

DUQUESNE LIGHT STATEMENT NO. 3

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition Of Duquesne Light Company
For Approval Of Default Service Plan
For The Period June 1, 2013 Through
May 31, 2015**

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:
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Docket No. P-_____

**DIRECT TESTIMONY OF
NEIL S. FISHER**

Dated: April 27, 2012

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1 **I. INTRODUCTION**

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

3 A. My name is Neil S. Fisher. My business address is 30 Monument Square, Suite 105,
4 Concord, Massachusetts, 01742.

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

7 A. I am a Principal with The NorthBridge Group (“NorthBridge”), an economic and strategic
8 consulting firm for the electric and natural gas industries. NorthBridge has advised
9 Duquesne Light Company (“Duquesne Light” or the “Company”) on restructuring matters
10 for many years. I have advised Duquesne Light on supply rate design and rate matters,
11 including issues relating to its provider-of-last-resort service (“POLR” or “default
12 service”) since the start of retail access, including Duquesne Light’s pilot, POLR I, POLR
13 II, POLR III, POLR IV and POLR V programs.

14
15 **Q. Please describe your educational and professional experience.**

16 A. I graduated from Swarthmore College with a Bachelor of Arts degree in Economics with
17 Honors, and I also have a Master’s degree in Business Administration from Yale
18 University. Before joining NorthBridge in 1993, I worked as a consultant at Putnam,
19 Hayes & Bartlett, where the main focus of my work was assisting clients with electric and
20 natural gas restructuring issues. As a consultant at NorthBridge, I have helped regulated
21 electric utility clients in several states with the design of default service programs and with
22 retail access issues. I have also developed strategies for unregulated retail electric
23 providers interested in participating in retail markets.

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Q. Have you testified previously before this Commission?

A. Yes, I testified in Docket No. P-2009-2135500, Duquesne Light’s Petition for Approval of Default Service Plan for the Period January 1, 2011 through May 31, 2013 (“POLR V”); Docket No. P-00072247, Duquesne Light’s Petition for Approval of Default Service Plan for the Period January 1, 2008 through December 31, 2010 (“POLR IV”); Docket A-110150F0035 and A-311233F3002, Duquesne Light’s merger application; Docket R-00061346, Duquesne Light’s distribution rate case; Docket P-00032071, Duquesne Light’s Petition for Approval of Plan for Post-Transition Period POLR Service (“POLR III”); and in Docket P-00021969, Duquesne Light’s Petition Requesting Modification to POLR II Plan to Permit Participation in PJM. I also participated in Duquesne Light’s POLR II collaborative led by several Pennsylvania Commissioners.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is twofold. First, I highlight some of the key accomplishments of Duquesne Light’s retail access program; and second, for the delivery supply period June 1, 2013 through May 31, 2015 (“Default Service Plan,” “Plan,” or “DSP VI”), I present the overall design of the Company’s proposed retail Opt-In Electric Generation Supplier (“EGS”) Service Program (“Opt-In EGS Service Program” or “Opt-In EGS Service”) and Standard Offer Customer Referral Program (“Standard Offer Program” or “Standard Offer”).

1 **Q. Please summarize your conclusions.**

2 A. I have two main conclusions.

3 1. Duquesne Light has established a successful retail access program and its Default
4 Service Plan is designed to continue to support competition in Duquesne Light's
5 service territory;

6 2. Duquesne Light's Default Service Plan incorporates the Commission's
7 recommended retail market initiatives to implement a retail Opt-In EGS Service
8 Program and a Standard Offer Program.

9 Each of these conclusions is described in more detail below.

10

11 **Q. Mr. Fisher, can you provide a summary of the key features of these two new retail**
12 **market initiatives that Duquesne Light is proposing?**

13 A. The table below summarizes the key features of the proposed Opt-In EGS Service and
14 Standard Offer Programs.

	Opt-In EGS Service	Standard Offer
Product	Fixed price in ¢/kWh, also can be expressed as a percentage discount off Price-to-Compare (“PTC”) through 5/31/14	Fixed price in ¢/kWh
Term	12 billing cycles (months) with no early termination penalties or customer switching restrictions	12 billing cycles (months) with no early termination penalties or customer switching restrictions
How price is determined	Competitive bid; highest of the fixed price bids selected to fill 10 tranches	Established at 7% off known applicable PTC at the time of the offer
EGS offer quantity	1 (10%) to 5 (50%) tranches ¹	Customer can elect EGS, or may choose EGS assignment using a fair and impartial process
Frequency of EGS offers	One-time Request for Proposals (“RFP”)	On-going program, EGSs can enter or exit with appropriate notice
Customer incentives	Minimum discount of 5% off PTC and \$50 EGS bonus for customers that stay for 3 entire billing cycles	7% off known applicable PTC
Customer enrollment period	Late May/June 2013 ²	Starting June 1, 2014, and on-going thereafter
Primary form of customer contact	Offer letter sent from Duquesne Light	Customer calls to Duquesne Light
Target customers	Non-shopping, non-CAP residential customers (but Duquesne Light would not turn away other customers who inquire)	Non-shopping, non-CAP residential customers that call Duquesne Light with: (a) a new / mover request; ³ (b) high bill complaint; or (c) inquiry about customer choice (but Duquesne Light would not turn away other customers who inquire)
Customer participation cap	50% of eligible default service customers	Referrals suspended if 67% or more of residential customers are already shopping with an EGS
Supplier requirements	Agreement to abide by program rules (incl. consolidated EDC billing)	Agreement to abide by program rules (incl. consolidated EDC billing)
At end of 12-month product offer	Remain with EGS on month-to-month service with no customer switching restrictions	Remain with EGS on month-to-month service with no customer switching restrictions
How program costs are recovered	Invoice to winning EGS Opt-In Suppliers ⁴	POR discount applicable to EGSs serving residential customers

¹ EGSs have flexibility to submit different price levels for each bid tranche.

² In no instance will EGS supply service under the program begin before the start of DSP VI.

³ As Duquesne witness Wolfe describes, new IT systems will be put in place to accelerate the customer switching process of a new or moving customer to enroll with an EGS at the start of the Standard Offer Program.

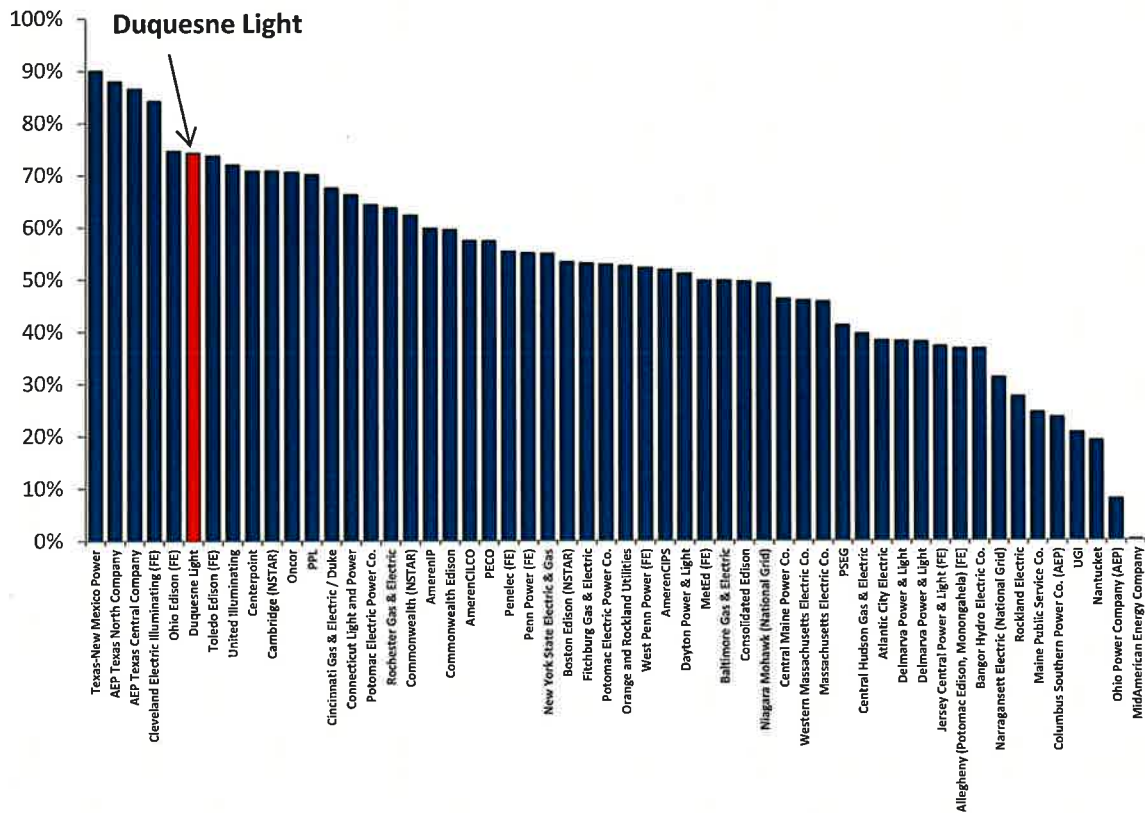
⁴ If no EGSs bid, program costs will be recovered in the Purchase of Receivables (“POR”) administrative discount applicable to EGSs serving residential customers.

1 **II. DUQUESNE LIGHT HAS ESTABLISHED A SUCCESSFUL RETAIL ACCESS**
2 **PROGRAM AND ITS DEFAULT SERVICE PLAN IS DESIGNED TO CONTINUE**
3 **TO SUPPORT COMPETITION IN DUQUESNE LIGHT'S SERVICE**
4 **TERRITORY**

5 **Q. How does Duquesne Light's retail access program compare with that of other utilities**
6 **in the United States?**

7 A. Duquesne Light has one of the most successful retail access programs in the country.
8 Duquesne Light has achieved relatively high customer switching rates, as shown in Exhibit
9 NSF-1 and the figure below. As of March 31, 2012, 74% of the load in Duquesne Light's
10 service area is receiving supply from an EGS and Duquesne Light is among the top ten
11 electric utility service areas in the United States in terms of percentage of total load
12 receiving service from a competitive supplier.

1 **Figure 1 Duquesne Light Is Among the Top Ten Electric Utilities in the U.S. in Terms of**
 2 **Percentage of Total Load Shopping**



3
 4 As shown in Exhibit NSF-1, Duquesne Light has slightly higher levels of total shopping
 5 than two electric utility service areas in Texas and has higher levels of total shopping than
 6 all of the service areas in New York.

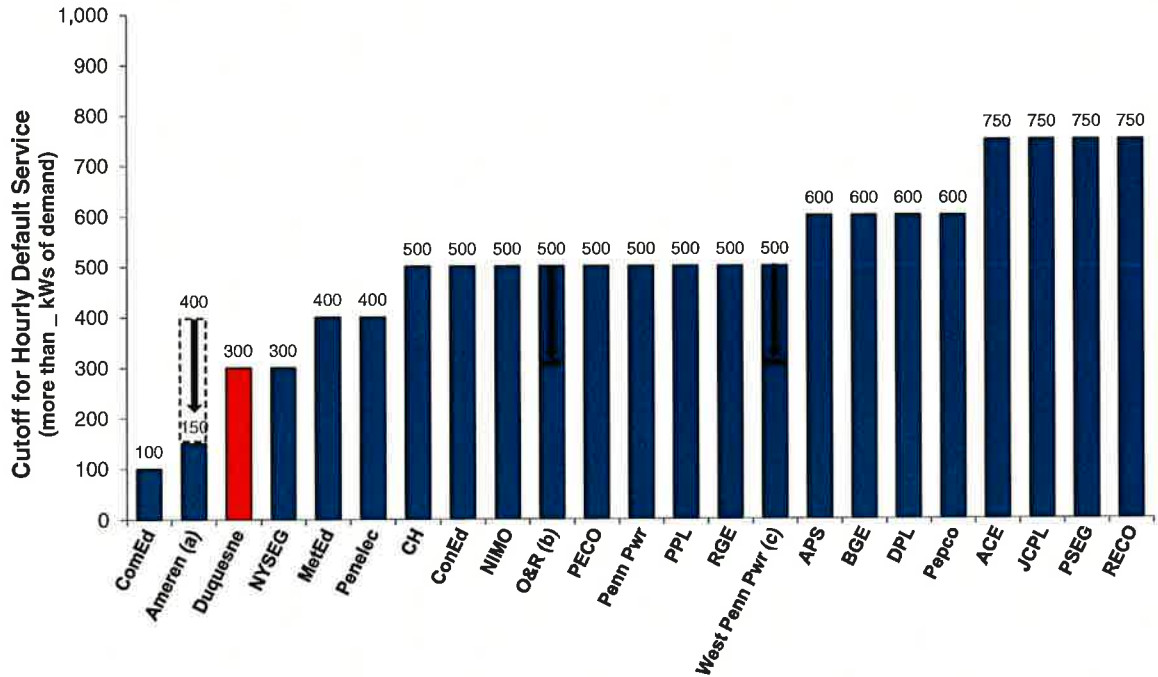
7
 8 **Q. Explain how, and by what standards, you determined that Duquesne Light has one of**
 9 **the most successful retail access programs.**

10 A. My statement is based on a number of factors, that when considered together, make
 11 Duquesne Light’s retail access program one of the most successful in the United States.

- 1 • Duquesne Light was one of the first utilities in the nation to recover its stranded
2 costs and move to market-based pricing. Duquesne Light completed the transition
3 period for most customers in 2002 and, since that time, has successfully
4 implemented five default service plans.
- 5 • Duquesne Light has achieved relatively high levels of customer shopping in its
6 service area as compared to other electric utilities in Pennsylvania and elsewhere in
7 the United States without exposing small customers to significant rate increases,
8 without the use of opt-out customer assignment programs, and without exposing
9 small customers to short-term market price volatility.
- 10 • Throughout much of the post-transition period process, Duquesne Light has been
11 able to obtain support from various parties for its default service plans (*e.g.*, POLR
12 II Settlement, POLR III Stipulations, POLR IV Settlement, and POLR V
13 Settlement).
- 14 • Duquesne Light was one of the first utilities in the nation to offer hourly pricing
15 default service to all customers equal to or greater than 300 kW, and has one of the
16 lowest kilowatt demand thresholds for hourly price default service for large
17 commercial and industrial (“C&I”) customers in the United States.

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Figure 2 Duquesne Light Has One of the Lowest kW Thresholds for Hourly Price Default Service for Large C&I Customers



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- (a) Existing customers with demand <400 kW not on hourly service as of May 2011 are grandfathered so that they do not have to switch to hourly service until May 2014.
- (b) Effective September 22, 2012, all of SC No. 8 with a 300 kW cutoff will default to hourly pricing.
- (c) A 300 kW cutoff for customers will apply to bills having a "from" date on or after May 2013.

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As a result, almost half of Duquesne Light’s total system load has hourly price default service, which has transitioned naturally to more of a “backstop” service than a default service, since 97% of this load is already shopping with an EGS.

- Finally, throughout much of the post-transition period process, Duquesne Light has agreed to a number of initiatives to facilitate customer shopping and to educate customers about retail choice, including:

- 1 ○ As part of its POLR IV proceeding, Duquesne Light entered into
2 extensive negotiations with EGSs and other parties to develop a
3 POR pilot program for EGSs.
- 4 ○ Duquesne Light agreed to continue to offer the POR program in its
5 POLR V proceeding, and extended the program to EGSs serving
6 residential, small C&I, and medium C&I customers.⁵
- 7 ○ In its POLR V Settlement, Duquesne Light also agreed to several
8 customer referral mechanisms and other customer education
9 initiatives.⁶
- 10

11 **Q. Will Duquesne Light's Default Service Plan support a competitive wholesale market?**

12 A. Yes, the Company will rely on competitive wholesale market purchases to obtain supply
13 for its default service. These competitive market purchases will be in the form of spot
14 market purchases directly from PJM for large C&I customers, and formal RFP processes
15 with standardized bidding procedures and fixed-price full requirements contracts for other
16 customers. In DSP VI, unlike prior default service plans, Duquesne Light proposes to
17 make the residential supply available for competitive bid, similar to the procurement
18 process Duquesne Light currently uses to serve small C&I and medium C&I customers on
19 default service.

⁵ Duquesne Light proposes to continue its POR program throughout the DSP VI period.

⁶ Settlement Agreement, Petition of DLC for Approval of Default Service Plan for the Period January 1, 2011 through May 31, 2013, at 8-10.

1 **Q. What are the benefits of relying on competitive wholesale markets to provide fixed-**
2 **price full requirements service?**

3 A. In a procurement approach involving fixed-price full requirements solicitations, bidders
4 compete on the basis of the lowest price to satisfy all aspects of the default service
5 customers' load requirements at a fixed \$/MWH price, regardless of how the load varies,
6 and regardless of future market conditions or generation costs.

7 The use of a competitive process to procure a full-requirements product is designed
8 to induce competitive bidding among suppliers, and thereby obtain the lowest price for the
9 product. Since bidders in the proposed solicitations will compete on the basis of price, any
10 party that desires to be a winning bidder in such a solicitation must submit a bid price that
11 reflects its best judgment about the least-cost means of satisfying the supply obligations.
12 Therefore, it is reasonable to assume that bidders in the proposed full requirements
13 solicitations will consider the costs and risks associated with all forms of supply, and will
14 reflect in their bid prices the benefits of any opportunity that they believe is the least-cost
15 supply opportunity. Consequently, those suppliers who are the best portfolio managers, in
16 terms of handling the associated supply costs and risks that the fixed-price full
17 requirements obligation requires them to assume to the benefit of customers, are likely to
18 place the lowest bids in the competitive solicitation. Thus, the procurement process is
19 intended to rely on the skills of the most adept suppliers to achieve the least cost for
20 customers.

21 The remainder of my testimony discusses two new retail market initiatives
22 Duquesne Light is proposing to enhance retail competition in its service area.

1 **III. DUQUESNE LIGHT'S DEFAULT SERVICE PLAN INCORPORATES THE**
2 **COMMISSION'S RECOMMENDED RETAIL MARKET INITIATIVES TO**
3 **IMPLEMENT A RETAIL OPT-IN EGS SERVICE PROGRAM AND A**
4 **STANDARD OFFER CUSTOMER REFERRAL PROGRAM**

5 **Q. Mr. Fisher, you mentioned how Duquesne Light's Plan supports a competitive**
6 **wholesale market, but is the Company proposing any additional steps to enhance**
7 **retail competition in its service area?**

8 **A.** Yes. As part of its DSP VI Plan, Duquesne Light proposes to implement several retail
9 market initiatives, including a one-time, retail Opt-In EGS Service Program and a
10 Standard Offer Program.⁷ These initiatives are designed to be responsive to guidance
11 provided by the Commission in three relevant orders in the Retail Market Investigation
12 ("RMI"),⁸ namely the Recommendations Regarding Upcoming Default Service Plans
13 Final Order dated December 16, 2011 ("Final Order"), the Intermediate Work Plan
14 Tentative Order dated December 16, 2011 ("Tentative Order"), and the Intermediate Work
15 Plan Final Order ("Final Intermediate Work Plan Order") adopted on March 1, 2012.
16 Later in this testimony, I provide a rationale for any differences between Duquesne Light's
17 proposals and the Commission's recommendations in these orders.

18
19 **Q. How is this section of your testimony organized?**

20 **A.** I first describe Duquesne Light's RFP for Opt-In EGS Service followed by a description of
21 Duquesne Light's Standard Offer Program.

