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File #: 150740

June 5, 2014

***VIA ELECTRONIC FILING***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. 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**

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Dear Secretary Chiavetta:

Enclosed for filing is the Petition of Duquesne Light Company for Expedited Approval of Revisions to Procurements Under the Currently Effective Default Service Procurement Plan in the above-referenced proceeding.

Copies will be provided to the parties in the Company's DSP VI Proceeding at Docket No. P-2012-2301664 and in the Company's DSP VII Proceeding at Docket No. P-2014-2418242 as indicated on the attached Certificates of Service.

Respectfully submitted,

Michael W. Gang

MWG/jl  
Enclosure

cc: Certificate of Service  
Honorable Katrina L. Dunderdale

## CERTIFICATE OF SERVICE

**Docket No. P-2012-2301664**

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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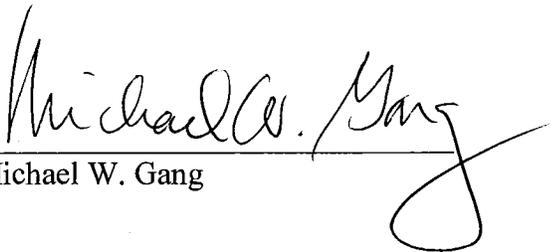
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Date: June 5, 2014

  
Michael W. Gang

## CERTIFICATE OF SERVICE

**Docket No. P-2014-2418242**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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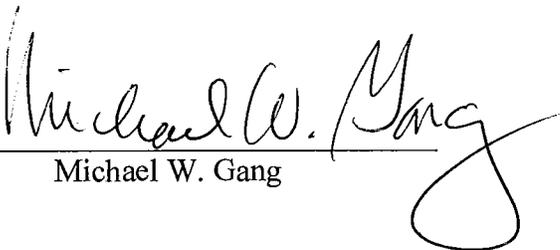
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Date: June 5, 2014

  
\_\_\_\_\_  
Michael W. Gang

**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 :

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**PETITION OF DUQUESNE LIGHT COMPANY  
FOR EXPEDITED APPROVAL OF REVISIONS TO  
PROCUREMENTS UNDER THE  
CURRENTLY EFFECTIVE DEFAULT SERVICE  
PROCUREMENT PLAN**

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TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Duquesne Light Company (“Duquesne Light” or the “Company”), by and through its attorneys, hereby petitions the Pennsylvania Public Utility Commission (“Commission”), pursuant to Section 5.41 of the Commission’s Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41, and the Commission’s Order in *Petition of Duquesne Light Company For Approval of a Default Service Program and Procurement Plan*, Docket No. P-2012-2301664 (Order of January 24, 2013) (“*DSP VI Order*”), to revise the approved procurement plan for the period of June 1, 2013 through May 31, 2015 (“*DSP VI Plan*”) for the Residential and Small Commercial and Industrial (“*Small C&I*”) Customer Classes to provide limited procurements of default supply for the first six months of its next Default Service Plan commencing June 1, 2015.

Duquesne Light is proposing to conduct these procurements in October 2014. Duquesne Light is also requesting Commission approval to move its Medium C&I customer procurement scheduled for November 2014 to October 2014 so that the Residential, Small C&I and Medium C&I procurements can all be conducted at the same time to increase bidder interest and to create

administrative cost savings. Moving the approved Small C&I and Medium C&I procurements from November 2014 to October 2014 also will allow more notice of the Price-to-Compare that will become effective December 1, 2014.

