

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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Consumer Advocate

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June 4, 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 Prehearing Memorandum in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Jennedy S. Johnson".

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

Enclosures

cc: Hon. Katrina L. Dunderdale
Certificate of Service

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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	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. Section 333, and in response to the May 16, 2012 Prehearing Conference Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

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. 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 Petition was assigned to the Office of Administrative Law Judge and was further assigned to Administrative Law Judge Katrina L. Dunderdale for investigation and the scheduling of hearings. On May 16, 2012, ALJ Dunderdale issued a Prehearing Conference Order indicating that an Initial Prehearing Conference was scheduled for June 8, 2012. This Order also detailed the parties' obligations with respect to the Prehearing Conference.

On May 15, 2012, the OCA filed a Notice of Intervention, Public Statement and Answer in response to the Company's Petition. The OCA submits this Prehearing Memorandum in accordance with the Prehearing Conference Order in this matter.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of the Company's Petition, the OCA has compiled a list of issues that it anticipates will be included in its investigation of the DSP. It is anticipated that other issues will arise and may be pursued as discovery proceeds.

The OCA has identified several issues that may require further review:

- Default Service Products: The OCA will examine whether the type of load following product that the Company proposes to solicit and the use of only twelve-month contracts will provide the least cost service over time for residential default service customers as required by the Commission's regulations and Act 129.
- Contingency Plan: The OCA will review the Company's contingency plan to ensure that it neither abrogates the Commission's review of the plan itself nor relies too heavily on spot market purchases. This plan must be well-defined so that, in the event it is needed, customers are protected by a reasonable "back up" plan that will provide stable rates.
- Opt-In EGS Service Program: The Company is proposing an Opt-In EGS Service program under which EGSs will bid in May 2013 to participate in the program.

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. 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. Customers would then be able to elect to participate in the program. The price would be fixed for a full 12 month period, from June 1, 2013 through May 31, 2014, and customers would face no penalties for leaving the program early, and the EGSs cannot impose any switching restrictions. The OCA submits that this opt-in program must be thoroughly analyzed to ensure its compliance with the Public Utility Code, that the cost and allocation of the program are appropriate and that such a program does not harm default service, consumers, or the retail competitive market.

- Standard Offer Referral Program: Duquesne proposes to implement a customer referral program on June 1, 2014. This program will provide those who sign up with a 7% discount off the PTC for 12 billing cycles. Duquesne proposes to target non-shopping, residential customers who call with a new mover request, a high bill complaint or to make an inquiry about customer choice. Customers who desire further information will be transferred to a “choice referral team” representative, who will have a script to handle such calls. 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.
- 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. 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 smart meter plan. In accordance with that process, the Company is preparing to conduct TOU pilot programs in the summer of 2012. The OCA submits that the Company’s TOU rates will require a full review in the appropriate proceeding.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of its witnesses. The OCA’s witnesses will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the

presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the OCA's witnesses at the below addresses, as well as mailing a copy to counsel for the OCA.

Mathew I. Kahal
Steven L. Estomin
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
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E-mail: mkahal@exeterassociates.com
sestomin@exeterassociates.com

Barbara Alexander
Consumer Affairs Consultant
83 Wedgewood Drive
Winthrop, ME 04364
E-mail: barbalex@ctel.net

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will promptly notify Administrative Law Judge Dunderdale and all parties of record.

IV. DISCOVERY

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding, consistent with the modifications approved in numerous other default service proceedings. The OCA, therefore, requests the following modifications to the discovery regulations:

- A. Answers to written interrogatories be served in-hand within ten (10) calendar days of service of the interrogatories.

- B. Objections to interrogatories be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories.
- C. Motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of such motions.
- E. Responses to requests for document production, entry for inspection, or other purposes be served in-hand within ten (10) calendar days.
- F. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service

V. PROPOSED SCHEDULE

The OCA is willing to work with the other parties and the ALJ to arrive at a procedural schedule.

VI. SERVICE ON OCA

The OCA will be represented in this case by Jennedy S. Johnson and David T. Evrard. Two copies of all documents should be served on the OCA as follows:

Jennedy S. Johnson
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut St., 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152
Email: JJohnson@paoca.org

As a courtesy, the OCA requests that all electronic correspondence be additionally copied to David Evrard (DEvrard@paoca.org) and Cammie A. Shoen (CShoen@paoca.org).

VII. SETTLEMENT

The OCA is willing to participate in settlement discussions at the appropriate time.

VIII. PUBLIC INPUT HEARINGS

At present, the OCA has not received a request for a public input hearing. The OCA will promptly notify ALJ Dunderdale and request a public input hearing should circumstances warrant.

Respectfully Submitted,



Kennedy S. Johnson

PA Attorney I.D. #203098

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David T. Evrard

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Dated: June 4, 2012
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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 Prehearing Memorandum, 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 4th day of June 2012.

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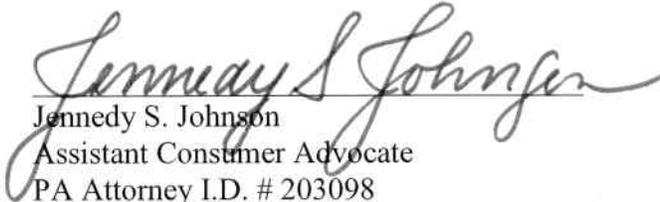
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