⁷ Duquesne Light Witness Sandoe also notes in her testimony the Company's plan to implement a New/Moving Customer Referral Program by the end of 2012 in accordance with the Commission's recommendations.

⁸ Investigation of Pennsylvania's Retail Electricity Market (I-2011-2237952).

1 *a) Duquesne Light's Plan Includes a One-Time RFP for Retail Opt-In EGS Service*

2 **Q. Please provide an overview of the retail market initiative to conduct an RFP for an**
3 **Opt-In EGS Service offer.**

4 A. In the retail opt-in RFP, EGSs bid to provide competitive retail service to a group of
5 customers within a specific electric distribution company (“EDC”) territory. To
6 participate in the program, customers must affirmatively decide (or “opt-in”) to the
7 program. According to the Commission, a retail opt-in program poses a safe and easy
8 mechanism to increase customer participation in the competitive market, and to decrease
9 EGS customer acquisition costs.⁹

10
11 **Q. Which customers will be eligible to participate in the Opt-In EGS Service Program?**

12 A. Consistent with the Tentative Order and the Final Intermediate Work Plan Order,
13 Duquesne Light's Opt-In EGS Service Program will be offered to the residential customer
14 class,¹⁰ and both non-shopping and shopping customers will be eligible to participate in
15 the Opt-In EGS Service Program.¹¹ The purpose of the program is to encourage
16 residential customers on default service to participate in the competitive retail market in an
17 effort to further facilitate customers gaining experience obtaining competitive service from
18 EGSs; therefore, while there should not be any discrimination between shopping and non-

⁹ Tentative Order, at 22.

¹⁰ In the Tentative Order, the Commission states that it believes that the opt-in program should be limited to the residential customer class. The Commission finds that small C&I customers should not be included in the opt-in program due to the lack of a standard small commercial definition across the state. The Commission also finds that, given that most, if not all, small C&I consumers are also residential consumers at their homes, they will have the opportunity to participate in opt-in program pools as residential consumers. This may provide an experience to shop that may encourage them to also shop for the generation supply for their business. (Final Intermediate Work Plan Order, at 42)

¹¹ Final Intermediate Work Plan Order, at 42.

1 shopping customers in terms of eligibility in the program, only residential default service
2 customers will be targeted for participation.
3

4 **Q. When will Duquesne Light's Opt-In EGS Service Program become effective?**

5 A. In the Tentative Order, the Commission made several recommendations with respect to
6 timing. First, the Commission recommended that the actual start of service under these
7 programs should occur on, or after, June 1, 2013 so as not to tamper with current default
8 service supply contracts and plans.¹² Second, the Commission suggested that, to avoid
9 customer confusion and frustration, the enrollment period should occur as closely as
10 possible to the actual service start date.¹³ In its Final Intermediate Work Plan Order, the
11 Commission stated that the parties generally agree that service for the retail opt-in program
12 should start on, or after June 1, 2013 and therefore the Commission maintained its position
13 to have the retail opt-in service commence on, or after June 1, 2013.¹⁴

14 Duquesne Light has accepted the Commission's recommendations in the Final
15 Intermediate Work Plan Order, and therefore proposes that service under its Opt-In EGS
16 Service Program should occur on, or soon after, June 1, 2013, and that customers should
17 be allowed to enroll in the program and receive service under the program as soon as
18 possible after they choose to enroll.¹⁵
19

¹² Tentative Order, at 31.

¹³ Tentative Order, at 31.

¹⁴ Final Intermediate Work Plan Order, at 54.

¹⁵ In an effort to manage program administrative costs, enrollments would occur on customer billing cycles and follow standard notification and switching procedures.

1 **Q. Describe the product that will be put out to competitive bid.**

2 A. Duquesne Light's plan is consistent with the Commission guidance in the Final
3 Intermediate Work Plan Order¹⁶ – that is, the product will involve a fixed ¢/kWh price that
4 reflects at least 5% off the June 1, 2013 default service PTC and a \$50 EGS bonus
5 payment for customers remaining in the program for three entire billing cycles. The Opt-
6 In EGS Service product would be uniform across winning EGSs (or “Opt-In Suppliers”)
7 based on the RFP market clearing price that I describe later in my testimony. Finally, as
8 acknowledged by the Commission, under this recommended approach, there is always the
9 possibility that the fixed-rate may exceed the default service rate at some point,¹⁷ and
10 Duquesne Light will not assume any liability to compensate customers if the fixed-rate
11 does indeed exceed the default service rate.

12
13 **Q. What is the term of the product Duquesne Light is proposing?**

14 A. Duquesne Light is proposing that EGSs bid a fixed price for a term of 12 consecutive
15 billing cycles. Duquesne Light recognizes that the Commission has recommended that
16 EGSs guarantee the price under the program for six billing cycles.¹⁸ However, Duquesne
17 Light believes that there is good reason to provide a fixed 12-month Opt-In EGS Service
18 price in its particular situation.

¹⁶ “As such, we believe a bonus payment of \$50.00 is a reasonable incentive and should be large enough to attract attention. We agree that customers should have to remain with the program for three entire billing cycles as a condition of receiving the bonus, and customers should then receive the bonus shortly after qualifying for it...[and] we think a fixed-price product is the most reasonable monthly pricing option, and we agree with PECO that the price should be at least 5% off the default PTC at the time of the auction.” (Final Intermediate Work Plan Order, at 70)

¹⁷ “There is always the possibility that the fixed-rate may exceed the default rate at some point, but the bonus payment the customer received will help ameliorate this concern.” (Final Intermediate Work Plan Order, at 70)

¹⁸ Final Intermediate Work Plan Order, at 50.

1 **Q. Why is Duquesne Light proposing a term of 12 billing cycles for the Opt-In EGS**
2 **Service Program?**

3 A. A 12-month program has benefits for both customers and EGSs. From a customer
4 perspective, a 12-month program represents a meaningful period of time that will help
5 increase customer enrollment and will foster overall customer satisfaction with the
6 program. Furthermore, under Duquesne Light's Plan, in addition to the fixed ¢/kWh
7 charge, customers also will be able to know the percentage savings off the PTC through
8 May 31, 2014 at the time they are asked to enroll, because unlike other EDCs, Duquesne
9 Light has proposed an annual default service supply rate that remains constant during the
10 June 1, 2013 through May 31, 2014 period. Duquesne Light plans to conduct fixed-price
11 full requirements default service supply solicitations in the wholesale market that will
12 determine the default service rates prior to the Opt-In EGS Service RFP. Soon after all of
13 the wholesale default service solicitations are completed, Duquesne Light will then
14 conduct the retail opt-in RFP. Therefore, customers will be able to know the percentage
15 savings offer for an extended period when they choose whether to enroll in the Opt-In
16 EGS Service Program.¹⁹ The longer "guaranteed" savings time period should also help
17 alleviate customer concerns about "bait and switch" offers associated with a shorter-term
18 program. Finally, if customers are dissatisfied with the generation price or EGS service,
19 customers can switch back to default service or shop for another EGS at any time during
20 the 12-month Opt-In EGS Service Program.

¹⁹ The Commission notes in the Tentative Order that success of the retail opt-in program depends on customers knowing the precise price of the product at the time they are asked to enroll. This will allow the potential enrollees to know the exact price they will be asked to pay. (Tentative Order, at 32)

1 From an EGS perspective, EGSs also should have an interest in increasing
2 customer participation in the program. By effectively offering customers a percent-off the
3 PTC through May 31, 2014, the Opt-In EGS Service Program is more likely to be
4 attractive from a customer's perspective as it will guarantee that the price he or she is
5 paying will not exceed the utility's default service price for a longer period of time.
6 Second, a fixed ¢/kWh charge (as opposed to a percent off of a changing and uncertain
7 PTC) provides certainty to EGSs. EGSs should be able to quote a fixed price to residential
8 customers for a 12-month period even if the PTC is scheduled to change. In fact, this form
9 of fixed pricing for a 12-month period is similar to the Standard Offer program permitted
10 in the Commission's recommendations. Third, Duquesne Light's Plan to serve residential
11 default service customers relies on annual contracts that reflect energy and capacity prices
12 for a 12-month period. In Duquesne Light's particular situation, a 12-month Opt-In EGS
13 Service Program is consistent with the 12-month residential default service supply rate
14 proposed by the Company.

15 Finally, many parties, including EGSs and Consumer Advocates, have supported a
16 12-month program:

17 The parties reached near unanimous agreement with the Commission's
18 proposal that the length of the Retail Opt-in Auctions be six to twelve
19 months. However, within that timeframe, several parties, including
20 Duquesne, OCA, Citizen Power, Dominion²⁰ and Constellation prefer a
21 twelve-month term. Supporters of a twelve-month program believe that it
22 will guarantee savings for a meaningful period of time and will align with
23 wholesale supply contracts, which generally can be one year. Citizen

²⁰ Dominion Retail has been serving residential customers in Duquesne Light's service area for many years and is among the largest suppliers, and in its comments to the Commission, Dominion states that it believes that the appropriate length for the Opt-In EGS Service program is one year. (Comments of Dominion Retail, Inc. To Tentative Order, Investigation of Pennsylvania's Retail Electricity Market; Intermediate Work Plan, Docket No. 1-2011-2237952, January 17, 2012, at 6.)

1 Power expresses concern that a program that is shorter than twelve months
2 may encourage EGSs to presume that, after the term expires, they can
3 raise rates to above-market prices and capture a premium from customers
4 who are slow to switch.²¹

5 ...in its reply comments, Direct Energy states that it could accept a
6 “guaranteed savings” approach, but only if the PTC is known for the entire
7 12-month term of the program.²²

8 In fact, in its Tentative Order, the Commission proposed that the program term be no
9 shorter than six months and no longer than 12 months.²³ Given that Duquesne Light has
10 proposed a default service supply rate that will not change during a 12-month period, it is
11 appropriate to have a 12-month Opt-In EGS Service Program.

12
13 **Q. But won’t a term of six billing cycles be less risky for EGSs than a 12-month product,**
14 **since a shorter-term product may help protect against the unpredictability of the**
15 **market and may lessen risk premiums that suppliers incorporate into their prices?²⁴**

16 **A.** First of all, unlike other EDCs’ default service rates, Duquesne Light’s default service rate
17 will be held flat at a price reflective of market energy, capacity, and other costs and risks
18 to serve default service customers for a 12-month time period. So, the relationship
19 between the Opt-In EGS Service rate and the default service rate will remain constant
20 during this time period, lessening the risk for EGSs. Second, unlike wholesale full
21 requirements default service suppliers, Opt-In Suppliers will not assume the risk that
22 customers can return to the default service rate at any time throughout the contract period.

²¹ Final Intermediate Work Plan Order, at 48.

²² Final Intermediate Work Plan Order, at 69.

²³ Tentative Order, at 29.

²⁴ Final Intermediate Work Plan Order, at 50.

1 Opt-In Suppliers will not assume this risk due to a limited one-month enrollment period
2 described later. Therefore, all else equal, Opt-In Suppliers should have a lower risk
3 premium than that embedded in the one-year default service rate.

4 Thus, Duquesne Light's proposal is tailored to the unique circumstances of its
5 Plan. A 12-month Opt-In EGS Service Program will more closely align with its proposed
6 12-month default service supply rate for residential customers, while allowing customers
7 to experience known savings for a longer period of time.

8
9 **Q. When can customers enroll in the Opt-In EGS Service Program?**

10 A. The Commission has recommended in its Final Intermediate Work Plan Order and
11 Tentative Order that it is inclined to have a short enrollment period of no longer than a
12 month.²⁵ Duquesne Light will permit residential customers to enroll in the Opt-in EGS
13 Service Program throughout the month of June 2013.²⁶ During the enrollment period,
14 residential customers can enroll in the program on a first-come, first-served basis up to the
15 prescribed customer participation cap that I describe later in my testimony. Duquesne
16 Light will allow service to begin for participating customers on June 1, 2013, or soon
17 thereafter. Once a residential customer enrolls in the program, he or she will begin service
18 according to the same protocols and procedures as any customer switching to an EGS.
19 After June 30, 2013, customers will no longer be permitted to enroll in the program.²⁷

²⁵ Final Intermediate Work Plan Order, at 56; Tentative Order, at 31.

²⁶ Customers will receive information about the program toward the end of May 2013. Opt-In Suppliers will be able to enroll customers immediately through the end of June 2013, but in no instance would supply delivery from an EGS in the program begin prior to the start of DSP VI (or June 1, 2013).

²⁷ Presumably, the Commission recommended that EDCs limit the enrollment period for the Opt-In EGS Service so as to limit the risks of EGSs holding their fixed price offer open for an extended period of time. Winning wholesale

1 **Q. Once customers enroll in the program, will there be any early termination penalties**
2 **or switching restrictions if they decide to switch to another EGS or return to**
3 **Duquesne Light’s default service?**

4 A. No. Customers can exit the program at any time according to the notification and
5 switching protocols in Duquesne Light’s Retail Tariff. The program is structured to allow
6 customers to move freely to alternative EGS offers and to default service without penalties
7 and switching restrictions, as suggested in the Commission’s recommendations.²⁸

8
9 **Q. Has Duquesne Light included a customer participation cap?**

10 A. Yes. Duquesne Light has proposed that customer enrollment in the Opt-In EGS Service
11 Program be limited to 50% of eligible residential customer accounts on default service.
12 The final estimated number of customer accounts eligible will be determined on March 31,
13 2013, prior to conducting the second wholesale default service RFP in April 2013 and the
14 Opt-In EGS Service RFP in May 2013.

15
16 **Q. What is the purpose of the customer participation cap?**

17 A. The Commission has recommended a 50% customer participation cap, because it believes
18 that this provides for a large customer participation pool, while providing transparency to

default service suppliers, on the other hand, must be prepared to serve all residential customers at fixed supply rates throughout the term of their fixed-price full requirements contracts. It is important to note that the Commission’s proposed switching restrictions – with a limited enrollment period and inability of customers to return to the Opt-In EGS Service price – are fundamentally different than Duquesne Light’s default service, which does not have such customer switching limitations. Duquesne Light has accepted the Commission’s recommended customer switching restrictions for the Opt-In EGS Service product, but parties should recognize that the prices obtained in the retail opt-in RFP would not be directly comparable with prices obtained for fixed-price full requirements default service, since the products are different.

²⁸ Final Intermediate Work Plan Order, at 50 and 70.

1 wholesale default service suppliers as they prepare their bids, and while providing some
2 level of certainty to those EGSs opting to participate in the Opt-In EGS Service RFP.²⁹

3
4 **Q. Will CAP customers be eligible to participate in the Opt-In EGS Service Program?**

5 A. No, as described by Duquesne Light witness Sandoe, CAP customers will not be eligible
6 to participate in the Opt-In EGS Service Program.

7
8 **Q. What EGSs will be eligible to submit bids in the opt-in RFP?**

9 A. Consistent with the Commission's recommendation, EGS participation will be voluntary
10 and all appropriately-licensed EGSs will be eligible to submit bids.³⁰ EGSs that
11 participate must accept any and all residential customers that elect to accept the Opt-In
12 EGS Service, subject to the terms and conditions of the program. In addition, in order to
13 submit bids in the program, an EGS must execute an Opt-In EGS Service Agreement with
14 Duquesne Light in which it commits to comply with the pre-approved terms and
15 conditions of the Opt-In EGS Service Program RFP, both of which are provided in Exhibit
16 NSF-2.

17
18 **Q. Does the program include a supplier participation cap?**

19 A. Yes. In the Final Intermediate Work Plan Order and the Tentative Order, the Commission
20 recommended that EDCs impose a supplier participation cap and use of a tranche
21 structure, similar to the structure used in wholesale default service solicitations, in order to

²⁹ Final Intermediate Work Plan Order, at 57-61.

³⁰ Final Intermediate Work Plan Order, at 45; Tentative Order, at 27.

1 facilitate participation from a diversity of EGSs and allow smaller EGSs to bid on a
2 portion of the eligible customer accounts.³¹ Duquesne Light has adopted these
3 recommendations and has included a 50% supplier participation cap as implemented
4 through a tranche structure.

5
6 **Q. Please describe the structure of the Opt-In EGS Service RFP bid process.**

7 A. Duquesne Light proposes to use a sealed bid RFP structure that would establish a single
8 market clearing price.³² Participating EGSs will submit a binding bid as a fixed ¢/kWh
9 price to provide electric service for residential customers for 12 consecutive billing cycles
10 beginning on or after June 1, 2013. Qualified EGSs would be able to bid to supply
11 between one (10%) and five (50%) tranches of the eligible residential customer accounts.
12 A bidder could bid up to five tranches at the same price or could submit different prices for
13 each tranche,³³ but in no instance would a single supplier be permitted to win more than
14 5 tranches (50%) of the eligible default service customers. Based on the prices offered in
15 the RFP, Duquesne Light could accept all, some, a portion, or none of the tranches offered
16 by the EGS. The tranche structure also provides that no winning bidder will be allocated

³¹ “This balance is between ensuring a diverse array of EGSs are able to participate and to enjoy the potential benefits of the Retail Opt-in Auctions while providing for the lowest pricing possible to consumers. The Commission continues to believe that a 50% supplier participation load cap is appropriate in achieving this balance. A cap that is lower than 50%, such as the 25%-33% range proposed by multiple parties, may result in an increased price. Further, caps in the 25%-33%, in a worst-case scenario, may result in a situation in which not all of the tranches are fully subscribed. We agree that a cap higher than 50% increases the possibility that only a few EGSs participate and serve customers in the Retail Opt-in Auctions,” (Final Intermediate Work Plan Order, at 63-64; Tentative Order, at 35)

³² As the Commission noted in the Tentative Order, there was general agreement by all parties that a sealed bid process would be less expensive and easier to implement than a descending clock auction. However, the Commission also remarked that there did not appear to be strong arguments to support choosing a sealed bid process versus a descending clock auction, and as a result, did not prescribe a particular approach. Tentative Order, at 41. Also see Final Intermediate Work Plan Order, at 77-78.

³³ This allows bidding EGSs the flexibility to offer lower prices (or higher discounts) for a smaller portion of the load.

1 less than 10% of the eligible default service customers (unless a bidder bids on one tranche
2 and there is a tie to serve the last tranche).

3
4 **Q. Will EGSs that bid in this process be able to know the default service supply rate for
5 the first year of the DSP VI period?**

6 A. Yes, Duquesne Light anticipates conducting the bidding in May 2013, after the results of
7 the final default service RFP for the first-year supply have been approved by the
8 Commission.³⁴ As a result, the default service supply rate for the June 1, 2013 through
9 May 31, 2014 period will be known at the time of the opt-in RFP.

10
11 **Q. Describe how Opt-In Suppliers will be selected.**

12 A. Duquesne Light will accept the EGS bids corresponding to the lowest fixed prices (*i.e.*, the
13 greatest amounts of customer savings) until all ten tranches are filled. The single market
14 clearing price will be set equal to the highest of the accepted winning bids needed to fill all
15 of the tranches. The winners of the solicitation will be determined based solely on price
16 among eligible bidders. In the event of a tie in which the tranches cannot be fully awarded
17 between one or more bidders, the customer accounts will be divided on a pro rata basis
18 based on the number of tranches bid at that price level among the winning EGSs for the
19 remainder of the supply.

