

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

FAX (717) 783-7152
consumer@paoca.org

IRWINA. POPOWSKY
Consumer Advocate

May 15, 2012

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

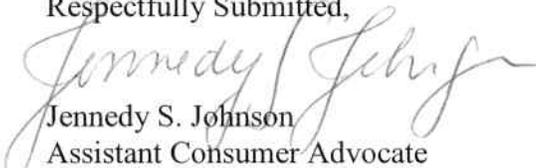
RE: Petition of Duquesne Light Company for
Approval of Default Service Plan for the
Period June 1, 2013 through May 31, 2015
Docket No. P-2012-2301664

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,


Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098

Enclosures

cc: Office of Administrative Law Judge
Office of Special Assistance
Certificate of Service

156325

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company	:	
for Approval of Default Service Plan	:	Docket No. P-2012-2301664
for the Period June 1, 2013	:	
through May 31, 2015	:	

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On April 27, 2012, Duquesne Light Company (Duquesne Light or Company) filed a Petition with the Pennsylvania Public Utility Commission (Commission) seeking approval of a Default Service Plan (DSP or Plan) for the period of January 1, 2013 through May 31, 2015. The filing has been made pursuant to the requirements of Act 129 of 2008, specifically under revised Section 2807(e). Among other provisions, Act 129 addresses the manner in which Pennsylvania Electric Distribution Companies (EDCs) are to procure power on the wholesale market for default service customers, requiring each EDC to obtain energy supply for default service customers at the least cost over time.

II. ANSWER

In its Petition, the Company proposes a Default Service Plan designed to meet the specific needs of its four major customer groups for the default service period commencing January 1, 2013 and ending May 31, 2015. The Company proposes a varied approach for each customer group. For Residential and Lighting customers, the Company proposes that default service be supplied through 12-month full requirements supply contracts from third-party suppliers who will be chosen using an RFP process. Petition, ¶ 6. The contracts will provide for

delivery of default service supply from June 1 of each calendar year through May 31 of the next calendar year, coinciding with the PJM planning year. Id. For the June 1, 2013 to May 31, 2014 delivery period, the Company will procure 50% of its default service supply in November 2012 and 50% in April 2013. Petition, ¶ 8. Duquesne will procure 50% of its default service supply for the June 1, 2014-May 31, 2015 delivery period in April 2012, 25% in November 2013, and 25% in April 2014. Petition, ¶ 9. In light of the Commission’s recommendation in the Retail Markets Investigation that EDCs limit or eliminate short-term energy contracts that extend beyond the DSP period, Duquesne limited the quantity of contracts with delivery after May 31, 2015, to provide for only 25% of the necessary supply for Residential and Lighting default service customers. Petition, ¶ 10. If Duquesne is no longer the default service provider, the Company states that this solicitation could be adjusted by the Commission, as necessary. Id. Duquesne submits that because rates will change every 12 months, its proposed DSP is more market responsive than the rate under its current DSP. Petition, ¶ 11. Duquesne does not believe that quarterly rate changes are necessary, as one-year rates will better reflect contemporaneous market prices and send EGSs better price signals for their marketing purposes. Petition, ¶ 13.

For Small Commercial and Industrial customers (those with monthly metered demands less than 25kW), Duquesne Light will procure supply through full requirements fixed-price supply contracts from third party suppliers obtained through semi-annual RFPs. Petition, ¶ 18. The default supply contracts for Small C&I customers will be “laddered” with overlapping delivery periods and rates that reset twice per year. Petition, ¶¶ 19, 21. Default Service for Medium Commercial and Industrial customers (those with monthly metered demands equal to or greater than 25kW and less than 300kW) will be supplied through full requirements fixed-price supply contracts from third party suppliers obtained through semi-annual RFPs, with no

laddering. Petition, ¶ 26. Default service rates will change every six months. Petition, ¶ 29. For Large Commercial and Industrial customers (those with monthly metered demands equal to or greater than 300kW), Duquesne Light will offer day-ahead hourly spot pricing purchased directly from PJM. Petition, ¶ 32. This is the same service that is currently offered to Large C&I customers under the Company's POLR V Plan. Id.

The OCA has preliminarily reviewed the Company's Petition and identified a number of significant issues presented by the filing. The OCA anticipates that additional issues will arise as a more comprehensive review of the Duquesne's filing is undertaken and after discovery is conducted. The preliminary issues identified by the OCA include:

A. Procurement Methodology

The Company proposes to acquire 100% of the supply for residential customers using fixed price, load-following, full requirements supply contracts. The OCA submits that further consideration must be given to whether the proposed purchasing plan includes a prudent mix of contracts that will provide the least cost over time for residential customers in accord with the requirements of Act 129. The OCA intends to examine the type and mix of resources being procured to ensure that the products and plan are designed to meet the requirements of Act 129.

B. Contingency Plan.

The Company proposes to rely on the PJM spot markets in the event an RFP fails to attract a sufficient volume of bids or if an accepted supplier defaults. Petition at ¶ 28. The OCA submits that the contingency plan must be thoroughly reviewed in the hearing process to ensure that it neither abrogates the Commission's review of the plan itself nor relies too heavily on spot market purchases.