Under the Commission-approved DSP VI Plan, the final November 2014 procurement will obtain Default Service supplies for Small C&I customers under a six month fixed-price, full-requirements, load-following contract rather than under the twelve month contract utilized for prior procurements. This procurement will provide supply from December 1, 2014 through May 31, 2015. Under the approved DSP VI Plan for Residential customers, all procurements for default service through May 31, 2015 were completed with procurement in April 2014, of a twelve-month fixed-price, full-requirements load-following contract for the delivery period June 1, 2014 through May 31, 2015. This approach was designed to ensure that no contracts would extend beyond May 31, 2015 in order to permit the potential replacement of Duquesne Light as default supplier. However, the Commission noted that it would allow Duquesne Light to seek revisions to the DSP VI Plan procurements if the Company would continue in its role as Default Service supplier beyond May 31, 2015. Duquesne Light expects to continue as Default Service Provider beyond May 31, 2015, and has recently filed a Petition to establish a new Default Service Procurement Plan for the next two years beginning June 1, 2015 (“DSP VII Plan”). Therefore, the Company is filing this Petition to obtain permission to procure, in October 2014, a portion of the default service requirements of its Residential and Small C&I customers for the first 6 months of the DSP VII period in order to ladder its default service purchases and to avoid exposure to potential market price shocks.

By extending by six months the contract term of the final Small C&I procurement under the DSP VI Plan and providing for procurement of a six-month fixed-price, full-requirements, load-following contract for 50% of Residential default service load, the Company will avoid procuring 100% of its Default Service supplies in February and March of 2015, for default service commencing June 1, 2015. The proposed revisions will result in procurement of 50% of supply for the Residential and Small C&I Customer Classes for the first six months of POLR VII in October 2014 with the remainder procured in March of 2015. This will provide appropriate layering and laddering of supply, which will reduce the risk for potential extreme price spikes and volatility between Default Service procurement periods that could result if all supplies are procured in February and March of 2015, and will allow for a smooth transition between Default Service periods.

For these reasons, as more fully explained below, approval of the revised plan for the Residential and Small C&I Customer Classes to provide for procurement of 50% of the supply for the first six months of DSP VII is proper and in the public interest. In order to implement an October 2014 procurement, Duquesne Light requests that the Commission act upon this Petition at or before its Public Meeting scheduled for September 11, 2014. In support thereof, Duquesne Light states as follows:

**I. INTRODUCTION**

1. This Petition is filed by Duquesne Light, a public utility subject to the regulatory jurisdiction of the Commission.

2. Duquesne Light's address is Duquesne Light Company, 411 Seventh Avenue, 16<sup>th</sup> Floor, Pittsburgh, Pennsylvania 15219.

3. Duquesne Light's attorneys are:

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Duquesne Light's attorneys are authorized to receive all notices, filings, and communications regarding this Petition.

4. Duquesne Light furnishes electric distribution, transmission and default supply services to approximately 590,000 customers throughout its certificated service territory, which includes all or portions of Allegheny and Beaver Counties in Pennsylvania.

5. Duquesne Light is a "public utility," an "electric distribution company" ("EDC"), and a "default service provider" as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2803.

6. On January 1, 1997, the Electricity Generation Customer Choice and Competition Act ("Customer Choice Act") became effective, adding Chapter 28 to the Public Utility Code. In summary, Chapter 28 deregulated the generation of electricity, established certain caps on rates charged by EDCs, allowed EDCs to recover their stranded generation costs over a transition period and created the framework for a competitive retail electric market in which customers could choose among competing electric generation suppliers ("EGSs"). Pertinent to this Petition, Section 2807 requires each EDC to act as the Default Service Provider for its non-shopping

customers until the end of the EDC's transition period, and thereafter in accordance with regulations to be promulgated by the Commission.

7. The Commission's Default Service Regulations provide that the Default Service Provider shall be the EDC in its certificated service territory unless the Commission assigns the default service obligation to another entity. 52 Pa. Code § 54.183. A Default Service Provider is responsible for the reliable provision of default service to retail customers who do not choose to receive generation services from an EGS, or whose EGS has failed to deliver electric energy. 52 Pa. Code § 54.184.

8. Act 129 of 2008 ("Act 129"), became effective on October 15, 2008. Among other provisions, Act 129 amended the Customer Choice Act to require EDCs, in their role as Default Service Providers, to procure supply through competitive processes utilizing a "prudent mix" of contracts.

9. Duquesne Light's current DSP VI Plan was approved by the Commission on January 24, 2013, at the above-captioned docket. *See DSP VI Order.*

10. Duquesne Light's DSP VI Plan for Residential and Small C&I customers relies on a portfolio of fixed-price, full-requirements and load-following contracts.