20
21 **Q. Will EGS bidders be required to offer a minimum discount off the PTC?**

³⁴ Duquesne Light's transmission service charge, which is also included in the PTC, is typically adjusted annually and filed with FERC on or about May 15th of each year.

1 A. Yes, bidders will be required to offer at least a 5% discount off the applicable known PTC
2 at the time of their bid. In addition, as recommended by the Commission, Duquesne Light
3 will require participating EGSs to offer a \$50 bonus payment to customers that remain in
4 the program for three entire billing cycles.³⁵ Opt-In Suppliers will be responsible for
5 paying the bonus to customers shortly after customers qualify for the bonus.

6
7 **Q. Please provide an example of how the Opt-In Suppliers will be selected and their**
8 **percentage allocation of eligible customers will be established.**

9 A. Suppose there are three winning EGSs. EGS A offers the lowest fixed price (or highest
10 level of customer savings) and bids on 5 tranches (50%), while EGS B and EGS C offers
11 the next lowest price, but bids on 5 (50%) and 3 (30%) tranches, respectively. If EGS B
12 and C have equal offer prices, then the customer accounts will be allocated as follows:

³⁵ Final Intermediate Work Plan Order, at 70.

1 **Figure 3 Allocation of Customer Accounts in Opt-In EGS Service (Illustrative Example)**

Winning Bids (with highest level of customer savings)	Tranches Bid	Allocation of Customer Accounts
EGS A (lowest price)	5 (50%)	50%
EGS B (next lowest price but tied with EGS C)	5 (50%)	31.25% ($5/8 * 50%$)
EGS C (next lowest price but tied with EGS B)	3 (30%)	18.75% ($3/8 * 50%$)
Market Clearing Price = EGS B offer = EGS C offer		100%

2 All offers to customers in the Opt-In EGS Service Program would be at the same market
 3 clearing price. That is, EGS A, EGS B, and EGS C would offer customers the same fixed
 4 price, which in this example would be the tie bid of EGS B and EGS C.

5
 6 **Q. Would the Commission approve the results of the retail opt-in RFP?**

7 A. Yes, Duquesne Light proposes to use a similar approval process as that used for default
 8 service supply solicitations. In the event that there are no EGS bids awarded for the RFP,
 9 either by lack of participation or Commission rejection, then the Opt-In EGS Service
 10 Program will not be available to customers.

11

1 **Q. Has Duquesne Light adopted the Commission’s recommendation in the Final**
2 **Intermediate Work Plan Order that the RFP for the Opt-In EGS Service will be a**
3 **one-time event?**³⁶

4 A. Yes.

5
6 **Q. Can you provide an example of how the customer participation cap and supplier**
7 **participation cap will be applied?**

8 A. Certainly. There are about 526,000 residential customer accounts in Duquesne Light’s
9 service area. Currently, there are about 190,000 of these accounts shopping and 37,000
10 CAP customers, leaving about 300,000 eligible customers on default service. All of the
11 eligible default service customers will receive the standard Opt-In EGS Service offer
12 letter, except for those residential default service customers that have recently in 2012
13 affirmatively instructed Duquesne Light not to release their address to EGSs.³⁷ The
14 customer participation cap will equal 50% of the eligible default service customers, or
15 roughly 150,000 residential customer accounts assuming no change in shopping.³⁸ All
16 eligible customers will be allocated randomly among the Opt-In Suppliers but in
17 proportion to the number of tranches they are awarded. Customers can enroll in the
18 program on a first-come, first-served basis up to their supplier participation cap. The table

³⁶ Final Intermediate Work Plan Order, at 43.

³⁷ Duquesne Light is currently in the process of “re-asking” customers to affirmatively elect whether to withhold their customer information from EGSs.

³⁸ Note that non-targeted residential customers (*e.g.*, shopping customers and customers that recently have requested not to release their customer information to EGSs) could also enroll in the Opt-In EGS Service program if they hear about the program through other means than the offer letter.

1 below illustrates how the customer and supplier participation caps would be determined
 2 based on current levels of residential shopping.

3 **Figure 4 Customer and Supplier Participation Caps in Opt-In EGS Service Program**
 4 **(Illustrative Example)**

	<u>Customer Accounts</u>	<u>% of Total Customer Accounts</u>		
Total Residential	526,423	100%	(as of March 2012)	
- Currently Shopping	190,219	36%		
- CAP Customers on Default Service	<u>37,280</u>	7%		
Eligible Customers on Default Service <u>_1/</u>	298,924	57%		
Customer Participation Cap (50%) <u>_2/</u>	149,462	28%		
<u>Winning EGSs</u>	<u>EGS A</u>	<u>EGS B</u>	<u>EGS C</u>	<u>Total</u>
Tranche Share	50%	31.25%	18.75%	100%
Supplier Participation Cap <u>_2/</u>	74,731	46,707	28,024	149,462
<u>_1/</u> All customers on default service would receive the Opt-In EGS Service offer letter, except CAP customers and residential default service customers that have recently (in 2012) affirmatively instructed Duquesne Light not to release their address to EGSs.				
<u>_2/</u> Default service customers can enroll with an EGS in the Opt-In EGS Service program on a first-come, first-served basis.				

5
 6 This table will be finalized to reflect current information available as of March 31, 2013,
 7 so that both prospective wholesale default service and EGS bidders will know the size of
 8 the cap prior to bidding in the RFPs.

9
 10 **Q. If the Opt-In EGS Service Program were fully subscribed, what would this mean for**
 11 **total levels of residential customer shopping in the Duquesne Light service area?**

12 **A.** If the Opt-In EGS Service Program were fully subscribed, based on current levels of
 13 shopping, this would result in approximately 65% of Duquesne Light's default service

1 residential customer base receiving electric service from an EGS. This would place
2 Duquesne Light's residential switching level within the top five in the United States. (See
3 Exhibit NSF-1.) As a result, reaching this customer participation cap during the one-
4 month enrollment period would result in much higher levels of residential shopping than
5 the levels achieved by utilities in most other service areas in the country.
6

7 **Q. Could more customers shop even if the Opt-In EGS Service Program is fully**
8 **subscribed?**

9 A. Of course. Retail shopping above the customer participation cap could be achieved to the
10 extent that EGSs offer other products and services in the normal course of their business.
11

12 **Q. How will customers learn about and enroll in the Opt-In EGS Service?**

13 A. As recommended in the Final Intermediate Work Plan Order, Duquesne Light will be
14 responsible for sending the Opt-In EGS Service Program offer letters to the targeted
15 customers.³⁹ This letter will provide customers with key features of the Opt-In EGS
16 Service offer, including the fixed price (and could also provide customers with the
17 percentage savings off the PTC through May 31, 2014), the \$50 bonus payment, and other
18 product terms and conditions, as well as how to enroll in the program. Opt-In EGS
19 Service offer letters will be distributed toward the end of May 2013.⁴⁰ Customers could
20 then elect to opt-in to the program on a first-come, first-served basis subject to the

³⁹ Final Intermediate Work Plan Order, at 84.

⁴⁰ The timing of the customer mailings will be established such that in no event will EGS supply service under the program begin prior to the start of DSP VI.

1 customer participation caps described above. Duquesne Light witness Sandoe describes
2 the Company's role in the customer enrollment process in her testimony. Opt-In Suppliers
3 will follow the enrollment and switching procedures described in Duquesne Light's Retail
4 Tariff and Electric Generation Supplier Coordination Tariff ("Supplier Tariff"), as well as
5 any conditions of program participation as specified in Opt-In EGS Service Program RFP
6 and Agreement. As today, EGSs must submit a switching request via an appropriate
7 Electronic Data Interchange ("EDI") transaction for each customer enrolled.

8
9 **Q. Would customers receive different price offers depending on which Opt-In Supplier**
10 **was assigned to a particular customer?**

11 A. No. All Opt-In Suppliers in the program will offer their respective customers a uniform
12 price that is equal to the single market clearing price in the Opt-In EGS Service RFP. This
13 will avoid complications and customer confusion if a neighbor or colleague received a
14 letter to participate in the Opt-In EGS Service with a different level of customer savings.

15
16 **Q. If a shopping residential customer who did not receive a letter wants to enroll in the**
17 **Opt-In EGS Service or a customer who did receive a letter wants to enroll with**
18 **another Opt-In Supplier, can they do so?**

19 A. Yes, subject to the first-come, first-served enrollment period and the customer and supplier
20 participation caps.

21
22 **Q. Is there anything to prevent an EGS on its own from offering additional or similar**
23 **savings to customers?**

1 A. No. EGSs, both Opt-In Suppliers and EGSs that do not win the RFP, can continue to offer
2 and market retail offers in their normal course of business. Those offers, however, would
3 not be made under this program and would not be permitted to use the Duquesne Light
4 logo.

5
6 **Q. Will the results of the Opt-In EGS Service Program be reported to the Commission?**

7 A. Yes, the results will be reported to the Commission consistent with the Commission's
8 recommendations.⁴¹ Specifically, Duquesne Light will file a brief report with the
9 Commission that includes: (1) the number of participating customers and the percentage of
10 the residential customer class this number represents; (2) the participating suppliers; (3)
11 the rate being charged to program participants; and (4) a brief description of customer
12 feedback based on any calls received by the utility, including a summary of concerns
13 and/or questions posed by callers. Additionally, within 90 days of the program's
14 conclusion, Duquesne Light will submit a second report to the Commission that includes:
15 (1) the number of participating customers and the percentage of the residential customer
16 class this number represents; (2) how many of the participating customers returned to
17 default service during the course of the program; (3) how many of the participating
18 customers returned to default service at the conclusion of the program; and (4) a brief
19 description of customer feedback based on any calls received by the utility, including a
20 summary of the concerns or questions posed by callers; and (5) a summary of Duquesne
21 Light's costs associated with the program. To the extent necessary, the program RFP

⁴¹ Final Intermediate Work Plan Order, at 83-84.

1 terms and conditions require that each Opt-In Supplier cooperate in the preparation of
2 these reports to the Commission. These reports will allow the Commission to better assess
3 the relative benefits and costs of this new retail market initiative.

4
5 **Q. Please describe the customer options at the end of the one-year period when the Opt-
6 In EGS Service product terminates.**

7 A. Customer options and related procedures will reflect the guidance provided in the
8 Commission’s relevant orders. The Final Intermediate Work Plan Order states:

9 The Commission maintains its determination that, upon expiration of the
10 Retail Opt-in Auction program term, a customer who makes no other
11 choice – does not (1) renew the contract with the current EGS; (2) switch
12 to a new EGS; or (3) return to EDC-provided default service – will remain
13 on a month-to-month contract with his or her current EGS, without the
14 risk of the imposition of termination penalties or fees.⁴²

15 ...any EGS participating in the retail auction program must provide the
16 notices mandated in our renewal notice guidelines. Those guidelines
17 provide that each customer will receive two notices; an initial notice 52-90
18 days before the end of the program followed by a more detailed “options
19 notice” at least 45 days before the program ends. The options notice will
20 provide new terms and conditions, pricing, other options and a date by
21 which the customer must take action.⁴³

22 The Commission has stated that program participants should be treated no
23 differently than any other shopping customer when the program ends, and that the
24 Commission’s renewal notice guidelines should be fully applied.⁴⁴ Opt-In Suppliers in the
25 program will be responsible for providing these notices to customers at their own expense.

⁴² Final Intermediate Work Plan Order, at 75.

⁴³ Final Intermediate Work Plan Order, at 73.

⁴⁴ Tentative Order, at 40.

1 The options notice, per the guidelines, must provide detailed information as to the new
2 terms and conditions, including the price (which can be variable or fixed), information on
3 their other options (including shopping for a new supplier and a referral to
4 PAPowerSwitch.com and www.oca.state.pa.us) and a date by when the customer must act.
5 Additionally, per the guidelines, if the customer does not affirmatively respond to the
6 notices, the supplier can impose new terms and conditions, as long as the new product is a
7 month-to-month product with no early termination fee.⁴⁵ The Commission noted that there
8 is no requirement for an EGS to continue service with a customer after the program ends.
9 Such an EGS would still need to provide customers with the standard two notices
10 informing them that they may not be receiving service from that EGS beyond a certain
11 date and providing them with their options.

12
13 **Q. Do you have any concerns about what happens to customers at program expiration?**

14 A. Yes, I am concerned with the Commission's recommendation regarding what happens to
15 customers upon program expiration. In particular, if a customer fails to understand, pay
16 attention, or act upon the Opt-In Supplier notices and take any action at the end of the
17 program, the customer could automatically be enrolled in a month-to-month rate that is
18 potentially higher than the default service rate, more volatile, and not subject to any
19 regulatory oversight.

20 Despite this concern, Duquesne Light accepts the Commission's recommendation
21 that customers remain with the EGS upon program expiration if they do not affirmatively

⁴⁵ As with any other EGS service, the Opt-In Suppliers would be responsible for notifying Duquesne Light of any changes in their monthly pricing per the Supplier Tariff.

1 elect otherwise. However, Duquesne Light wants to clarify that Opt-In Suppliers will be
2 required to inform customers prior to the expiration of the Opt-In EGS Service of their
3 options:

- 4 a) To remain with the Opt-In Supplier on a monthly product without any customer
5 switching restrictions absent any customer action, or
- 6 b) To affirmatively elect:
 - 7 i. Remaining with the Opt-In Supplier under a new contract,
 - 8 ii. Switching to another EGS; or
 - 9 iii. Returning to Duquesne Light's default service.

10 In sum, Duquesne Light believes that customers should be fully informed of their options
11 prior to the end of the 12-month period.

12
13 **Q. Under Duquesne Light's Plan, who will bear the cost of the Opt-In EGS Service**
14 **Program?**

15 A. Opt-In Suppliers will be responsible for the costs of the program.⁴⁶ As described by
16 Duquesne Light witness Pfrommer, the cost of the RFP process, including the cost of the
17 independent evaluator, the development and mailing of the offer letters, and other aspects
18 of the program will be recovered by Duquesne Light from the Opt-In Suppliers. In the
19 event that the RFP process does not result in any winning EGSs, the costs of the program
20 will be recovered by Duquesne Light through the POR administrative discount for EGSs
21 serving residential customers.

⁴⁶ This is consistent with the Final Intermediate Work Plan Order at 84-85.

1 **b) Duquesne Light's Plan Includes a Standard Offer Customer Referral Program**

2 **Q. Please provide an overview of the Standard Offer Program.**

3 A. According to the Commission, the Standard Offer is designed to be a more robust
4 customer referral program in which customers that call Duquesne Light would be given
5 the opportunity to voluntarily “opt-in” for a program in which several EGSs would
6 participate and offer some form of generation product that would include a discount off of
7 the current PTC for a stated period of time.⁴⁷ The Commission’s Final Intermediate Work
8 Plan Order provides several guidelines for implementation of this type of program:

- 9 1. The Standard Offer should be voluntary for customers, (*i.e.*, “opt-in”), as well as
10 for participating EGSs.
- 11 2. The Standard Offer will target/market residential default service customers;
12 however, residential shopping customers will not be excluded if they specifically
13 request to participate. At this time, CAP customers should be excluded from the
14 Standard Offer.
- 15 3. The Standard Offer should be a constant ¢/kWh price that represents a 7%
16 reduction from the applicable PTC that is known at the time of the offer.
- 17 4. The Standard Offer should be provided for a minimum of four months, but should
18 not exceed one year.
- 19 5. The Standard Offer and its term should be uniform within Duquesne Light’s
20 service territory.
- 21 6. Customers may choose to be assigned to an EGS of their choice or may choose to
22 be assigned to an EGS using a fair and impartial process.
- 23 7. The terms and conditions of the Standard Offer must be presented to customers
24 before they decide to enter the program.
- 25 8. The Standard Offer should be presented during customer contacts to the Duquesne
26 Light call center, other than calls for emergencies, terminations and the like.

⁴⁷ Final Intermediate Work Plan Order at 14.

- 1 9. Once a customer chooses to enroll in the Standard Offer, the enrollment will be
2 forwarded to the EGS for EDI processing.
- 3 10. At the time of the first contact between the EGS and the customer, the customer
4 will be reminded of the terms and conditions of the Standard Offer, including the
5 date by which the customer must take action to exercise his or her options at the
6 end of the term.
- 7 11. There will be no termination penalty or fee imposed at any time during the
8 effective period of the Standard Offer.
- 9 12. All existing customer notification requirements apply, including notices and the
10 timing of those notices relating to proposed changes in the terms and conditions of
11 the EGS-customer relationship.
- 12 13. At the conclusion of the Standard Offer period, absent affirmative customer action
13 to enter into a new contract with the EGS, the customer's enrollment with a
14 different EGS or the customer's return to default service, the customer will remain
15 with the EGS on a month-to-month basis, and shall not be subject to any
16 termination penalty or fee.
- 17 14. The bulk of the costs, including the costs of maintaining the referral programs once
18 they are put into place, should be the responsibility of the participating EGSs. (The
19 Commission also found that PECO's proposal to recover program costs through the
20 discount on the POR appears to be acceptable.)⁴⁸

21 Duquesne Light's proposal largely follows these guidelines.

22

23 **Q. The Commission recommends that the Standard Offer should be provided for a**
24 **minimum of four months, but should not exceed one year. What term is Duquesne**
25 **Light proposing in its Plan?**

26 A. Duquesne Light is proposing that EGSs offer customers a fixed price for 12 billing cycles
27 (months). This will provide residential customers with greater price stability and is likely

⁴⁸ Final Intermediate Work Plan Order, at 31-32.

1 to be more attractive to customers than an offer of temporary savings.⁴⁹ If customers are
2 dissatisfied with the generation price or EGS service, customers can shop for another EGS
3 or switch back to default service at any time during the 12-month Standard Offer Program.
4 In addition, once a Standard Offer Supplier begins serving a customer under the Standard
5 Offer Program, there is nothing to prevent that supplier from offering that customer
6 alternative supply products under different terms and conditions. I believe a 12-month
7 program is better for customers and is more likely to encourage customer participation
8 than a program limited to only four months and will help alleviate customer concerns
9 about “bait and switch” offers associated with a shorter-term program.
10

11 **Q. When would the Standard Offer Program be implemented?**

12 A. The Commission’s recommendations do not provide a specific date for implementation of
13 the Standard Offer Program, except that it directs that proposals included in its Final
14 Intermediate Work Plan Order be implemented prior to the expiration of the EDC’s next
15 default service plan, unless otherwise specified.⁵⁰ Under Duquesne Light’s Plan, customer
16 referrals will begin on June 1, 2014, and will be provided continuously throughout the
17 remainder of the DSP VI period subject to the conditions of the program.
18

⁴⁹ Dominion Retail states that the "standard offer" should be a three-month fixed price offer with no cancellation fees, but then comments that it would be appropriate to require supplier's participating in this program to offer a one year fixed price as one of the renewal options to consumers after the expiration of the initial three month offer. However, it is not clear from their proposal whether the one-year product offering would include any cancellation or switching penalties or provide any savings to customers. (Comments of Dominion Retail, Inc. To Tentative Order, Investigation of Pennsylvania's Retail Electricity Market; Intermediate Work Plan, Docket No. 1-2011-2237952, January 17, 2012, at 5.)

⁵⁰ Final Intermediate Work Plan Order, at 2.