C. Opt-In EGS Service Program

The Company is proposing an Opt-In EGS Service program as part of its DSP. Under the program, EGSs will bid in May 2013 to participate in the program. Petition at ¶ 54. As the Company will have conducted all of its procurements by that time, the one-year PTC commencing June 1, 2013 will be known. Id. Each EGS must bid a price that is at least 5% below the PTC and must provide a \$50 bonus to each customer who remains in the program for at least three billing cycles. Petition at ¶ 55. Duquesne will send a standardized letter to all residential default service customers, excluding CAP customers and those who instructed the Company not to release their information to EGSs. Petition at ¶ 58. Customers would then be able to elect to participate in the program. Petition at ¶ 56. The price would be fixed for a full 12 month period, from June 1, 2013 through May 31, 2014. Id. The customers would face no penalties for leaving the program early, and the EGSs cannot impose any switching restrictions. Id. Customers will be randomly assigned an EGS and that EGS will pay for the cost of the letter and any other implementation costs. Petition at ¶¶ 58-59. Enrollment in the Program will be limited to 50% of the Company's default service customers as of March 31, 2013 (excluding CAP customers). Petition, ¶ 60. The Petition provides that all costs associated with this Program will be recovered through an increase in the Company's residential POR discount. Petition at ¶ 59. The OCA submits that this opt-in program must be thoroughly analyzed to ensure its compliance with the Public Utility Code, and to ensure that such a program does not harm default service, consumers, or the retail competitive market.

D. Standard Offer Customer Referral Program

Duquesne proposes to implement a customer referral program on June 1, 2014. Petition at ¶ 65. This program will provide those who sign up with a 7% discount off the PTC

for 12 billing cycles. Petition, ¶¶ 64, 66. Duquesne proposes to target non-shopping, residential customers who call with a new mover request¹, a high bill complaint or to make an inquiry about customer choice. Petition, ¶ 68. Customers who desire further information will be transferred to a “choice referral team” representative, who will have a script to handle such calls. Petition at ¶ 68. The Program will be offered on an ongoing basis until residential shopping in Duquesne’s service area reaches two-thirds or more of residential load. Petition, ¶ 70. The Petition provides that all costs associated with this Program will be recovered through an increase in the Company’s residential POR discount. Petition at ¶ 71. The OCA submits that the Commission should review the proposed Standard Offer Customer Referral Program and the costs that may arise from the implementation of such a referral program to ensure that such a program is reasonably designed, cost-justified, and that the costs are allocated appropriately among stakeholders. In addition, implementation of both a Retail Opt-In Auction and the Customer Referral Program as proposed by the Company must be carefully coordinated in order to avoid undue customer confusion. These issues will need to be thoroughly examined in this proceeding.²

E. Time of Use Rates

The Company filed a TOU program with the Commission on December 28, 2009 that was approved by the Commission on June 23, 2010 at Docket No. P-2009-2149807. Petition at ¶¶ 75, 76. As the Company’s current metering structure does not support a full array of TOU rates, it proposed a four-step process to develop a TOU program consistent with its

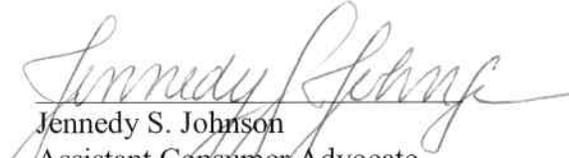
¹ Duquesne will make a separate filing for a formal New/Moving customer referral program, which it to be implemented by the fourth quarter of 2012. Petition, ¶ 72.

² In its filing, the Company notes that in addition to its proposed Opt-In and Customers Referral Programs, it has already undertaken a variety of Retail Market Enhancements, such as a POR Plan, Ombudsman for Supplier issues, discussions with EGSs and customer awareness initiatives. Petition, ¶ 73.

smart meter plan. Petition, ¶ 75. In accordance with that process, the Company is preparing to Conduct TOU pilot programs in the summer of 2012. Petition, ¶ 77. The OCA submits that the Company's TOU rates will require a full review in the appropriate proceeding.

WHEREFORE, the Office of Consumer Advocate respectfully requests that this matter be set for hearings. Hearings are necessary to ensure that the default service rates that will be charged starting June 1, 2013 are just and reasonable and that the Company's Default Service Plan as a whole is consistent with Pennsylvania law and public policy.

Respectfully Submitted,



Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098
E-Mail: jjohnson@paoca.org
David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870
E-Mail: DEvrard@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: May 15, 2012
156305

CERTIFICATE OF SERVICE

Petition of Duquesne Light Company :
for Approval of Default Service Plan : Docket No. P-2012-2301664
for the Period June 1, 2013 through :
May 31, 2015 :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 15th day of May 2012.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Johnnie Simms, Esq.
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esq.
Anthony D. Kanagy, Esq.
Post & Schell, PC
17 North Second Street, 12th Fl.
Harrisburg, PA 17101-1601

Todd S. Stewart, Esq.
Hawke McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101

Daniel Clearfield, Esq.
Eckert Seamans
213 Market Street, 8th Fl.
Harrisburg, PA 17101

Steven Gray, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

David T. Fisfis, Esq.
Krysia Kubiak, Esq.
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219



Jennedy S. Johnson
Assistant Consumer Advocate
PA Attorney I.D. # 203098
E-Mail: JJohnson@paoca.org

David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870
E-Mail: DEvrard@paoca.org

Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
156326