hourly pricing default service is offered to customers with peak demands  $\geq 300$  kW. As explained by Mr. Fisher in his testimony, this is one of the lowest thresholds in the country for hourly pricing default service. With 96% of the load shopping, Default Service for these customers has become the “backup” default service.

For Medium C&I customers (25kW – 300kW), the Plan proposes a competitive RFP procurement process, much like that utilized in the current default service plan (POLR V), with rates based on such procurements changing semi-annually, plus any administrative costs in operating the RFP and reconciliation. However, the supply contract terms have been shortened from one year to six months and the laddering of procurements has been removed to make Medium C&I customer rates more market responsive.

For Small C&I customers, the proposed Default Service Plan proposes a competitive RFP process with rates based on such procurements that change semi-

1 annually as compared to annually under the current plan (POLR V), plus any  
2 administrative costs in operating the RFP and reconciliation.

3 For Residential and Lighting customers, the Plan proposes a competitive RFP  
4 procurement process, with rates based on such procurements changing annually, plus any  
5 administrative costs in operating the RFP. Previously this customer class had a fixed rate  
6 for the entire default service period in all prior plans, including 29 months in the current  
7 Default Service (POLR V) Plan.

8  
9 **Q. How did Duquesne Light balance the policy considerations described in Section IV**  
10 **of your testimony?**

11 A. As noted in Section IV above, important policy issues that were considered in developing  
12 the Default Service Plan include changes to the standard for procurement of default  
13 service supply as detailed in Act 129, including least cost over time taking into account  
14 any benefits of price stability provided by the plan for different customer groups, and the  
15 effect of the plan on competition. Further, the Default Service Plan takes into account the  
16 recommendations made in the Retail Markets Investigation Orders. The Default Service  
17 Plan effectively balances these important considerations.

18 The Default Service Plan as a whole achieves the goals of Act 129 by  
19 appropriately tailoring the service provided to each customer class given that class'  
20 characteristics and situation, and providing that service at least cost. It is consistent with  
21 Act 129 by relying on a diverse group of procurement options, competitively procured  
22 arrangements using competitive auctions, as well as the spot market for Large C&I  
23 customers. Further, this Default Service Plan takes into consideration the many

1 Commission's competitive market recommendation is suggestions made in the Retail  
2 Markets Investigation. As detailed above, Duquesne Light is incorporating many of these  
3 recommendations into this Default Service Plan, such as a two year service period, a  
4 retail opt-in auction, standard offer service and no utilization of long term contracts.

5  
6 **Q. Please describe the ways this Default Service Plan promotes competition.**

7 A. Duquesne Light's default service plans have encouraged and nurtured competition, and  
8 this has resulted in Duquesne Light having one of the highest percentages of load  
9 shopping levels in the country and the highest in the Commonwealth. This places  
10 Duquesne Light in a different situation than many other territories throughout the  
11 Commonwealth. This Default Service Plan continues with the initiatives that have  
12 proven successful and adds new measures to enhance retail market competition. I have  
13 explained these numerous measures to enhance retail market competition earlier in my  
14 testimony. The recommendations incorporated as a result of the Retail Markets  
15 Investigation, such as the New/Moving Customer Referral Program, the retail Opt-In  
16 EGS Service Program and the Standard Offer Program should further promote  
17 competition in Duquesne Light's service territory.

18  
19 **Q. Does this conclude your direct testimony at this time?**

20 A. Yes.