1 **Q. Why isn't the Company starting the Standard Offer Program on June 1, 2013?**

2 A. There are several reasons. First, as Duquesne Light witness Wolfe explains, the Company
3 is in the process of making a significant investment in a new customer information system
4 (FOCUS), the first phase of which is currently scheduled to be operational at the start of
5 DSP VI. Once the first phase of this project is operational, Duquesne Light is committing
6 as a part of this filing to perform additional work to the new system to allow accelerated
7 switching of new or moving customers onto EGS service. These modifications to the IT
8 system are not expected to be available and tested until 2014.

9 Second, the Standard Offer Program has the potential to impact the risk premiums
10 included in the RFP bids of both wholesale default service suppliers and EGS Opt-In
11 Suppliers. Duquesne Light's wholesale default service suppliers and EGS Opt-In
12 Suppliers are required to allow customers to freely move off of their service without early
13 termination penalties or switching restrictions. The Standard Offer Program is intended to
14 facilitate shopping, and while targeted toward non-shopping default service customers,
15 other residential customers who become aware of these offers can participate. If Opt-In
16 Suppliers offer a 5% discount and Standard Offer Suppliers then offer a 7% discount,
17 customers could easily migrate off the Opt-In EGS Service, especially after receiving the
18 \$50 bonus payment. Sequencing these retail market initiatives may therefore help to
19 reduce both wholesale default service supplier and EGS Opt-In Supplier risk premiums
20 during the first year of DSP VI.

1 Third, Duquesne Light wishes to avoid the customer confusion associated with
2 having simultaneous Opt-In EGS Service and Standard Offer Programs.⁵¹ Customers
3 could easily be confused by two similar programs operating simultaneously.

4 Fourth, Duquesne Light anticipates that the Standard Offer Program is likely to be
5 the most expensive and have the biggest impact on customer service times of the proposed
6 retail market initiatives due to the scope of potential involvement of call center
7 representatives on an on-going basis. The call center scripts for the Standard Offer have
8 not yet been developed and it is not yet clear how much detail will have to be provided to
9 customers on the phone to enroll a customer in the Standard Offer Program and the impact
10 this will have on customer service times. Therefore, starting the Standard Offer later will
11 allow the Company to obtain more information about the call center costs and customer
12 service impacts of implementing the program.

13 Finally, sequencing the Opt-In EGS Service and the Standard Offer Programs in
14 this manner will allow the Commission to more easily measure the relative benefits and
15 costs of the two retail market initiatives.

16
17 **Q. Which EGSs will be eligible to participate in the Standard Offer Program?**

18 A. The requirements will be the same as the Opt-In EGS Service, except there will be no
19 supplier participation cap. As with the Opt-in EGS Service Program, participating EGSs
20 will be required to agree to standard terms and conditions in order to participate in the

⁵¹ Exelon states in its comments that implementing the retail opt-in program at the same time as other market-enhancing programs may lead to customer confusion and recommends implementing and assessing the success of the other programs first. AARP/PULP/CLS also advise the Commission not to implement the retail opt-in program and customer referral programs at the same time as to avoid confusing consumers. (Final Intermediate Work Plan Order, at 36)

1 Standard Offer Program, and customers will be permitted to switch to other EGSs or back
2 to default service without penalty. These standard terms and conditions are provided in
3 the Standard Offer Program Rules and Standard Offer Supplier Agreement shown in
4 Exhibit NSF-3.

5
6 **Q. How many EGSs could participate in the program?**

7 A. Depending on the level of EGS interest and market conditions at any point in time, there
8 could be many EGSs, one EGS, or no EGSs participating in the program. In general, if
9 market prices were to decline after the default service supply rates are established, I would
10 expect more EGSs to participate, and if market prices were to increase after the default
11 service supply rates were established, I would expect fewer EGSs to participate. In order
12 to facilitate operation and coordination with Duquesne Light's call center, Duquesne Light
13 will activate Standard Offer Suppliers for whole calendar months.⁵²

14
15 **Q. How will the price for the uniform Standard Offer product be established?**

16 A. Per the Commission's guidance, it will be administratively set on a fixed ¢/kWh basis such
17 that it results in a 7% reduction off the applicable PTC that is known at the time the
18 Standard Offer is made.⁵³

⁵² An applicant must be deemed qualified by Duquesne Light at least ten business days before the first day of the next calendar month in order to be activated as a Standard Offer Supplier for that month. Similarly, a Standard Offer Supplier may request removal from the list of Standard Offer Suppliers upon written notice to Duquesne Light with at least ten business days before the first day of the next calendar month. Absent a request to be removed from the list, Standard Offer Suppliers will continue to be listed from month to month.

⁵³ Duquesne Light was originally contemplating that the size of the discount be determined based on a competitive bidding process that would be conducted monthly in an effort to maximize customer savings in the program. The

1 **Q. Why is a fixed price in cents per kWh appropriate for the Standard Offer?**

2 A. Participating EGSs will not always know what the PTC is for the entire upcoming 12-
3 month period. Most EGSs should have the capability to offer a fixed price in cents per
4 kWh based on their expectations about market prices.

5
6 **Q. When customers call Duquesne Light, will they be able to know the percentage
7 discount off the PTC if they select the Standard Offer?**

8 A. Yes, the prescribed 7% discount will be known, but only for a limited period of time in
9 which the PTC is known. The fixed rate offered by Standard Offer Suppliers could turn
10 out to be higher or lower than future PTCs.

11

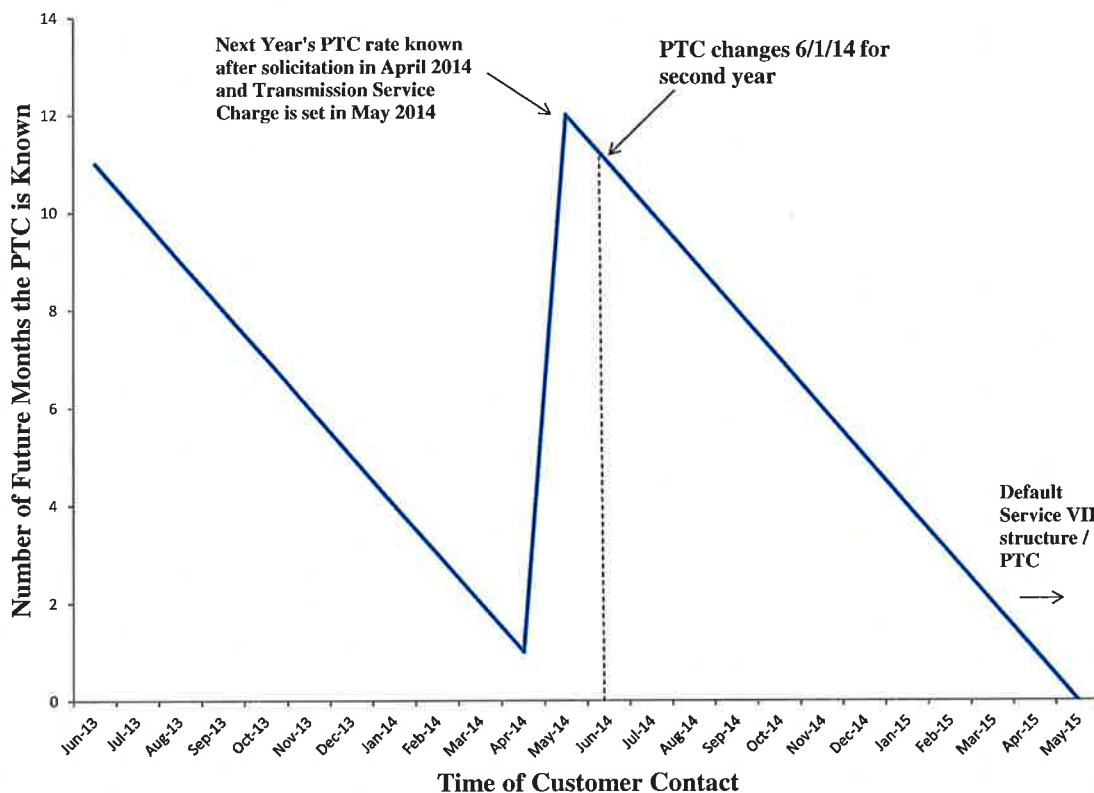
12 **Q. Please explain.**

13 A. In Duquesne Light's Plan, the residential default service supply rate changes at the start of
14 DSP VI (June 1, 2013), at the start of the second year of the Plan (June 1, 2014), and at the
15 end of the Plan (June 1, 2015). As described by Duquesne Light witness Wilson, the
16 supply rate during the Plan will be determined by a series of RFPs, which by April 2013
17 will fully satisfy residential default service requirements for the first year of the plan.
18 Similarly, by April 2014 the RFPs will have been conducted that will fully satisfy
19 residential default service requirements for the second year of the plan. Therefore, at any
20 given time, the PTC for the entire 12-month period may not be known. The chart below
21 illustrates graphically the number of future months for which the PTC is largely known at

Company, however, has modified its proposal to comply with the recommendations in the Final Intermediate Work Plan Order (at 31).

1 any point in time.⁵⁴ As shown in the chart, a customer that calls in June 2014 will know
 2 the level of the PTC for the next 11 months (July 2014 through May 2015), while a
 3 customer that calls in April 2015 will only know the level of the PTC for the next month
 4 (May 2015).

5 **Figure 5 At the Time of Customer Contact the Number of Future Months the PTC is**
 6 **Known**



7
 8 As shown above, at certain times the PTC is known for only one or a few months into the
 9 future. In such cases, the 7% “guaranteed savings” may only be available to customers for
 10 a limited period of time. Since Duquesne Light’s Standard Offer Program starts June 1,

⁵⁴ The State Tax Adjustment Surcharge (“STAS”), which is included in the PTC, can change periodically but is relatively very small.

1 2014 and the supply rate in the PTC will remain constant for 12 months, this issue only
2 becomes relevant at the end of the DSP VI period.⁵⁵ In any event, if percentage discount
3 savings are described to customers, it is important that it be clearly communicated that
4 these discounts are guaranteed for a limited future period of time in which the PTC is
5 known.

6
7 **Q. Do you have any concerns with this process?**

8 A. Yes, I am concerned about the possibility that as we approach the end of DSP VI, the
9 Duquesne Light call center could be used to recommend a fixed rate to customers that,
10 while 7% lower than the current PTC for a limited period of time (*e.g.*, one month), is
11 known to be higher than a future PTC not yet in effect. For example, when a customer
12 calls in April 2015, Duquesne Light could refer a customer to a Standard Offer fixed price
13 that provides 7% savings for May 2015, but that is known to exceed the PTC one month
14 later in June 2015. In this case, customers could experience Standard Offer savings for
15 only about a month. In general, I do not believe it would be appropriate to use the EDC
16 call center to recommend a rate to customers that is *known* to be higher than some future
17 PTC.

18
19 **Q. What if no EGSs are willing to offer a 7% discount off the PTC at any point in time?**

20 A. If no EGSs are able to offer this discount relative to the Company's known applicable
21 PTC, the Company will not make customer referrals for the Standard Offer product.

⁵⁵ A similar situation could occur as we approach June 1, 2014 if Duquesne Light were required to implement its Standard Offer Program earlier than proposed.

1 However, eligible Standard Offer calls still will be referred to available supplier offers at
2 www.PAPowerSwitch.com.

3
4 **Q. Under what circumstances will customers be referred to a Standard Offer Supplier?**

5 A. Duquesne Light witness Sandoe describes the calls that will be referred to the Standard
6 Offer in her testimony. As she explains, the Standard Offer will be presented to non-
7 shopping residential customers that call Duquesne Light 1) to initiate or move service, 2)
8 to discuss choice questions, 3) to resolve high bill concerns, or 4) that initiate customer
9 inquiries about the Standard Offer Program. She also notes that any customer, including
10 shopping customers, could request information about the Standard Offer.

11
12 **Q. Will the Standard Offer Program operate indefinitely?**

13 A. Unlike the Opt-In EGS Service Program, which is a one-time RFP, the Standard Offer will
14 be offered on an on-going basis for the remainder of the DSP VI period. However, if
15 residential shopping in Duquesne Light's service area reaches two-thirds (67%) or more of
16 customer accounts, then Duquesne Light would suspend new customer referrals to the
17 Standard Offer for the remainder of the DSP VI period. If this threshold were met,
18 Duquesne Light would provide written notice at least ten business days before the first day
19 of the next calendar month to participating EGSs, the Commission, and the Office of
20 Consumer Advocate before new customer referrals to the Standard Offer were suspended
21 at the start of the next calendar month. Customers already enrolled in the Standard Offer
22 Program would continue to be eligible to receive service with their EGSs according to the
23 terms and conditions of the program for the entire 12-month billing cycle period.

1 **Q. Why is Duquesne Light proposing a customer participation cap for the Standard**
2 **Offer Program?**

3 A. The reasons are similar to the rationale for the customer participation cap recommended by
4 the Commission for the Opt-In EGS Service Program.⁵⁶ The cap has the potential to
5 reduce bidder risk premiums in the wholesale default service solicitations and directly
6 benefit default service customers. At the same time, the cap would only be binding if
7 there was a significant increase in residential customer shopping in Duquesne Light's
8 service area. If Duquesne Light were to reach switching levels equal to the proposed
9 customer participation cap, this would place Duquesne Light's residential switching level
10 within the top five in the United States. (See Exhibit NSF-1.) Thus, the cap serves a
11 valuable purpose but is not likely to be binding or too restrictive. Furthermore, if the cap
12 was reached, it would no longer be necessary to jump-start competition. The Standard
13 Offer cap is intended to strike a balance between customer interests to avoid unnecessary
14 premiums in the default service price while attempting to encourage high levels of
15 shopping with a new retail market initiative. If this initiative proves successful and cost-
16 effective, the need for the Standard Offer Program and the level of the cap could be
17 reconsidered in a future proceeding, but in the meantime, I believe it is prudent to establish
18 the cap in order to reduce the potential for unnecessary costs and risk premiums to be
19 imposed on customers during the DSP VI supply period.

⁵⁶ "...the Commission proposed a participation cap of 50% of an EDC's default service customer base for the Retail Opt-in Auctions. The Commission stated a customer participation cap would be an appropriate and useful mechanism for providing transparency to wholesale suppliers. We proposed that the cap be set at a date before the start of the auction in order to provide participating EGSs with an indication of the potential number of customer participants." (Final Intermediate Work Plan Order, at 57)

1 **Q. Could more customers shop even if the Standard Offer Program is fully subscribed?**

2 A. Of course. Retail shopping above the customer participation cap could be achieved to the
3 extent that EGSs offer products and services in the normal course of their business.

4

5 **Q. Will CAP customers be eligible to participate in the Standard Offer Program?**

6 A. No. As described by Duquesne Light witness Sandoe, Duquesne Light does not propose
7 that CAP customers be included in the Standard Offer Program.

8

9 **Q. What will happen at the end of the 12-month Standard Offer period?**

10 A. The same rules and procedures as described above for the Opt-In EGS Service would
11 apply.

12

13 **Q. Will the results of the Standard Offer be reported to the Commission?**

14 A. Yes, in order to monitor the success of the Standard Offer Program, Duquesne Light will
15 produce a confidential report to the Commission and the Office of the Consumer
16 Advocate, with the report submitted within 90 days after Duquesne Light has operated the
17 program for twelve months. In order to obtain statistics to prepare this report, Standard
18 Offer Suppliers shall provide information on a monthly basis in the form of electronic
19 reports to Duquesne Light, including, for each offer month, the number of accounts that
20 enrolled in the program for the offer month, the number of accounts that have dropped
21 from the program in each month before the end of the 12-month Standard Offer period;
22 and the number of accounts retained by the EGS at the time of the report. Duquesne Light
23 also will include a summary of the costs that it incurred to develop and administer the

1 Standard Offer Program. This report will allow the Commission to better assess the
2 relative benefits and costs of this new retail market initiative.

3
4 **Q. Under Duquesne Light's Plan, who will bear the cost of the Standard Offer
5 Program?**

6 A. As described by Duquesne Light witness Pfrommer, the initial and ongoing costs of the
7 Standard Offer Program will be recovered by Duquesne Light through the POR
8 administrative discount on EGSs serving residential customers.⁵⁷

9
10 **Q. What if an Opt-In Supplier or Standard Offer Supplier defaults during the 12-month
11 period when the EGS is offering either product?**

12 A. In the event of an EGS default during the 12-month period, the participating customers
13 will be returned to default service and pay the then applicable default service rate.

14
15 **Q. Mr. Fisher, would Duquesne Light's EGS affiliate be allowed to participate in the
16 Opt-In EGS Service RFP and Standard Offer Program?**

17 A. Yes. All qualified suppliers who satisfy uniform qualification requirements will have an
18 opportunity to participate in both programs. For the Opt-In RFP, Duquesne Light will
19 engage an independent monitor to oversee the program's competitive solicitation process.

20

⁵⁷ In the Final Intermediate Work Plan Order at 32, the Commission found that PECO's proposal to recover program costs through the discount on the purchase of receivables appears to be acceptable.

1 **Q. In addition to the Opt-In EGS Service and the Standard Offer Programs that you**
2 **describe, does Duquesne Light's Default Service Plan include other retail market**
3 **initiatives?**

4 A. Yes, Duquesne Light has taken, continues to take, and proposes several new retail market
5 initiatives, including:

6 a) As described by Duquesne Light witness Wilson, there will be significant
7 changes to Duquesne Light's procurement plans:

- 8 • Medium C&I supply contracts will be shortened from one year to six
9 months without any laddering,
- 10 • Small C&I rates will transition from annual to six-month rate adjustments,
- 11 • Residential supply will be put out for competitive bid and residential rates
12 will transition from a 29-month fixed rate to a 12-month rate.

13 b) Duquesne Light proposes to continue its POR program throughout the DSP VI
14 period.

15 c) As mentioned by Duquesne Light witness Sandoe, the Company will expand its
16 New/Moving Customer Referral Program by the end of 2012 in accordance
17 with the Commission's recommendations.

18 d) Also, as described by Duquesne Light witness Sandoe, as part of its DSP VI
19 Plan, Duquesne Light plans to promote electric choice to customers in its
20 service area utilizing numerous mediums, including use of Duquesne Light's:

- 21 • Company website,
- 22 • Customer newsletter – *ServiceLine*, which is included as a bill insert,
- 23 • Bill Print Message,

- 1 • “New Mover Packet,”
- 2 • Interactive Voice Response phone system, and
- 3 • Email Messaging.
- 4 e) As described by Duquesne Light witness Wolfe, Duquesne Light plans to
- 5 accelerate the customer switching process of a new or moving customer to
- 6 enroll with an EGS at the start of the Standard Offer Program.
- 7 f) As described by Duquesne Light witness Vallarian, Duquesne Light will take
- 8 other new initiatives to educate customers about customer choice during the
- 9 DSP VI period.