## **II. PROPOSED REVISION OF FINAL DSP VI PROCUREMENTS**

11. Under the Commission-approved DSP VI Plan, the current procurement plan creates a "hard stop" at May 31, 2015 to all supplies procured for Residential and Small C&I customers. This procurement approach was adopted given the uncertainty at the time of the DSP VI Plan's approval as to whether Duquesne Light would continue in its role as Default Service Provider beyond May 31, 2015. *DSP VI Order*, p. 80.

12. The Commission found that the “hard stop” for the final procurement under the DSP VI Plan was consistent with the recommendation in the *Investigation of Pennsylvania’s Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Docket No. I-2011-2237952, p. 19 (Order entered December 16, 2011) that EDCs file plans limiting or eliminating the existence of short-term energy contracts extending past the end date of the upcoming default service plan time period. *DSP VI Order*, p. 80.

13. In the DSP VI Plan, Duquesne Light proposed to procure 25% of the default service requirements of its Residential customers for the first year of DSP VII (June 1, 2015 through May 31, 2016), by obtaining in April 2014, a twelve month fixed-price, full-requirements, load-following contract. For Small C&I customers, Duquesne Light proposed to procure a twelve month fixed-price, load-following, full-requirements contract in November 2014 for a delivery period of December 1, 2014, through November 30, 2015, thereby providing for procurement of 50% of the Small C&I default service load for the first six months of DSP VII. The proposed procurements of default service supplies for the commencement of the DSP VII assumed that the Company would continue in its role as Default Service Provider after May 31, 2015.

14. The Commission concluded as follows as to Duquesne Light’s proposal to procure supplies for the commencement of DSP VII:

“Upon further consideration of this issue, we shall reject Duquesne’s plan to procure a limited number of contracts that extend beyond May 31, 2015, the end of this DSP period. Instead, we will modify Duquesne’s proposed DSP to include a “hard stop” on the procurements that we are authorizing by today’s Opinion and Order. In other words, today we are authorizing only those procurements with delivery periods that end no later than May 31, 2015. However, consistent with our determination in the *PECO DSP Order*, we find that Duquesne’s DSP can be revisited in the event that there are no significant changes to Duquesne’s default

service responsibilities as the end of this DSP period approaches. In that event, Duquesne may petition the Commission for authorization to proceed with procurements with delivery periods that extend past May 31, 2015.”

*DSP VI Order*, p. 80.

15. Subsequent to the entry of the *DSP VI Order*, the Commission entered its Order on the end state of Default Service. *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013). Pertinent to this Petition, the Commission concluded that EDCs would continue in the Default Service Provider role, subject to further action in the future. *Id.*, p. 20.

16. Duquesne Light’s current Commission-approved DSP VI Plan expires on May 31, 2015. At this time, no legislation, regulation, or Commission order has been issued that removes or otherwise affects the Company’s current obligation as Default Service Provider. Therefore, the Company anticipates that it will continue in the role of Default Service Provider beyond May 31, 2015.

17. Approving the revisions to the procurement plans for the Residential and Small C&I customers is consistent with the Commission DSP VI Order.

18. The Commission’s approval of procurement plans for the Residential and Small C&I Customer Classes will enable the Company to avoid procuring all the Default Service supplies for the commencement of DSP VII during February and March of 2015.<sup>1</sup>

19. In addition, Commission authorization for Duquesne Light to revise the DSP VI Plan procurements for the Residential and Small C&I Customer Classes will continue a

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<sup>1</sup> Duquesne Light’s DSP VII Plan provides for February and March procurements to serve Residential and Small C&I default service customers commencing June 1, 2015. The proposed revisions to procure 50% of the supply in October would eliminate the February procurement and reduce the exposure of a price spike during cold weather by avoiding the need to procure 100 percent of the default service supply during a short period of time. Eliminating the February procurement would also result in one less round of RFP results for review by the Commission and would create administrative and independent auditor cost savings.

