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December 5, 2012

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor (filing room)
PO Box 3265
Harrisburg, PA 17105-3265

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; **EXCEPTIONS OF DOMINION RETAIL, INC. AND INTERSTATE GAS SUPPLY, INC. TO RECOMMENDED DECISION**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the original of the Exceptions of Dominion Retail, Inc. and Interstate Gas Supply, Inc. to Recommended Decision in the above-captioned docket. This filing has been served in accordance with the attached Certificate of Service.

If you have any questions concerning this filing, please do not hesitate to contact my office.

Very truly yours,

Todd S. Stewart
*Counsel for Dominion Retail, Inc. and
Interstate Gas Supply, Inc.*

TSS/jld/151971.1

Enclosures

cc: ALJ Katrina L. Dunderdale (via email and first class mail)
Per Certificate of Service
OSA (via email – ra-OSA@pa.gov)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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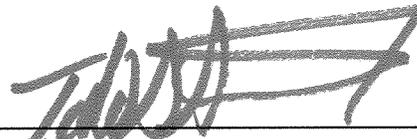
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*Counsel for Dominion Retail, Inc. and
Interstate Gas Supply, Inc.*

Dated: December 5, 2012

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**EXCEPTIONS OF DOMINION RETAIL, INC.
AND INTERSTATE GAS SUPPLY, INC.
TO RECOMMENDED DECISION**

AND NOW, come Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“DES”) and Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”) and hereby Except to the Recommended Decision (“RD”) issued by Presiding Administrative Law Judge Katrina L. Dunderdale on or about November 15, 2012 in the above-captioned matter.

The Recommended Decision would approve, largely intact, the Default Service Plan (“DSP”) of Duquesne Light Company (“Duquesne” or the “Company”) that was filed with the Pennsylvania Public Utility Commission (“Commission”) on or about April 27, 2012. Duquesne’s DSP would govern its service to customers for the period June 1, 2012 through May 31, 2015. In large part, the EGS Parties agree with the RD. However, the RD commits serious error in at least two sections: 1) by imposing a requirement that a third notice be provided, by the EDC, to customers participating in the opt-in auction prior expiration of contracts with suppliers opt-in auction; and, 2) in approving a cost recovery mechanism that would require suppliers to pay the vast majority of the costs of the market enhancement programs, through the POR discount.

Under the Commission's Regulations, EGSs must provide two (2) notices at the end of a fixed-price contract.¹ The ALJ would supplant this time proven methodology and instead require a third notice to be provided by the utility. Perhaps more egregious, however, is the RD's insistence upon recovery of all costs of the retail enhancement programs from suppliers. The RD endorses Duquesne's preferred method of recovery of the costs of the enhancements that would require EGSs that do not participate in the retail enhancements to nonetheless act as a backstop for any costs not recovered from suppliers who participate. Such a scheme is clearly an anti-competitive subsidy and must be rejected. These aspects of the RD must be reversed and are discussed more fully below.

Exception No. 1: The RD errs in requiring a third notice to customers at the expiration of the opt-in program. (RD p. 102).

On page 102 of the Recommended Decision, the ALJ agrees with the Office of Consumer Advocate ("OCA") position that would require Duquesne Light to mail a third notice to customers prior to the end of the retail opt-in program. Under the RD's scheme, one (1) notice would come from Duquesne Light and two (2) would come from EGSs. The basis of this requirement is the OCA's belief that without three (3) notices as opposed to the two (2) notices required, by Commission regulation, to be provided to every other customer engaged in the retail market today, that customers would not be informed about their options at the expiration of their fixed-price contracts. This argument fails to consider the considerable potential for customer confusion generated by a third notice from the Utility suggesting that the customer's contract with a supplier is ending, or the additional cost to Duquesne for providing such notice, costs which will be ultimately be recovered from suppliers. It cannot be forgotten that the customers in this program will have voluntarily agreed to participate in this program; that is, they will have

¹ 52 Pa. Code § 54.5(g)(1).

opted-in. There is no explanation as to how a third notice will be beneficial. Accordingly, this requirement should be rejected in favor of the standard requirements for all other contracts in Pennsylvania, namely two (2) notices.

Exception No. 2: The ALJ erred in approving without modification Duquesne's proposed cost recovery mechanism for the retail enhancements. (RD pp. 142-153).

The RD would approve Duquesne's proposed recovery mechanisms for the costs of the retail opt-in program, which would be to recover the costs from participating suppliers, but in the event that no suppliers participated, Duquesne would recover the upfront costs as minimal as they may be from suppliers through the POR discount. It is important to note that the Company has agreed to charge a flat twenty (\$20.00) dollar per customer switch fee for suppliers participating in the standard offer program, and to recover the upfront programming and costs from customers on a non-bypassable basis. However, any additional costs or costs that might remain if no supplier participated would be recovered from all suppliers either through the POR discount or through a flat charge to all suppliers.

Duquesne's design of having all EGSs backstop those that participate, tends to ensure that the program will fail, because the backside risk to suppliers is likely to be greater than they are willing to shoulder. That is, suppliers may stay away from the program, and perhaps stay away from the Company's service territory, simply because of the unaccountable risk of being charged with the costs for a program in which they did not participate. Therefore, the mere potential for such a fee is likely to cause this program to fail or at least fail to reach its potential if designed properly.

While the EGS Parties appreciate the fact that the Company has agreed to the flat per-customer fee to recover the majority of the costs of the standard offer program and that the Company appears to be willing to collect the costs of the retail opt-in from participating suppliers only, the RD fails to support the notion of customers sharing some of the costs. While it is true that the EGS Parties have supported Duquesne's proposed twelve (12) program for the retail opt-in, despite the Commission's recent Decisions in FirstEnergy and PECO that would modify that program, they recognize that the Commission also has left open the issue of cost recovery. If the FirstEnergy/PECO model is imposed in Duquesne, the cost for the opt-in would be less and the direct assignment of these costs to participating suppliers would be less onerous and would be more acceptable. However, if an expensive auction methodology is used, these costs become significant and more onerous than many suppliers are willing to bear.

The EGS Parties urge the Commission to reconsider the flawed notion that suppliers should be forced to pay one hundred percent (100%) of all market enhancement programs. With regard to the standard offer program, the Duquesne's proposed twenty (\$20.00) dollar flat fee with programing costs being shared by customers is a good start. The backstop mechanism should be to recover remaining costs from participating suppliers or customers, rather than from all suppliers through the POR discount. Both customers and participating suppliers benefit from these programs and they should share in the costs thereof.

CONCLUSION

Accordingly, the EGS Parties respectfully Except the Recommended Decision and ask that the Commission grant its Exceptions and modify the Recommended Decision accordingly.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Todd S. Stewart", is written over a horizontal line.

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Dated: December 5, 2012