10

11 **Q. Does this conclude your direct testimony?**

12 **A. Yes, it does.**

Duquesne Light Exhibit NSF – 1

U.S. Retail Access Shopping Statistics

Total Customer Load				
Rank	Utility	State	Migration Rate	Notes
1	Texas-New Mexico Power	TX	90%	_a/
2	AEP Texas North Company	TX	88%	_a/
3	AEP Texas Central Company	TX	87%	_a/
4	Cleveland Electric Illuminating (FE)	OH	84%	_b/
5	Ohio Edison (FE)	OH	75%	_b/
6	Duquesne Light	PA	74%	_c/
7	Toledo Edison (FE)	OH	74%	_b/
8	United Illuminating	CT	72%	
9	Centerpoint	TX	71%	_a/
10	Cambridge (NSTAR)	MA	71%	_b/
11	Oncor	TX	71%	_a/
12	PPL	PA	70%	
13	Cincinnati Gas & Electric / Duke	OH	68%	
14	Connecticut Light and Power	CT	66%	
15	Potomac Electric Power Co.	DC	64%	
16	Rochester Gas & Electric	NY	64%	
17	Commonwealth (NSTAR)	MA	62%	_b/
18	AmerenIP	IL	60%	
19	Commonwealth Edison	IL	60%	
20	AmerenCILCO	IL	57%	
21	PECO	PA	57%	
22	Penelec (FE)	PA	55%	
23	Penn Power (FE)	PA	55%	
24	New York State Electric & Gas	NY	55%	
25	Boston Edison (NSTAR)	MA	53%	_b/
26	Fitchburg Gas & Electric	MA	53%	
27	Potomac Electric Power Co.	MD	53%	
28	Orange and Rockland Utilities	NY	53%	_d/
29	West Penn Power (FE)	PA	52%	
30	AmerenCIPS	IL	52%	
31	Dayton Power & Light	OH	51%	
32	MetEd (FE)	PA	50%	
33	Baltimore Gas & Electric	MD	50%	
34	Consolidated Edison	NY	50%	_d/
35	Niagara Mohawk (National Grid)	NY	49%	_d/
36	Central Maine Power Co.	ME	46%	
37	Western Massachusetts Electric Co.	MA	46%	
38	Massachusetts Electric Co.	MA	46%	
39	PSEG	NJ	41%	
40	Central Hudson Gas & Electric	NY	39%	_d/
41	Atlantic City Electric	NJ	38%	
42	Delmarva Power & Light	DE	38%	
43	Delmarva Power & Light	MD	38%	
44	Jersey Central Power & Light (FE)	NJ	37%	
45	Allegheny (Potomac Edison, Monongahela) [FE]	MD	37%	
46	Bangor Hydro Electric Co.	ME	37%	
47	Narragansett Electric (National Grid)	RI	31%	
48	Rockland Electric	NJ	28%	
49	Maine Public Service Co.	ME	24%	
50	Columbus Southern Power Co. (AEP)	OH	24%	
51	UGI	PA	21%	
52	Nantucket	MA	19%	
53	Ohio Power Company (AEP)	OH	8%	
54	MidAmerican Energy Company	IL	0%	

Notes:
Differences exist in how jurisdictions measure customer shopping.
_a/ Initially assigned to Texas PTB provider with natural gas price fuel factor index.
_b/ Opt-out customer assignment program for certain small customers.
_c/ Duquesne Light as of March 31, 2012.
_d/ Customer referral program for certain small customers.

Source: State websites.

U.S. Retail Access Shopping Statistics

Residential Customer Load				
Rank	Utility	State	Migration Rate	Notes
1	Texas-New Mexico Power	TX	78%	_a/
2	Cleveland Electric Illuminating (FE)	OH	76%	_b/
3	AEP Texas Central Company	TX	73%	_a/
4	AEP Texas North Company	TX	71%	_a/
5	Toledo Edison (FE)	OH	63%	_b/
6	Ohio Edison (FE)	OH	62%	_b/
7	Centerpoint	TX	59%	_a/
8	Oncor	TX	53%	_a/
9	United Illuminating	CT	52%	
10	Commonwealth (NSTAR)	MA	46%	_b/
11	PPL	PA	46%	
12	Connecticut Light and Power	CT	44%	
13	Duquesne Light	PA	39%	c/
14	Orange and Rockland Utilities	NY	38%	_d/
15	Cincinnati Gas & Electric / Duke	OH	34%	
16	Rochester Gas & Electric	NY	33%	
17	PECO	PA	26%	
18	New York State Electric & Gas	NY	26%	
19	Penn Power (FE)	PA	25%	
20	Baltimore Gas & Electric	MD	25%	
21	Penelec (FE)	PA	25%	
22	Potomac Electric Power Co.	MD	23%	
23	Fitchburg Gas & Electric	MA	22%	
24	Consolidated Edison	NY	22%	_d/
25	MetEd (FE)	PA	20%	
26	Niagara Mohawk (National Grid)	NY	20%	_d/
27	West Penn Power (FE)	PA	20%	
28	Atlantic City Electric	NJ	16%	
29	Jersey Central Power & Light (FE)	NJ	15%	
30	PSEG	NJ	13%	
31	Dayton Power & Light	OH	12%	
32	Delmarva Power & Light	MD	12%	
33	Central Maine Power Co. (Res & Sm C&I)	ME	11%	
34	Commonwealth Edison	IL	10%	
35	Massachusetts Electric Co.	MA	9%	
36	Rockland Electric	NJ	9%	
37	Allegheny (Potomac Edison, Monongahela) [FE]	MD	9%	
38	Potomac Electric Power Co.	DC	8%	
39	Central Hudson Gas & Electric	NY	8%	_d/
40	Western Massachusetts Electric Co.	MA	7%	
41	Boston Edison (NSTAR)	MA	6%	_b/
42	Bangor Hydro Electric Co. (Res & Sm C&I)	ME	6%	
43	AmerenIP	IL	6%	
44	AmerenCIPS	IL	6%	
45	AmerenCILCO	IL	5%	
46	Columbus Southern Power Co. (AEP)	OH	5%	
47	Cambridge (NSTAR)	MA	4%	_b/
48	Delmarva Power & Light	DE	4%	
49	Ohio Power Company (AEP)	OH	3%	
50	Nantucket	MA	1%	
51	Maine Public Service Co. (Res & Sm C&I)	ME	0%	
52	MidAmerican Energy Company	IL	0%	
52	UGI	PA	0%	

Notes:
Differences exist in how jurisdictions define customer groups and in how they measure customer shopping.

_a/ Initially assigned to Texas PTB provider with natural gas price fuel factor index.
_b/ Opt-out customer assignment program.
_c/ Duquesne Light as of March 31, 2012.
_d/ Customer referral program.

Source: State websites

U.S. Retail Access Shopping Statistics

Small and Medium C&I Customer Load				
Rank	Utility	State	Migration Rate	Notes
1	AEP Texas Central Company	TX	96%	_a/
2	Commonwealth (Med C&I) (NSTAR)	MA	91%	_b/
3	AEP Texas North Company	TX	89%	_a/
4	Cleveland Electric Illuminating (FE)	OH	88%	_b/
5	Texas-New Mexico Power	TX	88%	_a/
6	PPL	PA	88%	
7	Toledo Edison (FE)	OH	85%	_b/
8	Ohio Edison (FE)	OH	85%	_b/
9	Orange and Rockland Utilities	NY	82%	
10	Connecticut Light and Power	CT	81%	
11	Oncor	TX	81%	_a/
12	Cincinnati Gas & Electric / Duke	OH	80%	
13	Western Massachusetts Electric Co. (Med C&I)	MA	80%	
14	United Illuminating	CT	78%	
15	Centerpoint	TX	76%	_a/
16	Rochester Gas & Electric	NY	75%	
17	AmerenCILCO (Med C&I)	IL	74%	
18	AmerenIP (Med C&I)	IL	74%	
19	Commonwealth Edison (Med C&I)	IL	74%	
20	Potomac Electric Power Co. (Med C&I)	MD	73%	
21	Baltimore Gas & Electric (Med C&I)	MD	73%	
22	Delmarva Power & Light (Med C&I)	MD	70%	
23	AmerenCIPS (Med C&I)	IL	70%	
24	Commonwealth (Sm C&I) (NSTAR)	MA	69%	_b/
25	Penn Power (FE)	PA	69%	
26	Dayton Power & Light	OH	69%	
27	Niagara Mohawk (National Grid)	NY	67%	
28	Duquesne Light Medium C&I	PA	67%	_c/
29	West Penn Power (FE)	PA	67%	
30	Allegheny (Potomac Edison, Monongahela) (Med C&I) [FE]	MD	65%	
31	Massachusetts Electric Co. (Med C&I)	MA	64%	
32	New York State Electric & Gas	NY	63%	
33	PECO	PA	62%	
34	Penelec (FE)	PA	60%	
35	Consolidated Edison	NY	59%	
36	MetEd (FE)	PA	59%	
37	Central Maine Power Co. (Med C&I)	ME	58%	
38	Nantucket (Med C&I)	MA	57%	
39	Atlantic City Electric	NJ	57%	
40	Bangor Hydro Electric Co. (Med C&I)	ME	56%	
41	Cambridge (Med C&I) (NSTAR)	MA	51%	_b/
42	Jersey Central Power & Light (FE)	NJ	51%	_b/
43	Boston Edison (Med C&I) (NSTAR)	MA	50%	
44	Fitchburg Gas & Electric (Med C&I)	MA	50%	
45	Commonwealth Edison (Sm C&I)	IL	48%	
46	PSEG	NJ	46%	
47	Central Hudson Gas & Electric	NY	46%	
48	AmerenIP (Sm C&I)	IL	45%	
49	Columbus Southern Power Co. (AEP)	OH	45%	
50	AmerenCIPS (Sm C&I)	IL	44%	
51	Rockland Electric	NJ	44%	
52	Potomac Electric Power Co. (Sm C&I)	MD	44%	
53	AmerenCILCO (Sm C&I)	IL	43%	
54	Western Massachusetts Electric Co. (Sm C&I)	MA	43%	
55	Maine Public Service Co. (Med C&I)	ME	42%	
56	Delmarva Power & Light (Sm C&I)	MD	38%	
57	UGI	PA	38%	
58	Baltimore Gas & Electric (Sm C&I)	MD	38%	
59	Allegheny (Potomac Edison, Monongahela) [FE] (Sm C&I)	MD	36%	
60	Duquesne Light Small C&I	PA	34%	_c/
61	Massachusetts Electric Co. (Sm C&I)	MA	31%	
62	Nantucket (SM C&I)	MA	31%	
63	Cambridge (Med C&I) (NSTAR)	MA	29%	_b/
64	Fitchburg Gas & Electric (Sm C&I)	MA	29%	
65	Boston Edison (Sm C&I) (NSTAR)	MA	24%	_b/
66	Ohio Power Company (AEP)	OH	15%	
67	MidAmerican Energy Company	IL	0%	

Notes:
Differences exist in how jurisdictions define customer groups in terms of size and type, and in how they measure customer shopping.
_a/ Initially assigned to Texas PTB provider with natural gas price fuel factor index.
_b/ Opt-out customer assignment program.
_c/ Duquesne Light billed kWh report for March 2012.
_d/ Customer referral program.

Source: State websites.

U.S. Retail Access Shopping Statistics

Large Customer Load				
Rank	Utility	State	Migration Rate	Notes
1	Rockland Electric Company	NJ	100%	
2	AEP Texas North Company	TX	100%	
3	AEP Texas Central Company	TX	100%	
4	Texas-New Mexico Power	TX	99%	
5	Fitchburg Gas & Electric	MA	99%	
6	Penn Power (FE)	PA	99%	
7	Bangor Hydro Electric Co.	ME	97%	
8	Central Maine Power Co.	ME	97%	
9	Duquesne Light	PA	97%	_a/
10	Delmarva Power & Light	MD	97%	
11	United Illuminating	CT	97%	
12	Penelec (FE)	PA	96%	
13	Cincinnati Gas & Electric / Duke	OH	96%	
14	Baltimore Gas & Electric	MD	95%	
15	MetEd (FE)	PA	95%	
15	PECO	PA	95%	
17	Commonwealth Edison	IL	95%	
18	PPL	PA	95%	
19	AmerenIP	IL	94%	
20	AmerenCILCO	IL	94%	
21	Western Massachusetts Electric Co.	MA	93%	
22	Potomac Electric Power Co.	MD	93%	
23	Dayton Power & Light	OH	92%	
24	Consolidated Edison	NY	91%	
25	Public Service Electric & Gas	NJ	90%	
26	Central Hudson Gas & Electric	NY	90%	
27	Massachusetts Electric Co.	MA	90%	
28	Atlantic Energy Company	NJ	90%	
29	Connecticut Light and Power	CT	90%	
30	Cambridge (NSTAR)	MA	89%	
31	West Penn Power (FE)	PA	89%	
32	Cleveland Electric Illuminating (FE)	OH	88%	
33	Nantucket	MA	88%	
34	Boston Edison (NSTAR)	MA	87%	
35	Commonwealth (NSTAR)	MA	87%	
36	Jersey Central Power & Light (FE)	NJ	87%	
37	New York State Electric & Gas	NY	87%	
38	Allegheny (Potomac Edison, Monongahela) [FE]	MD	87%	
39	AmerenCIPS	IL	82%	
40	Rochester Gas & Electric	NY	82%	
41	Ohio Edison (FE)	OH	81%	
42	Oncor	TX	80%	
43	UGI	PA	78%	
44	Centerpoint	TX	77%	
45	Toledo Edison (FE)	OH	75%	
46	Niagara Mohawk (National Grid)	NY	71%	
47	Maine Public Service Co.	ME	71%	
48	Orange and Rockland Utilities	NY	46%	
49	Columbus Southern Power Co. (AEP)	OH	17%	
50	Ohio Power Company (AEP)	OH	8%	
51	MidAmerican Energy Company	IL	1%	

Notes:
Differences exist in how jurisdictions define customer groups in terms of size and type, and in how they measure customer shopping. Duquesne Light has one of the lower kW thresholds for defining Large C&I customers on hourly price default service.

_a/ Duquesne Light billed kWh report for March 2012.

Source: State websites.

Duquesne Light Exhibit NSF – 2

Duquesne Light Company

**Opt-In Electric Generation Supplier
Service Program**

Request for Proposals and Agreement

May __, 2013

OPT-IN EGS SERVICE PROGRAM
REQUEST FOR PROPOSALS

ARTICLE 1
INTRODUCTION

- 1.1 In this Request for Proposals (“RFP”), Duquesne Light Company (“Duquesne Light” or the “Company”) is soliciting proposals by electric generation suppliers (“EGSs”) to provide competitive retail offers to eligible residential default service customers (“Eligible Customers”). Participating EGSs in the Opt-In EGS Service Program (“Program”) will submit bids to offer a fixed-price to residential customers for a twelve consecutive billing cycles beginning on or after June 1, 2013. This document describes the process by which bidders may qualify and submit bids and the rules with which winning bidders (“Opt-In Suppliers”) must comply, the process for allocation of default service residential customer accounts to Opt-In Suppliers for offer mailings, and the standard terms and conditions for Opt-In Supplier offers to customers under this Program. In addition, although marketing, notifications, and consumer education efforts for this Program will be targeted to non-shopping residential default service customers, Opt-In Suppliers must extend offers to residential shopping customers, upon a customer’s request, under the same terms and conditions.
- 1.2 Duquesne Light is implementing this RFP in two stages. Bidders must first qualify by submitting an application (an “Application”) to Duquesne Light demonstrating their qualifications, as described in detail in Section 3.2. These qualifications include a current EGS license issued by the Pennsylvania Public Utility Commission (“the Commission”) and the ability to comply with provisions of Duquesne Light’s Electric Generation Supplier Coordination Tariff (“Supplier Tariff”). As part of the qualifying process, a bidder will be required to execute a Bidder Agreement in which the bidder agrees to various requirements, including payment of a pro rata portion of the costs of this Program in the event the bidder becomes an Opt-In Supplier.
- 1.3 Following qualification, bidders may submit a bid proposal (“Bid Proposal”) on May [___], 2013, which consists of two components: (1) a fixed price, in cents per kilowatt-hour, which the bidder is prepared to offer residential customers for a twelve-month billing cycle period (the “Opt-In Service Period”) beginning on or after June 1, 2013; and (2) the number of tranches (where each tranche represents 10% of the Eligible Customer¹ accounts), with a minimum bid quantity of one tranche (10% of the Eligible Customers) and a maximum bid quantity of five tranches (50% of Eligible Customers). The fixed price offered by a bidder must be at least five percent (5%) lower than Duquesne Light’s applicable price-to-compare for the quarterly period beginning on June 1, 2013 (“June 2013 Duquesne Light PTC”).

¹ Eligible Customers are defined as residential customers on default service, excluding CAP customers. However, Opt-In Suppliers must extend offers to residential shopping customers, upon a customer’s request, under the same terms and conditions.

- 1.4 Duquesne Light will accept the EGS bids that offer the greatest amount of customer savings until all ten tranches (100%) are filled. In order to determine which EGSs are successful bidders, the bids will first be ranked in ascending order by price. The Company or RFP Monitor will then sum the number of tranches until the cumulative total number of tranches reaches 10. All bids associated with each tranche up to 10 will be considered a successful bid assigned to the respective EGS. The bid price associated with the tenth tranche will then be defined as the “Clearing Price”. The Clearing Price will be the offer that all successful bidders will offer to eligible retail customers. The winners of the solicitation will be based solely on price. In the event of a tie where a tranche or tranches cannot be fully awarded to a single bidder, the tranches will be allocated pro rata based on the number of tranches bid at that price level among the successful EGS bidders for the remainder of the supply. Upon approval of the results by the Commission, each winning bidder who offered the Clearing Price or lower will be an Opt-In Supplier and will be allocated a portion of the Eligible Customers corresponding to the total tranches awarded through the ranking and award process. In the event that less than ten qualified bid tranches are received, all Eligible Customers still will be assigned to an Opt-In Supplier based on each Opt-In Supplier’s percentage share of the total number of awarded tranches. This will allow all Eligible Customers to receive an Opt-In program offer letter as described below in Section 1.5. However, an EGS will not be required (or permitted) to serve more tranches than it bid. No subsequent RFPs will be conducted.
- 1.5 Duquesne Light will facilitate customer enrollment in the Program. Duquesne Light will mail, at the Opt-In Supplier’s expense, a standardized offer letter to the allocated customers for each Opt-In Supplier.² The offer letter will include a response post card or tear-off coupon for customers to return to Duquesne Light. If customers wish to accept the offer, they can complete the post card or coupon and return it to the Company. Residential customers may also sign up for the Program through Duquesne Light’s website or by using an interactive voice response (“IVR”) system maintained and operated by Duquesne Light. Customer referrals received via the completed and returned post card or coupon, the Company’s website, or the IVR system will be forwarded to Opt-In Suppliers daily. The Opt-In Supplier must then submit a switching request via the appropriate EDI transaction to Duquesne Light for each customer in accordance with the Supplier Tariff.
- 1.6 The Commission has approved the procedures and rules described in this RFP by order dated [____], 2012, in Pa. PUC Docket No. P-2012-[____]. The RFP process will be managed by Duquesne Light, with the qualification of bidders and opening and ranking of bids monitored by [company name] (the “RFP Monitor”). **Potential bidders are strongly urged to review this RFP and the Opt-In EGS Service**

² All of the Eligible Customers would receive the standard Opt-In EGS Service offer letter, except for those residential default service customers that have affirmatively instructed Duquesne Light in 2012 or later not to release their address to EGSs. These and other non-targeted residential customers (*e.g.*, shopping customers) could also enroll in the Program if they hear about the Program through other means than the offer letter.

Program Agreement (“Agreement”) and to consult with counsel with respect to requirements and obligations under this RFP and the Agreement.