reasonable layering and laddering of Default Service supply that has previously been approved. This will reduce the potential for price spikes and volatility between Default Service procurement periods that could result from extreme, unanticipated events at the time of procurement. *See, e.g., Petition of Direct Energy Services, LLC for Emergency Order Approving a Retail Aggregation Bidding Program for Customers of Pike County Light & Power Company*, Docket No. P-00062205, 2006 Pa. PUC LEXIS 3, 249 P.U.R.4th 327 (Apr. 20, 2006). This will allow for a smooth transition between the DSP VI Plan and DSP VII Plan.<sup>2</sup>

20. Further, Commission approval of the proposed revisions to the DSP VI Plan procurements for the Residential and Small C&I Customers Classes will not have a negative impact on retail competition. Retail competition has remained strong in the Company's service territory under the DSP VI Plan.<sup>3</sup>

21. As explained above, Duquesne Light proposes to conduct the Residential and Small C&I procurements requested herein in October 2014. Duquesne Light currently is scheduled to procure default supplies for Medium C&I customers for the December 2014 – May 2015 delivery period in November 2014, which is the last procurement for Medium C&I customers under the DSP VI plan. Duquesne Light also requests Commission approval to move the November 2014 procurement date for Medium C&I customers to October 2014 so that the Company can conduct the Residential, Small C&I and Medium C&I procurements at the same

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<sup>2</sup> Duquesne Light's DSP VII Plan was filed on April 24, 2014, and is currently pending before the Commission. As explained therein, Duquesne Light plans to acquire the default service supply and related services needed to meet its Default Service obligation for the DSP VII Plan Period through procedures similar to those previously approved by the Commission and successfully used by Duquesne Light to acquire Default Service supply under the DSP VI Plan. Approval of this Petition is not intended to control the determination of the products or terms of the DSP VII Plan.

<sup>3</sup> The Company's customer shopping level is among the highest in the Commonwealth, with 75% of the total load in its service area already receiving service from an EGS as of March 2014. This also puts Duquesne Light among the top electric service areas in the country in terms of percentage of total load shopping. Shopping by procurement group is 47% of Residential customer load, 48% of Small C&I load, 72% of Medium C&I load, and 97% of Large C&I load.

time. Duquesne Light believes that this will increase bidder interest in the procurements and will create administrative cost savings.

22. Based on the foregoing, Duquesne Light requests authority to implement the procurements described in this Petition. Duquesne Light proposed to continue to use the Supply Master Agreement and related procurement documents that were approved by the Commission for the POLR VI procurements for the procurements described herein.

### **III. EXPEDITED TREATMENT**

23. Duquesne Light proposes to conduct its final DSP VI Plan solicitations in October 2014.

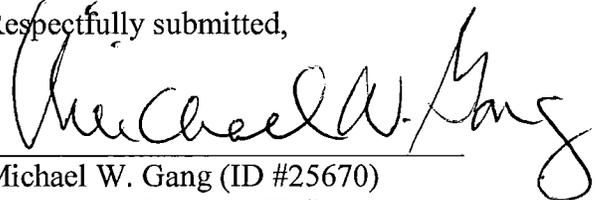
24. Under the Commission-approved DSP VI Plan RFP rules, Duquesne Light begins the formal procurement process about five weeks before the procurement date. Duquesne Light also needs lead time before the start of the formal procurement process to prepare for the procurement.

25. Based upon the foregoing, in order to complete the proposed revised DSP VI procurements in time, Duquesne Light respectfully requests that the Commission act upon this Petition at or before its Public Meeting scheduled for September 11, 2014.

**IV. CONCLUSION**

WHEREFORE, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission grant Duquesne Light the authority to conduct the procurements described in this Petition for the Residential, Small C&I and Medium C&I Customer Classes during October 2014.

Respectfully submitted,



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Of Counsel:

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Date: June 5, 2014

**VERIFICATION**

I, David B. Bordo, being the Vice President, Strategy & External Affairs for Duquesne Light Company, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect Duquesne Light Company to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: June 3, 2014

  
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