1.7 This RFP includes the following attached documents:

- Bidder Application
- Opt-In EGS Service Program Agreement
- Bid Proposal Form

**ARTICLE 2
SCHEDULE AND BIDDER INFORMATION**

2.1 **RFP Schedule.** The following table sets forth significant dates (the “RFP Schedule”) for the Program. The time for each deadline on each specified date is 4:00 pm Eastern Prevailing Time (EPT). *Duquesne Light reserves the right to modify these dates at its discretion.*

RFP Overview and Pre-Bid Technical Conference	April 12, 2013
Bidder Applications Due Date	April 26, 2013
Notification of Bidder Qualification	May 1, 2013
Notification to Qualified Bidders of Estimated Number of Eligible Customers	On or before May 8, 2013
Determination of June 2013 Duquesne Light PTC ³	May 16, 2013
Bid Proposal Due Date	May 20, 2013
Notification of Winning Bidders	May 20, 2013
Duquesne Light sends Offer Letters to Default Service Customers	Late May 2013
Customer Opt-In Period	From time letter is received through June 30, 2013
Deadline for Opt-In Supplier Submission of Customer Enrollments to Duquesne Light	June 30, 2013
Commencement of Supply by Opt-In Suppliers	Beginning with the first billing cycle on and after June 1, 2013 for which the customer is eligible to receive service based upon the Supplier tariff
Report on Results of the Program	Within 90 days of the Program’s conclusion

³ Duquesne Light also will post an estimated June 2013 Duquesne Light PTC in accordance with Commission requirements.

- 2.2 **RFP Overview and Technical Conference.** On [April 12], 2013, at [____] p.m. EPT, Duquesne Light will conduct a web conference to outline the Program, including the RFP process. Potential bidders are urged to review this RFP, including exhibits, prior to the teleconference. Duquesne Light will answer questions raised at this teleconference. Any party wishing to participate in this web conference must send an email to [_____] with the subject line “Opt-In EGS Service Program.” Duquesne Light will provide participation information for the web conference by return e-mail.
- 2.3 **Bidder Inquiries.** On or before the Bidder Inquiries Deadline, bidders may submit questions to Duquesne Light via electronic mail (____). To the extent possible, questions submitted prior to the RFP Overview Conference will be addressed by Duquesne Light at the web conference. Additional questions submitted and answered by Duquesne Light thereafter shall be posted with answers. The person or company submitting the question shall not be identified. While Duquesne Light will review and attempt to answer questions in good faith, Duquesne Light reserves the right not to answer any question. The RFP Overview Conference and this bidder inquiry procedure are the exclusive methods for inquiring about this RFP, and questions submitted to individual Duquesne Light employees, the Company, or the RFP Monitor by other means will not be answered and may result in disqualification of the bidder.
- 2.4 **Informational Website and Updates.** Duquesne Light has established a website – [www._____.com/_____] – for electronic copies of RFP materials, posting of questions and answers, and other updates on this RFP. The website also includes the Program offer letter. Bidders are encouraged to review this website regularly. In its sole discretion, Duquesne Light will endeavor to provide e-mail notification of important website updates to qualified bidders.

ARTICLE 3 BIDDER QUALIFICATION

- 3.1 **Bidder Application.** In order to submit a bid proposal in response to this RFP, a bidder must submit a copy of an Application for approval by Duquesne Light using the form attached entitled Bidder Application. All Applications shall be submitted by email to the submission address specified in Section 7.3. Applications which are incomplete, do not conform to the form attached hereto, or otherwise do not satisfy all requirements of this RFP shall not be considered. Submission of a Bidder Application constitutes a bidder’s agreement to and acceptance of all terms and conditions of this RFP.
- 3.2 **Bidder Qualifications.** In order to qualify to submit a bid proposal, a bidder must demonstrate and document in the Application that it satisfies the following criteria (the “Bidder Qualifications”):
- (a) The bidder is fully certified by Duquesne Light to provide coordination services in compliance with the Supplier Tariff;

(b) The bidder certifies that it has the financial resources to make a bonus payment under the offer of \$50.00 to all customers who enroll with them and who remain with the program for three complete billing cycles.

- 3.3 **Bidder Agreement.** Each bidder must also execute a Bidder Agreement in the form included in the Bidder Application. In the event the bidder does not become an Opt-In Supplier, the Bidder Agreement will be returned to the bidder unexecuted by Duquesne Light.
- 3.4 **Additional Information.** Duquesne Light may, but is not obligated to, request additional information and materials from any bidder for evaluation of an Application. Information submitted by a bidder absent a request by Duquesne Light which is not in the nature of a correction or clarification to the Application will not be considered by Duquesne Light. If any information in an Application is no longer true, Bidder shall immediately notify Duquesne Light of the changed information. Failure to provide such notification or respond to a request for additional information and materials may result in disqualification of the bidder and rejection of any Bid Proposal. Duquesne Light shall have no duty to inform any bidder of any deficiency in its Application.
- 3.5 **Application Evaluation and Notification of Applicants.** Duquesne Light, in its sole discretion, will evaluate each Application using a standard protocol for its completeness and satisfaction of the Bidder Qualifications. The RFP Monitor will oversee this evaluation. Duquesne Light will provide each bidder with notice of its satisfaction or failure to satisfy the Bidder Qualifications by the date for Notification of Bidder Qualification set forth in the RFP Schedule.
- 3.6 **Duquesne Light Affiliates.** Affiliates of Duquesne Light who satisfy the Bidder Qualifications are permitted to submit Applications and to participate in this RFP to the same extent as any other entity.

ARTICLE 4 BID PROCEDURE AND BID PROPOSALS

- 4.1 **Notification of Estimated Number of Eligible Customers and Price-to-Compare.** Duquesne Light will provide qualified bidders with the total number of Eligible Customers and the June 2013 Duquesne Light PTC in accordance with the RFP Schedule.
- 4.2 **Submission of Bid Proposals.** As described in the Introduction, a Bid Proposal consists of two components: (1) a fixed price in cents per kilowatt hour, which the bidder is prepared to offer residential customers for a twelve consecutive billing cycles; and (2) the number of tranches the bidder is prepared to serve during the Opt-In Service Period at that fixed price. Only bidders who submit an Application and receive notice of qualification as provided in Article 3 will be permitted to submit a Bid Proposal. Duquesne Light will provide Bid Proposal forms to qualified bidders, such as the form attached. A bidder must send a copy of its Bid Proposal to the email address specified on the Bid Proposal form provided by Duquesne Light no later than the Bid Proposal Due Date and time.

- 4.3 **Bid Price.** The price in all Bid Proposals must be a fixed price in cents per kilowatt-hour, which is at least five percent (5%) lower than the June 2013 Duquesne Light PTC. The bidder must commit to being ready and willing to serve a residential customer for twelve monthly billing periods under the standard terms and conditions of the Program beginning on a customer's next meter read date on or after June 1, 2013.
- 4.4 **Minimum and Maximum Bid Quantities.** Bidders must bid to serve a minimum of 1 tranche (10%) of Eligible Customers, and may not bid to serve more than 5 tranches (50%) of Eligible Customers. Any bid greater than the permitted maximum bid will be deemed to be equal to the permitted maximum bid.
- 4.5 **Multiple Bids.** A bidder may submit up to five bids at different prices, all of which may be accepted by Duquesne Light. The total number of tranches in multiple bids may not exceed the maximum bid quantity (5 tranches). In the event a bidder submits multiple bids cumulatively totaling a number more than 5 tranches, the bid(s) with the highest price will be disqualified until the remaining bids are within the Maximum Bid Quantity.
- 4.6 **Other Limitations.** Bid Proposals that are incomplete, unsigned, or otherwise do not conform to the form of the Bid Proposal shall be rejected by Duquesne Light. No Bid Proposal may be conditioned on any other Bid Proposal. Any bid that is contingent in any way shall be rejected as non-conforming. Each bidder must act independently and without knowledge of other bids, and Duquesne Light may reject any Bid Proposal which it determines, in its sole discretion, is submitted by a bidder in violation of these limitations or in coordination or in concert with any other bidder.

ARTICLE 5 EVALUATION OF BID PROPOSALS

- 5.1 **Evaluation of Bid Proposals.** All Bid Proposals will be opened by the RFP Monitor, who will rank proposals from the lowest price to the highest price and record the cumulative number of tranches for each bid price. The price offered under the bid, or bids, whose quantity of tranches result in the cumulative tally equaling or exceeding ten tranches (or 100% of the Eligible Customers) will determine a common Clearing Price for offers. A bidder who offers the Clearing Price (or a lower price) will be a successful bidder (an Opt-In Supplier). In the event of a tie where the tranches cannot be fully awarded between one or more bidders, the customer accounts would be divided on a pro rata basis based on the number of tranches bid at that price level among the winning EGSs for the remainder of the supply.
- 5.2 **Selection of Successful Bidders and Commission Approval.** Upon completion of the evaluation of Bid Proposals, the RFP Monitor shall prepare a report of the RFP results in consultation with, and on behalf of Duquesne Light, summarizing the bidder qualification process and the Bid Proposals and identifying the successful and unsuccessful bidders, along with successful and unsuccessful Bid Proposals. The Commission will have three business days to review and approve, or disapprove results.

- 5.3 **Release of Winning Bid Price Information.** Upon approval of any results by the Commission, Duquesne Light will release publically the total number of bidders, the names of the winning bidders, the tranche shares awarded to each bidder, and the applicable clearing price. The names and other information of the non-winning bidders will not be reported.

ARTICLE 6 CUSTOMER ALLOCATION AND CUSTOMER OFFERS

- 6.1 **Allocation Methodology.** Eligible Customers will be allocated to Opt-In Suppliers in accordance with their awarded tranche shares. Customers shall be selected for allocation to Opt-In Suppliers in a fair and impartial manner. Customers who have elected “Release No Information” for their account will be assigned to an Opt-In Supplier. These customers will not be included in the mailing, but will be eligible to participate in the Program upon customer request.
- 6.2 **Offer Process.** All Opt-In Suppliers shall provide offers to their allocated customers in the following manner:
- 6.2.1 At the sole expense of the Opt-In Supplier, Duquesne Light shall mail the applicable customers an offer package before June 1, 2013 which includes a unique offer letter with the Clearing Price, a description of the Program terms and conditions for the twelve-month offer and the procedure by which the customer can accept the offer. The offer shall be valid until the end of the Customer Opt-In Period specified in the RFP Schedule.
 - 6.2.2 Customers will be able to accept an Opt-In Supplier offer as described in Section 1.5. Duquesne Light will process any timely “opt-in” requests it receives from customers by notifying the Opt-In Supplier of the customer’s decision to opt-in.
 - 6.2.3 Offers are open to both residential default service and residential shopping customers. If Duquesne Light receives a request to enroll by a shopping customer who becomes aware of the offer, Duquesne Light will notify the Opt-In Supplier of the customer’s request. Duquesne Light will enable the customer to select from participating Opt-In Suppliers if the customer does not specify a particular Opt-In Supplier during the inquiry.
 - 6.2.4 The Program will cap customer participation at 50% of Eligible Customers as follows. Each Opt-In Supplier may enroll a number of customers up to 50% of the number of customers allocated to the Opt-In Supplier under the Program.
 - 6.2.5 Offers must comply with the terms and conditions of the Agreement, including a 12 billing cycle fixed price, as well as a \$50 bonus payment after three months of service.
- 6.3 **EDI Enrollment.** Opt-In Suppliers must submit the EDI enrollment transactions for the customers who have accepted the supplier’s offer to Duquesne Light. Service will

commence on the respective customer's meter read date in accordance with the Supplier Tariff.

- 6.4 **Customer Participation Cap.** Overall customer enrollment in the Opt-In EGS Service Program is limited in number to 50% of Eligible Customers.
- 6.5 **Opt-In Supplier Participation Cap.** All Eligible Customers would be divided up among the Opt-In Suppliers in proportion to the number of tranches they were awarded. Each Opt-In Supplier would have a supplier participation cap equal to 50% of the Eligible Customers that it was awarded. Both Eligible Customers and shopping residential customers could enroll on a first-come, first-served basis with an Opt-In Supplier up to their supplier participation cap. If a shopping residential customer who did not receive a letter wants to enroll in the Program or a customer who did receive a letter wants to enroll with another Opt-In Supplier, they can do so subject to the first-come, first-served enrollment period and the customer and supplier participation caps. If a customer calls and their assigned supplier's cap has been reached, then the customer will be referred to an alternative Opt-In Supplier.
- 6.6 **Report to Commission.** To the extent necessary, Opt-In Suppliers must cooperate with Duquesne Light in the preparation of reports to the Commission in accordance with the RFP Schedule that will allow the Commission to better assess the relative benefits and costs of this new retail market initiative. Specifically, Duquesne Light will file a brief report with the Commission soon after the start of the program that includes: (1) the number of participating customers and the percentage of the residential customer class this number represents; (2) the participating suppliers; (3) the rate being charged to program participants; and (4) a brief description of customer feedback based on any calls received by the Duquesne Light, including a summary of concerns and/or questions posed by callers. Additionally, within 90 days of the program's conclusion, Duquesne Light will submit a second report to the Commission that includes (1) the number of participating customers and the percentage of the residential customer class this number represents; (2) how many of the participating customers returned to default service during the course of the program; (3) how many of the participating customers returned to default service at the conclusion of the program; and (4) a brief description of customer feedback based on any calls received by the Duquesne Light, including a summary of the concerns or questions posed by callers; and (5) a summary of Duquesne Light's costs associated with the program.

ARTICLE 7 OTHER TERMS AND CONDITIONS

- 7.1 **Agreement to Terms and Conditions.** By submitting a Bid, the Opt-In Supplier agrees to abide by the terms and conditions contained in this RFP and the Agreement and to implement these terms and conditions in the contracts with the customers that the Supplier gains through this Program.
- 7.2 **Program Costs.** All costs of this Program incurred by Duquesne Light, including the service of the RFP Monitor, and all incremental costs of developing, printing, and mailing the offer package, and new enrollment facilitation procedures, will be prorated

and charged to Opt-In Suppliers in proportion to the awarded percentage share of Eligible Customers allocated to the supplier. Duquesne Light shall invoice each Opt-In Supplier as necessary with the amount due payable within thirty days of the date of the invoice. As of the date of this RFP, Duquesne Light anticipates that the entire cost of the Program will be [\$50,000].

- 7.3 **Address for Submissions.** All submissions to Duquesne Light, unless otherwise communicated at the Bidder Conference and subsequently posted to the [_____] website, for this RFP shall be delivered via email to the following address: _____@duqlight.com by 4:00 EPT.

Bidder is solely responsible for the timely delivery of any submission for this RFP. Applications and other materials received after the applicable date specified in this RFP shall be accepted only in Duquesne Light's sole discretion; however, any Bid Proposal submitted after the date and time specified will be returned unopened and without consideration.

- 7.4 **No Unauthorized Modifications.** No interpretation or change to this RFP shall be valid unless it is signed by a duly authorized representative designated by an Officer of Duquesne Light.
- 7.5 **Ownership of RFP Materials.** All materials submitted to Duquesne Light pursuant to this RFP shall be the property of Duquesne Light.
- 7.6 **Presentation and Formatting.** All information submitted by a bidder must be in the English language. All bid prices shall be in U.S. cents per kilowatt hour.
- 7.7 **Costs.** Duquesne Light shall have no responsibility whatsoever with respect to the costs of any bidder in considering or responding to this RFP, including but not limited to any costs of preparing any materials submitted to Duquesne Light.
- 7.8 **Use of Duquesne Light Mark.** Duquesne Light will have final approval regarding the use of any Duquesne Light mark and any other reference to Duquesne Light in the offer package and/or on the offer package envelope. The use of Duquesne Light's Mark requires written approval from Duquesne Light.
- 7.9 **Publicity.** Bidders are not permitted to announce or release any information regarding this RFP or Duquesne Light's evaluation process without Duquesne Light's prior written approval, which Duquesne Light may withhold approval in its sole discretion. Each bidder understands and agrees that Duquesne Light does not participate in, nor does it allow, bidders to utilize media releases of any kind to publicize bidder's business relationship with Duquesne Light. Each bidder shall not use any trade name, trademark, service mark or any other information which identifies Duquesne Light in such bidder's sales, marketing and publicity activities, including interviews with representatives of any written publication, or television or radio station or network, without Duquesne Light's express prior written consent. Successful bidders agree to cooperate with Duquesne Light in preparation of any press release announcing the results of this RFP.

- 7.10 **Disclaimer.** Duquesne Light makes no representations or warranties regarding the accuracy or completeness of the information contained in this RFP and its exhibits or any statements made by representatives of Duquesne Light during the RFP process. Each bidder is responsible for making its own evaluation of information and data contained in this RFP and in preparing and submitting responses to this RFP. The issuance of this RFP and the receipt of information in response to this RFP shall not, in any way, cause Duquesne Light to incur any liability (whether contractual, financial or otherwise) to any bidder participating in the RFP process. By submitting an Application, bidder releases Duquesne Light, its affiliates, officers, employees, and agents from any and all claims, demands, actions, losses, liabilities, and expenses (including reasonable legal fees and expenses) (collectively, "Claims") relating to this RFP and agrees to indemnify Duquesne Light, its affiliates, officers, employees and agents from any Claims arising from any false representation or violation of these RFP rules by bidder.
- 7.11 **Not an Offer.** This RFP is issued to elicit responses to Duquesne Light's inquiry and is not an offer. The issuance of the RFP and the submission of bidder's information do not create any obligation upon Duquesne Light, and Duquesne Light reserves the right to accept or reject any or all proposals received. Duquesne Light also reserves the right to amend, suspend, or terminate the RFP process at any time, without reason and without liability, and makes no commitments, implied or otherwise, that this process will result in a business transaction with one or more bidders. No contract or other binding obligation on Duquesne Light will be implied unless and until an agreement has been executed on terms and conditions acceptable to Duquesne Light. Duquesne Light also reserves the right to not execute agreements with any or all bidders should the Company determine, in its sole discretion, that such agreement would violate existing regulatory standards.
- 7.12 **Non-conforming Applications and Bid Proposals.** Duquesne Light reserves the right to reject any Application or Bid Proposal at any time on the grounds that it does not conform to the terms and conditions of this RFP or the bidder has not complied with the provisions of this RFP.

BIDDER APPLICATION

Name of Bidder:			
Contact:		Title:	
E-mail:		Phone:	
Address:	City:	State:	Zip Code:
<p><u>INSTRUCTIONS</u></p> <p>A signed and scanned original of the Opt-In EGS Service Program Agreement must be attached to Bidder's original Application. All terms used herein have the meaning set forth in Duquesne Light's Opt-In EGS Service Program Request for Proposals and Agreement.</p>			
<p>As an officer or other authorized representative of the Bidder, I certify that:</p> <p style="margin-left: 40px;">(a) The Bidder is fully certified by Duquesne Light to provide coordination services in compliance with the Supplier Tariff;</p> <p style="margin-left: 40px;">(b) The Bidder certifies that it has the financial resources to make a bonus payment under the offer of \$50.00 to all customers who enroll with them and who remain with the program for three complete billing cycles.</p>			
<p><u>SIGNATURE OF AUTHORIZED REPRESENTATIVE</u></p>			
<p>I am an officer or other authorized representative of the Bidder and certify that all of the information and certifications in this Application are true and acknowledge that this submission constitutes acceptance and agreement to all terms of the RFP.</p>			
Signature:		Date:	
Name:		Title:	

OPT-IN EGS SERVICE PROGRAM AGREEMENT

This Agreement (“Agreement”) is made as of May 20, 2013 (the “Effective Date”), by and between _____ (“Opt-In Supplier”) and Duquesne Light Company, a public utility authorized to supply electric service in the Commonwealth of Pennsylvania (“Duquesne Light”).

1. Definitions. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Opt-In Electric Generation Supplier Service Program Request for Proposals and Agreement issued by Duquesne Light on April 12, 2013 (the “Program”) and Duquesne Light’s Electric Generation Supplier Coordination Tariff (the “Supplier Tariff”).

- a) Duquesne Light is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal corporate office in Pittsburgh, Pennsylvania. Duquesne Light is an electric distribution company under Pennsylvania law and provides electric delivery service to approximately 585,000 retail customers in Southwestern Pennsylvania. Duquesne Light is also the default service provider in its service territory, and currently provides electric generation service to more than [300,000] residential customers.
- b) Opt-In Suppliers are electric generation suppliers that submitted a bid to Duquesne Light’s RFP, met all of the requirements of the RFP and bid lower than or equal to the Clearing Price.

2. Term. This Agreement shall commence on the Effective Date and shall remain in effect through the Opt-In Service Period (the “Term”) unless terminated as provided in this Agreement.

3. Fixed Price to Customers. In accordance with the Program, the Opt-In Supplier shall provide competitive electricity supply (including all components of Duquesne Light’s Price-to-Compare in its bid) to each customer that accepts its offer under the Program (an “Opt-In Supplier Customer”) at the Clearing Price for the Opt-In Service Period.

4. Terms and Conditions. During the Term, the Opt-In Supplier agrees that: (a) all Opt-In Supplier billing for each Opt-In Supplier Customer will use Consolidated EDC Billing; (b) each Opt-In Supplier customer shall have the option to return to Duquesne Light default service or to switch to another EGS, or to the Opt-In Supplier under a different Opt-In Supplier offer, at any time and without incurring switching fees or other penalties; (c) only Duquesne Light shall be entitled to terminate service to Opt-In Supplier Customers for non-payment of EGS charges under the terms of Duquesne Light’s approved Purchase of Receivables program in the Supplier Tariff; (d) in no event may an Opt-In Supplier discontinue service to an Opt-In Supplier Customer before the end of the Opt-In Service Period; (e) the Opt-In Supplier shall provide written notice regarding any renewal and/or price change as required under the Supplier Tariff and/or Pennsylvania Public Utility Commission (“Commission”) regulations and/or under the conditions of Section 15 of this Agreement; (f) an Opt-In Supplier shall not have the right to terminate service to its customers obtained through this Program because of a change in applicable rules, regulations, tariffs, or orders; and (e) the Opt-In Supplier shall abide by the other terms and conditions specified in the Opt-In EGS Service Program RFP and Program Rules.

5. Representations and Warranties of Opt-In Supplier. The Opt-In Supplier represents and warrants that, on the Effective Date and throughout the Term: (a) the Opt-In Supplier is fully certified by Duquesne Light to provide coordination services in compliance with the Supplier Tariff; and (b) the Opt-In Supplier certifies that it has the financial resources to make a bonus payment

under the offer of \$50.00 to all customers who enroll with them and who remain with the program for three complete billing cycles.

6. Termination. This Agreement may be terminated by Duquesne Light upon written notice of a material breach of this Agreement or the Supplier Tariff by Opt-In Supplier.

7. Payment of Program Costs. The Opt-In Supplier agrees to pay all costs of this Program incurred by Duquesne Light, including the service of the RFP Monitor, on a prorated basis with all other Opt-In Suppliers in the Program based on the Opt-In Supplier's awarded percentage share of Eligible Customers allocated to the supplier. Duquesne Light shall invoice the Opt-In Supplier within thirty days of the Opt-In Supplier receipt of its allocated customer list, with the amount due payable within thirty days of the date of the invoice.

8. Limitations. Notwithstanding any provision of this Agreement or the Program, the Opt-In Supplier acknowledges that (a) the Opt-In Supplier has obtained certain benefits from participating in the Program, but that Duquesne Light has made no representation regarding the number of customers (if any) the Opt-In Supplier may obtain as a result of the Program, or the amount of electric load that will be required by such customers; (b) Duquesne Light has no obligation to provide electric supply other than default service in accordance with the Pennsylvania Public Utility Code to any customer that may be served by the Opt-In Supplier in the event that the Opt-In Supplier no longer serves that customer for any reason; and (c) the Opt-In Supplier waives any right to claim any loss of business, consequential damage or any monetary or other direct damages from Duquesne Light of any kind whatsoever arising from or relating to this Agreement or the Program.

9. Indemnification. The Opt-In Supplier shall indemnify, save and hold Duquesne Light harmless from and against any and all third party losses, costs, liabilities, damages and expenses (including, without limitation, attorneys' fees and expenses) incurred or suffered as a result of or in connection with the Opt-In Supplier's material breach of this Agreement, failure to comply with any applicable laws, or intentional, negligent or willful misconduct.

10. Consolidated EDC Billing. All Opt-In Suppliers will use consolidated EDC billing for customers that elect service under the Program.

11. Customer Switching Options. Each customer shall have the option to return to Duquesne Light default service or to switch to another EGS, or to the Opt-In Supplier under a different offer, at any time and without incurring switching fees or other penalties.

12. Bonus Payment Requirements. The Opt-In Supplier shall pay a fifty dollar (\$50.00) bonus payment to any and all customers who remain with the program for three complete billing cycles as a condition for receiving the bonus.

- a) The bonus shall be in the form of a check to the customer name on the account, and mailed to the billing address for the account.
- b) All bonus checks shall be mailed within five business days after the customer completes three complete billing cycles on the program.
- c) The Opt-In Supplier may not impose any additional requirements on the customer as a condition of receiving the bonus payment.

- d) The Opt-In Supplier shall track the following information related to the payment of bonus checks and shall provide this information to Commission Staff and the Office of Consumer Advocate, on a confidential basis, upon request: Customer Name; Address; Account Number; Date that the customer qualified to receive the bonus check; Date the bonus check was mailed; and an indicator of whether the bonus check was cashed.
- e) Within three business days of satisfying all of its bonus payment obligations under the Program, the Opt-In Supplier shall provide written notice of such satisfaction to Duquesne Light at [____@duqlight.com].
- f) Any offers made by a customer's Opt-In Supplier to the customer to switch to another product before the completion of the three billing cycles required to qualify for the bonus check shall include clear language explaining the risk of forfeiting the bonus.
- g) The Opt-In Supplier shall have sole responsibility to make bonus payments. Duquesne Light has no liability to the customer for bonus payments if the Opt-In Supplier defaults on its obligation.

13. Service Termination. Only Duquesne Light shall be entitled to terminate service to customers for non-payment of EGS charges under the terms of its approved Purchase of Receivables program. In no event may an Opt-In Supplier discontinue service to a customer who accepted its offer under the Program before the end of the Opt-In Service Period.

14. Notice Requirements. All Opt-In Suppliers must mail two written notices to customers. An initial notice must be mailed 52-90 days before the end of the program, followed by a more detailed options notice which must be mailed at least 45 days before the end of the Opt-In Service Period. In that mailing, Opt-In Suppliers are required to clarify that customers: a) will remain with the Opt-In Supplier on a monthly product without any customer switching restrictions absent any customer action, or b) they can affirmatively elect to: (i) remain with the Opt-In Supplier under a new contract, (ii) switch to another EGS, or (iii) return to Duquesne Light's default service rate. The second notice must include the new terms and conditions, pricing and a date by which the customer must take action, as determined by the Commission's rules, orders and regulations.

15. Change in Rules, Regulations, Tariffs. Notwithstanding any language in the Supplier Tariff to the contrary, an Opt-In Supplier shall not have the right to terminate service to its customers obtained through this Program because of a change in applicable rules, regulations, tariffs, or orders.

16. Other Provisions. This Agreement and the RFP attached hereto represents the entire agreement between Duquesne Light and Opt-In Supplier. The RFP is specifically incorporated into this Agreement and made a part thereof. No amendment of this Agreement or the RFP will be valid unless in writing and signed by representatives of both parties. In the event of any inconsistency between this Agreement and the RFP, the Agreement shall control. Each party represents that this Agreement is a legally valid and binding obligation enforceable against it in accordance with its terms, and that the execution, delivery and performance of this Agreement are within its powers and have been duly authorized by all necessary action and do not violate any terms and conditions in its governing documents, any contracts to which it is a party, or any applicable law, rule, regulation or order. Opt-In Supplier may not assign this Agreement without Duquesne Light's consent. All notices required under this Agreement shall be provided to the parties and addresses listed directly below or to such other address as either party may designate from time to time by providing written notice to the other party. Nothing in this Agreement is intended to convey benefits, rights or remedies to any person other than Opt-In Supplier and Duquesne Light, and no third party shall have the right to

enforce the provisions of this Agreement, except that the Commission may enforce the provisions of this Agreement, the Program, the Supplier Tariff and any provision of the Pennsylvania Public Utility Code or Commission regulations applicable to this Agreement. This Agreement is not intended to create any partnership or joint venture between Duquesne Light and the Opt-In Supplier, and neither party shall have the power to bind or obligate the other party. In the event that any provision of the Agreement shall be found to be void or unenforceable, such findings shall not be construed to render any other provision either void or unenforceable, and all other provisions shall remain in full force and effect unless the provisions which are void or unenforceable shall substantially affect the rights or obligations granted to or undertaken by either party. This Agreement shall be construed according to the laws of the Commonwealth of Pennsylvania, without regard to its conflict of laws provisions. Venue and jurisdiction shall be in Pittsburgh, PA. In the event of any conflict between this Agreement, the Program, and the Supplier Tariff, this Agreement shall be controlling.

Duquesne Light Company

By: _____

Name: _____

Title: _____

Duquesne Light Company
c/o [____],
[__ floor]
411 Seventh Avenue
Pittsburgh, PA 15219
Phone:
Fax:
Email:

[OPT-IN SUPPLIER]

By: _____

Name: _____

Title: _____

[Company Name]
[Address]

Phone:
Fax:
Email:

BID PROPOSAL FORM
(not to be submitted with Bidder Application)

Legal Name of Bidder:		
Duquesne Light Company's Price-To-Compare ("PTC"): (June 1, 2013 – May 31, 2014)	[____] (cents/kWh) ⁴	
<p>Bid Price. The price in all Bid Proposals must be a fixed price in cents per kWh. The bidder must commit to be ready and willing to serve a residential customer for a twelve-month period under the terms and conditions of the Program.</p> <p>Maximum Bid Price. Each bid, expressed as a fixed price must provide a 5% or more percentage discount off Duquesne Light's PTC that will become effective June 1, 2013 (shown above). As a result, the Maximum Bid Price is [____] (¢/kWh).</p> <p>Minimum and Maximum Bid Quantities. Bidders must bid to serve a minimum of 1 tranche (10%) of eligible default service residential customers, and may not bid to serve more than 5 tranches (50%) of the eligible default service residential customers.</p> <p>Multiple Bids. A bidder may submit up to five bids at different prices, all, some, a portion or none of which may be accepted by Duquesne Light.</p>		
	Bid Quantity (# of Tranches) [Maximum = 5 (50%), Minimum = 1 (10%)]	Fixed Price (¢/kWh) [for 12 consecutive customer billing cycles]
Bid 1	____ tranche(s)	@ ____ ¢/kWh for Bid 1 tranche(s)
Bid 2	____ (optional)	@ ____ ¢/kWh for Bid 2 tranche(s) (optional)
Bid 3	____ (optional)	@ ____ ¢/kWh for Bid 3 tranche(s) (optional)
Bid 4	____ (optional)	@ ____ ¢/kWh for Bid 4 tranche(s) (optional)
Bid 5	____ (optional)	@ ____ ¢/kWh for Bid 5 tranche(s) (optional)
Total	____ (total not to exceed 5)	(All bid prices above must be equal to or less than the Maximum Bid Price.)
I hereby certify that I am an officer or other authorized representative of the Bidder named above and submit this Bid Proposal on behalf of the Bidder. By submitting this Bid Proposal, Bidder acknowledges and accepts all terms of Duquesne Light's Request for Proposal dated [May __, 2013].		
By: _____ Name: _____ Title: _____	Date: _____	

⁴ The PTC includes Supply and Transmission Service Charges (including Gross Receipts Tax ("GRT") at 5.9%. The PTC also includes part 2 of the State Tax Adjustment Surcharge ("STAS") (Rider No. 10), which appears as a separate line item on Duquesne Light's customer bill to adjust for *changes* in GRT. This rider is currently set at 0.000% but could increase or decrease if the GRT is adjusted in the future. The STAS applies to all portions of the customer bill, including the supply and transmission charges included in the PTC, as they may change from time to time.

Duquesne Light Exhibit NSF – 3

Duquesne Light Company

**Standard Offer Customer Referral
Program Rules and Supplier Agreement**

May __, 2014

STANDARD OFFER CUSTOMER REFERRAL PROGRAM RULES

ARTICLE 1 INTRODUCTION

- 1.1 Duquesne Light Company (“Duquesne Light” or the “Company”) is soliciting electric generation suppliers (“EGSs”) to provide competitive retail service to residential customers in a new customer referral program with a uniform product and uniform terms and conditions. EGSs participating in the Standard Offer Customer Referral Program (“Standard Offer Program,” or “Program”) will have the opportunity to submit a fixed-price offer to residential customers for twelve consecutive billing cycles beginning on or after June 1, 2014. This document describes the process by which EGSs may qualify and submit applications, the rules with which each accepted Standard Offer supplier (“Standard Offer Supplier”) must comply, and the standard terms and conditions for service provided by the Standard Offer Supplier under this Program. The Standard Offer Program will begin June 2014 and the final Standard Offer month will be May 2015, subject to the terms and conditions herein.
- 1.2 Participating EGSs must qualify by submitting an application (an “Application”) to Duquesne Light demonstrating their qualifications to become a Standard Offer Supplier as described in Section 3.1. These qualifications include a current EGS license issued by the Pennsylvania Public Utility Commission (“the Commission”) and the ability to comply with provisions of Duquesne Light’s Electric Generation Supplier Coordination Tariff (“Supplier Tariff”). As part of the qualifying process, an applicant will be required to execute a “Standard Offer Supplier Agreement” in which the applicant agrees to various requirements. In the Standard Offer Supplier Agreement, the applicant agrees to offer all interested residential customers a fixed price, in cents per kilowatt-hour, for which the supplier is prepared to provide electric generation service to residential customers for twelve consecutive billing cycles (the “Standard Offer Period”). The fixed price to be offered by the applicant must be seven percent (7%) lower than the applicable Duquesne Light default service rate (the “Price-to-Compare” or “PTC”) that is known at the time of the offer. For example, EGSs could submit an Application in May 2014 for supply to begin in June 2014. In this case, the Standard Offer must be 7% lower than the PTC applicable in June 2014. Duquesne Light’s PTC will be made available as required by Commission regulations.
- 1.3 Although Applications may be submitted at any time, Duquesne Light will activate Standard Offer Suppliers only for whole calendar months. An applicant must be deemed qualified by Duquesne Light at least ten business days before the first day of the next calendar month in order to be approved as a Standard Offer Supplier for that month. Similarly, a Standard Offer Supplier may request removal from the list of Standard Offer Suppliers upon written notice to Duquesne Light with at least ten business days before the first day of the next calendar month. Absent a request to be removed from the list, Standard Offer Suppliers will continue to be listed from month to month. The Commission has approved the procedures and Program rules described in this document by order dated [____], 2012, in Pa. PUC Docket No. P-2012-[_____]. Applicants are strongly urged to review the Program rules and attached Standard Offer Supplier

Agreement, and to consult with counsel regarding the Program requirements and obligations under this Agreement.

1.4 The following documents are attached:

- Standard Offer Supplier Application
- Standard Offer Supplier Agreement

ARTICLE 2 SCHEDULE AND STANDARD OFFER SUPPLIER INFORMATION

2.1 **Program Schedule.** Below are significant dates (the “Program Schedule”) for the Standard Offer Program. The time for each deadline on each specified date is 4:00 pm Eastern Prevailing Time (EPT). *Duquesne Light reserves the right to modify these dates at its discretion.*

Standard Offer Overview and Technical Conference	May __, 2014
Standard Offer Application due date ¹	May 5, 2014
Notification of Standard Offer Qualifications	May 19, 2014
Standard Offer Month	June 2014 and each month thereafter subject to the Program rules
Commence of Supply by Standard Offer Supplier	Begins with first billing cycle on or after June 1, 2014 for which the customer is eligible to receive service based upon the Supplier Tariff

2.2 **Application Overview and Technical Conference.** On _____, Duquesne Light will post a schedule to conduct a web conference in early May 2014 to outline the Standard Offer Program, including the Application process. Potential applicants are urged to review the Program rules, including the attached Standard Offer Supplier Application and Agreement, prior to the teleconference. Duquesne Light will answer questions raised at this teleconference. Any party wishing to participate in this web conference must send an email to [_____] with the subject line “Standard Offer Program.” Duquesne Light will provide participation information for the web conference by return e-mail.

¹ EGSs must submit an application to Duquesne Light demonstrating their qualifications to become a Standard Offer Supplier once, not each and every month. However, EGSs are required to inform Duquesne Light of any changes that would result in the EGS no longer being qualified to be a Standard Offer Supplier.

- 2.3 **Applicant Inquiries.** Before each technical conference, applicants may submit questions to Duquesne Light via electronic mail [_____]. To the extent possible, questions submitted prior to the technical conference will be addressed by Duquesne Light at the conference. Additional questions submitted to Duquesne Light shall be posted with answers on the Company’s website. The person or company submitting the question shall not be identified. While Duquesne Light will review and attempt to answer questions in good faith, Duquesne Light reserves the right not to answer any question. The conference and this applicant inquiry procedure are the exclusive methods for inquiring about this Program, and questions submitted to individual Duquesne Light employees or the Company by other means will not be answered.
- 2.4 **Informational Website and Updates.** Duquesne Light has established a website – [www._____.com/_____] – for electronic copies of Program materials, posting of questions and answers, and other updates on the Standard Offer Program. Applicants are encouraged to review this website regularly. In its sole discretion, Duquesne Light will endeavor to provide e-mail notification of important website updates to qualified applicants.

ARTICLE 3 STANDARD OFFER SUPPLIER QUALIFICATION

- 3.1 **Standard Offer Supplier Application.** In order to qualify as a Standard Offer Supplier, an applicant must submit an Application for approval by Duquesne Light using the attached Standard Offer Supplier Application. All Applications shall be submitted by email to the submission address specified in Section 5.3. Applications which are incomplete, do not conform to the form attached hereto, or otherwise do not satisfy all requirements of these program rules shall not be considered. Submission of a Standard Offer Supplier Application constitutes an applicant’s agreement to and acceptance of all terms and conditions of these Program rules.
- 3.2 **Standard Offer Supplier Qualifications.** In order to qualify, an applicant must demonstrate and document in the Application that it satisfies the following criteria (the “Standard Offer Supplier Qualifications”):
- (a) The applicant is fully certified by Duquesne Light to provide coordination services in compliance with the Supplier Tariff;
 - (b) The applicant will abide by all Standard Offer Program rules and procedures.
- 3.3 **Standard Offer Supplier Agreement.** Each applicant must also execute a Standard Offer Supplier Agreement in the form included in the Standard Offer Supplier Application at the time of submission of the Application.
- 3.4 **Additional Information.** Duquesne Light may, but is not obligated to, request additional information and materials from any applicant for evaluation of an Application. Information submitted by an applicant absent a request by Duquesne Light which is not in the nature of a correction or clarification to the Application will not be considered by Duquesne Light. If any information in an Application or Standard Offer Supplier

Agreement is no longer true, the applicant shall immediately notify Duquesne Light of the changed information. Failure to provide such notification or respond to a request for additional information and materials may result in disqualification of the applicant and rejection of its Application. Duquesne Light shall have no duty to inform any applicant of any deficiency in its Application.

- 3.5 **Prior Qualification.** An applicant who has previously qualified under the Standard Offer Program is not required to submit a second Application for succeeding months, but must inform Duquesne Light of any change its status or ability to satisfy the qualification requirements as provided in Section 3.2. An applicant who has previously qualified under the Standard Offer Program need not execute a new Standard Offer Supplier Agreement unless requested by Duquesne Light.
- 3.6 **Application Evaluation and Notification of Applicants.** Duquesne Light, in its sole discretion, will evaluate each Application using a standard protocol for its completeness and satisfaction of the Standard Offer Supplier Qualifications. Duquesne Light will provide each applicant with notice of its satisfaction or failure to satisfy the Standard Offer Supplier Qualifications by the date for Notification of Standard Offer Supplier Qualification set forth in the Program Schedule.
- 3.7 **Duquesne Light Affiliates.** Affiliates of Duquesne Light who satisfy the Standard Offer Supplier Qualifications are permitted to submit Applications and to participate in this Program to the same extent as any other entity.

ARTICLE 4 CUSTOMER ENROLLMENT

- 4.1 **Available Standard Offer.** The Standard Offer Supplier must offer a uniform product – a fixed price in cents per kWh for a twelve consecutive billing cycles – that is a 7% reduction from the applicable PTC that is known at the time of the offer. Certain customer calls to Duquesne Light will be referred to the Standard Offer that is available, if any, at that time.
- 4.2 **Customer Referrals.** A “choice referral team” operated by Duquesne Light will answer specific customer questions about supplier shopping, refer customers to available supplier offers at www.PAPowerSwitch.com, and explain the current Standard Offer available. When customers are interested in enrolling in the Standard Offer, the “choice referral team” will send customer referral information to the applicable current Standard Offer Suppliers on a daily basis. The “choice referral team” could also transfer the customer directly to the Standard Offer Supplier’s call center for enrollment if the Standard Offer Supplier has so directed. The Standard Offer will be presented to non-shopping residential customers that call Duquesne Light with a: (a) new or mover request; (b) high bill complaint; (c) inquiry about customer choice; or (d) other residential customers that become aware of the Program through other means, and express interest in Program participation. If a residential customer inquires about the Standard Offer, including a shopping customer, he/she will be transferred to the “choice referral team.”

- 4.3 **Customer Enrollment.** The Standard Offer Program is voluntary for customers (*i.e.*, “opt-in”). Residential customers may enroll with Standard Offer Suppliers through Duquesne Light’s website or by telephone using an interactive voice response (“IVR”) system maintained and operated by Duquesne Light or a dedicated call center “choice referral team.” Customers may select a Standard Offer Supplier from a list, or choose to have Duquesne Light assign a Standard Offer Supplier using a fair and impartial process. Customer requests received via Duquesne Light’s website, the IVR system, or the “choice referral team” will be forwarded to the applicable Standard Offer Supplier daily, which must then submit a switching request via the appropriate EDI transaction to Duquesne Light for each customer. Standard Offer enrollment will adhere to the Company’s meter reading schedule and will follow the switching protocols in the Company’s Supplier Tariff and Electric Service Schedule of Rates Tariff.
- 4.4 **Customer Sales Agreement Upon Enrollment.** Each Standard Offer Supplier shall send a sales agreement, which meets all Commission regulations and includes the terms and conditions of the Standard Offer, to the customer within one business day after sending the EDI enrollment transaction. The sales agreement will provide the terms of service for the initial 12 consecutive month billing cycle period and also provide information about how the terms may change after the initial 12-month period. This shall include the date by which the customer must take action to exercise his or her options at the end of the term.
- 4.5 **Enrollment and Program Report to Commission.** In order to monitor the success of the Standard Offer Program, Duquesne Light will produce a confidential report to the Commission and the Office of the Consumer Advocate, with the report submitted within 90 days after Duquesne Light has operated the program for twelve months. In order to obtain statistics to prepare this report, Standard Offer Suppliers shall provide information on a monthly basis in the form of electronic reports to Duquesne Light, including, for each Standard Offer calendar month, the number of accounts that enrolled in the program for that month, the number of accounts that have dropped from the program in each month before the end of the 12-month Standard Offer Program period; and the number of accounts retained by the EGS at the time of the report. Duquesne Light also will include a summary of the costs that it incurred to develop and administer the Standard Offer Program. Opt-In Suppliers must cooperate with Duquesne Light in the preparation of its report to the Commission. Duquesne Light will provide a template for this reporting to facilitate compilation of data.
- 4.6 **Standard Offer Referral Term and Limitations.** The Standard Offer Program will be offered each month beginning June 1, 2014 until June 1, 2015, the end of Duquesne Light’s default service VI period (unless subsequently extended by the Company with Commission approval). However, if residential shopping in Duquesne Light’s service area reaches two-thirds (67%) or more of total residential customer accounts, then Duquesne Light would suspend new customer referrals to the Standard Offer Program for the remainder of the default service VI period. If this threshold were met, Duquesne Light would provide written notice at least ten business days before the first day of the next calendar month to participating EGSs, the Commission, and the Office of Consumer Advocate before new customer referrals to the Standard Offer Program were suspended at the start of the next calendar month. Customers already enrolled in the Program with an

EGS will be eligible to continue to receive service according to the terms and conditions of the Program for the entire Standard Offer Period.

ARTICLE 5 OTHER TERMS AND CONDITIONS

- 5.1 **Agreement To Terms And Conditions.** By submitting an Application, the Standard Offer Supplier agrees to abide by the terms and conditions contained in the Program rules and the Standard Offer Supplier Agreement, and to implement these terms and conditions in the contracts with the customers that the Standard Offer Supplier gains through this Program.
- 5.2 **Program Costs.** All costs of this Program incurred by Duquesne Light will be recovered through a discount in the Purchase of Receivables payment to all suppliers serving residential customers. Costs include incremental call center support for the Program and other associated administrative costs.
- 5.3 **Address for Submissions.** All submissions to Duquesne Light for this Program, unless otherwise communicated at a technical conference and subsequently posted to the [*website to be determined*], shall be delivered via email to the following address:
____duqlight.com.
- 5.4 **No Unauthorized Modifications.** No interpretation or change to the Standard Offer Supplier Agreement shall be valid unless it is signed by a duly authorized representative designated by an Officer of Duquesne Light.
- 5.5 **Ownership of Program Materials.** All materials submitted to Duquesne Light pursuant to this Program shall be the property of Duquesne Light.
- 5.6 **Presentation and Formatting.** All information submitted by an applicant must be in the English language.
- 5.7 **Costs.** Duquesne Light shall have no responsibility whatsoever with respect to the costs of any applicant in considering or responding to this Program, including but not limited to any costs of preparing any materials submitted to Duquesne Light.
- 5.8 **Use of Duquesne Light Mark.** Duquesne Light will have final approval regarding the use of any Duquesne Light mark and any other reference to Duquesne Light in materials related to the Standard Offer Program.
- 5.9 **Publicity.** Applicants are not permitted to announce or release any information regarding this Program or Duquesne Light's Standard Offer Program without Duquesne Light's prior written approval, which Duquesne Light may withhold approval in its sole discretion. Each applicant understands and agrees that Duquesne Light does not participate in, nor does it allow, applicants to utilize media releases of any kind to publicize applicant's business relationship with Duquesne Light. Each applicant shall not use any trade name, trademark, service mark or any other information which identifies

Duquesne Light in such applicant's sales, marketing and publicity activities, including interviews with representatives of any written publication, or television or radio station or network, without Duquesne Light's express prior written consent. Standard Offer Suppliers agree to cooperate with Duquesne Light in preparation of any press release concerning the Standard Offer Program. Standard Offer Suppliers are not permitted to promote their role as Standard Offer Supplier, either before, during or after their Standard Offer Month, without Duquesne Light's prior written approval, which Duquesne Light may withhold approval in its sole discretion.

- 5.10 **Non-Conforming Applications.** Duquesne Light reserves the right to reject any Application at any time on the grounds that it does not conform to the terms and conditions of the Program rules.

STANDARD OFFER SUPPLIER APPLICATION

Name of Applicant:			
Contact:		Title:	
E-mail:		Phone:	
Address:	City:	State:	Zip Code:
<p><u>INSTRUCTIONS</u></p> <p>A signed and scanned original of the Standard Offer Supplier Agreement must be attached to Applicant's original Application. All terms used herein have the meaning set forth in Duquesne Light's Standard Offer Program Rules and Agreement.</p>			
<p>As an officer or other authorized representative of the Applicant, I certify that: (a) The Applicant is fully certified by Duquesne Light to provide coordination services in compliance with the Supplier Tariff; and (b) The Applicant will abide by all Standard Offer Program rules and procedures.</p>			
<p><u>SIGNATURE OF AUTHORIZED REPRESENTATIVE</u></p>			
<p>I am an officer or other authorized representative of the Applicant and certify that all of the information and certifications in this Application are true and acknowledge that this submission constitutes acceptance and agreement to all terms of the RFP.</p>			
Signature:		Date:	
Name:		Title:	

STANDARD OFFER SUPPLIER AGREEMENT

This Agreement (“Agreement”) is made as of [_____, 201_] (the “Effective Date”), by and between _____ “*Standard Offer Supplier*” and Duquesne Light Company, a public utility authorized to supply electric service in the Commonwealth of Pennsylvania (“Duquesne Light”).

1. Definitions. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Standard Offer Electric Generation Supplier Agreement and Program Rules issued by Duquesne Light on [_____, 2014] (the “Program”) and Duquesne Light’s Electric Generation Supplier Coordination Tariff (the “Supplier Tariff”).

- a) Duquesne Light is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principle corporate office in Pittsburgh, Pennsylvania. Duquesne Light is an electric distribution company under Pennsylvania law and provides electric delivery service to approximately 585,000 retail customers in Southwestern Pennsylvania. Duquesne Light is also a default service provider in its service territory, and currently provides electric generation service to more than 300,000 residential customers.
- b) Standard Offer Suppliers are approved electric generation suppliers that submitted an application to Duquesne Light and met all the requirements of the Program Rules and application process.

2. Term. This Agreement shall commence on the Effective Date and shall remain in effect through the Standard Offer Period (the “Term”) unless terminated as provided in this Agreement.

3. Fixed Price to Customers. In accordance with the Program, the Standard Offer Supplier shall provide competitive electricity supply (including all components of Duquesne Light’s Price-to-Compare) to each customer that enrolls in the Program (a “Standard Offer Customer”) at the effective Standard Offer Price at the time of each customer’s date of enrollment. The Standard Offer Price shall be a fixed cents/kWh comprised of a seven percent (7 %) reduction from the applicable Duquesne Light residential default service Price-to-Compare that is known at the time the standard offer is made. The Standard Offer Price will be available to the Standard Offer Customer over twelve consecutive billing cycles (“Standard Offer Period”).

4. Terms and Conditions. During the Term, the Standard Offer Supplier agrees that: (a) all Standard Offer Supplier billing for each Standard Offer Customer shall be Consolidated EDC Billing; (b) each Standard Offer Customer shall have the option to return to Duquesne Light default service or to switch to another EGS, or to the Standard Offer Supplier under a different Standard Offer Supplier offer, at any time and without incurring switching fees or other penalties; (c) only Duquesne Light shall be entitled to terminate service to Standard Offer Supplier Customers for non-payment of EGS charges under the terms of Duquesne Light’s approved Purchase of Receivables program in the Supplier Tariff; (d) in no event may a Standard Offer Supplier discontinue service to a Standard Offer Customer before the end of the Standard Offer Period; (e) the Standard Offer Supplier shall provide notice prior to the end of the Standard Offer Period regarding any renewal and/or price change as required under the Supplier Tariff and/or Commission regulations; (f) Standard Offer Customers may choose to be assigned to the Standard Offer Supplier of their choice or may choose to have Duquesne Light assign them to a Standard Offer Supplier using a fair and impartial process; (g) a Standard Offer Supplier shall not have the right to terminate service to its customers obtained through this Program because of a change in

applicable rules, regulations, tariffs, or orders; and (h) the Standard Offer Supplier shall abide by the other terms and conditions specified in the Standard Offer Program rules.

5. Representations and Warranties of Standard Offer Supplier. The Standard Offer Supplier represents and warrants that, on the Effective Date and throughout the Term: (a) The Standard Offer Supplier is fully certified by Duquesne Light to provide coordination services in compliance with the Supplier Tariff; and (b) The Standard Offer Supplier will abide by all Standard Offer Program rules and procedures.

6. Standard Offer Referral Term and Limitations. The Program would be offered each month beginning June 1, 2014 until June 1, 2015, the end of Duquesne Light's default service VI period (unless subsequently extended by the Company with Commission approval). However, if residential shopping in Duquesne Light's service area reaches two-thirds (67%) or more of total residential customer accounts, then Duquesne Light would suspend new referrals to the Program for the remainder of the default service VI period. If this threshold were met, Duquesne Light would provide written notice at least ten business days before the first day of the next calendar month to participating EGSs, the Commission, and the Office of Consumer Advocate before new customer referrals to the Standard Offer were suspended at the start of the next calendar month. Customers already enrolled in the Program with an EGS will be eligible to continue to receive service according to the terms and conditions of the Program for the entire Standard Offer Period.

7. Termination and Withdrawal from Supplier List. This Agreement may be terminated (i) by Duquesne Light upon written notice of a material breach of this Agreement or the Supplier Tariff by Standard Offer Supplier; (ii) by Duquesne Light upon the termination or suspension of the Program; or (iii) by the Standard Offer Supplier upon written notice to Duquesne Light with at least ten business days before the first day of the next calendar month, provided that the Standard Offer Supplier will continue to provide service to any Standard Offer Customers who remain on a fixed rate offered by the Standard Offer Supplier under the Program during the Standard Offer Period applicable to such customer.

8. Limitations. Notwithstanding any provision of this Agreement or the Program, the Standard Offer Supplier acknowledges that (a) the Standard Offer Supplier has obtained certain benefits from participating in the Program, but that Duquesne Light has made no representation regarding the number of customers (if any) the Standard Offer Supplier may obtain as a result of the Program, or the amount of electric load that will be required by such customers; (b) Duquesne Light has no obligation to provide electric supply other than default service in accordance with the Pennsylvania Public Utility Code to any customer that may be served by the Standard Offer Supplier in the event that the Standard Offer Supplier no longer serves that customer for any reason; and (c) the Standard Offer Supplier waives any right to claim any loss of business, consequential damage or any monetary or other direct damages from Duquesne Light of any kind whatsoever arising from or relating to this Agreement or the Program.

9. Indemnification. The Standard Offer Supplier shall indemnify, save and hold Duquesne Light harmless from and against any and all third party losses, costs, liabilities, damages and expenses (including, without limitation, attorneys' fees and expenses) incurred or suffered as a result of or in connection with the Standard Offer Supplier's material breach of this Agreement, failure to comply with any applicable laws, or intentional, negligent or willful misconduct.

10. Customer Notice of Terms and Conditions at First Contact. At the time of the first contact between the Standard Offer Supplier and the Standard Offer Customer, the customer will

be reminded of the terms and conditions of the Standard Offer, including the date by which the customer must take action to exercise his or her options at the end of the term.

11. Consolidated EDC Billing. All Standard Offer Suppliers shall use Consolidated EDC Billing for customers who accept offers under the Program.

12. Customer Switching Options. Each customer shall have the option to return to Duquesne Light default service or to switch to another EGS, or to the Standard Offer Supplier under a different offer, at any time and without incurring switching fees or other penalties.

13. Service Termination. Only Duquesne Light shall be entitled to terminate service to customers for non-payment of EGS charges under the terms of its approved Purchase of Receivables program. In no event may a Standard Offer Supplier discontinue service to a customer who accepted its offer under the Program before the end of the Standard Offer Period.

14. Notice Requirements. All Standard Offer Suppliers must mail two written notices to customers. An initial notice must be mailed 52-90 days before the end of the program, followed by a more detailed options notice which must be mailed at least 45 days before the end of the Standard Offer Service Period. In that mailing, Standard Offer Suppliers are required to clarify that customers: a) will remain with the Standard Offer Supplier on a monthly product without any customer switching restrictions absent any customer action, or b) they can affirmatively elect to: (i) remain with the Standard Offer Supplier under a new contract, (ii) switch to another EGS, or (iii) return to Duquesne Light's default service rate. The second notice must include the new terms and conditions, pricing and a date by which the customer must take action, as determined by the Commission's rules, orders and regulations.

15. Change in Rules, Regulations, Tariffs. Notwithstanding any language in the Supplier Tariff to the contrary, a Standard Offer Supplier shall not have the right to terminate service to its customers obtained through this Program because of a change in applicable rules, regulations, tariffs, or orders.

16. Other Provisions. This Agreement and the Program rules attached hereto represents the entire Agreement between Duquesne Light and Standard Offer Supplier. No amendment of this Agreement or Program rules will be valid unless in writing and signed by representatives of both parties. The Program rules are specifically incorporated into this agreement and made a part thereof. In the event of any inconsistency between this Agreement and the Program rules, the Agreement shall control. Each party represents that this Agreement is a legally valid and binding obligation enforceable against it in accordance with its terms, and that the execution, delivery and performance of this Agreement are within its powers and have been duly authorized by all necessary action and do not violate any terms and conditions in its governing documents, any contracts to which it is a party, or any applicable law, rule, regulation or order. Standard Offer Supplier may not assign this Agreement without Duquesne Light's consent. All notices required under this Agreement shall be provided to the parties and addresses listed directly below or to such other address as either party may designate from time to time by providing written notice to the other party. Nothing in this Agreement is intended to convey benefits, rights or remedies to any person other than Standard Offer Supplier and Duquesne Light, and no third party shall have the right to enforce the provisions of this Agreement, except that the Commission may enforce the provisions of this Agreement, the Program, the Supplier Tariff and any provision of the Pennsylvania Public Utility Code or Commission regulations applicable to this Agreement. This Agreement is not intended to create any partnership or joint venture between Duquesne Light and the Standard Offer Supplier, and neither party shall have the power to bind or obligate the other

party. In the event that any provision of the Agreement shall be found to be void or unenforceable, such findings shall not be construed to render any other provision either void or unenforceable, and all other provisions shall remain in full force and effect unless the provisions which are void or unenforceable shall substantially affect the rights or obligations granted to or undertaken by either party. This Agreement shall be construed according to the laws of the Commonwealth of Pennsylvania, without regard to its conflict of laws provisions. In the event of any conflict between this Agreement, the Program, and the Supplier Tariff, this Agreement shall be controlling.

Duquesne Light Company

By: _____

Name: _____

Title: _____

Duquesne Light Company
c/o [____],
[__ floor]
411 Seventh Avenue
Pittsburgh, PA 15219
Phone:
Fax:
Email:

[STANDARD OFFER SUPPLIER]

By: _____

Name: _____

Title: _____

[Company Name]
[Address]

Phone:
Fax:
Email: