

1 **I. INTRODUCTION**

2 **Q. Are you the same James Habberfield who sponsored direct and rebuttal testimony in**
3 **this proceeding?**

4 A. Yes. I submitted my direct testimony, Statement No. 2, on April 24, 2014, with the
5 Company's initial filing and my rebuttal testimony, Statement No. 2-R, on August 1, 2014.

6

7 **Q. What is the purpose of your surrebuttal testimony?**

8 A. My surrebuttal testimony is divided into two main sections. The first section responds to
9 rebuttal arguments and recommendations made by Mr. Richard J. Hudson, Jr., on behalf of
10 the Retail Energy Supply Association ("RESA"), that relate to the proposed procurement
11 plan for Medium C&I customers. The second section responds to RESA's rebuttal
12 arguments regarding Duquesne Light's Time of Use program. I note that the Company,
13 including through the Company's other surrebuttal witnesses, is responding to many of the
14 comments raised by the other parties in their rebuttal testimony. The Company's silence
15 on any issue should not be construed as an agreement with any particular position taken by
16 other parties.

17

18 **II. PROCUREMENT PLAN FOR MEDIUM C&I CUSTOMERS**

19 **Q. RESA witness Hudson states that, "Since Duquesne has fully deployed interval**
20 **meters to all customers above 100 kW, I believe all of these customers should be**

1 **incorporated into the Large Commercial hourly pricing procurement group.”¹ What**
2 **is your response?**

3 A. First of all, just as a clarification, I think Mr. Hudson meant to refer to Duquesne Light’s
4 Hourly Price Service (“HPS”) for Large Commercial and Industrial (“Large C&I”)
5 customers, not just Large Commercial. Second, Mr. Hudson’s recommendation that all
6 customers above 100 kW should receive HPS is based on Duquesne Light’s response to a
7 discovery request that indicated the meters for these customers were “capable” of
8 recording hourly consumption information. See Mr. Pfrommer’s surrebuttal testimony,
9 Duquesne Light St. No. 4-SR, p. 3, for an explanation of the logistical constraints
10 associated with offering HPS service to all customers above 100 kW at this time.

11
12 **Q. Besides the logistical concerns above, are there other reasons that the Company does**
13 **not agree with RESA’s recommendation to move Medium C&I customers with peak**
14 **demands above 100 kW into the Large C&I HPS procurement class?**

15 A. Yes. As I mentioned in my rebuttal testimony, OSBA witness Mr. Kalcic has
16 recommended that the Company maintain its current procurement plan for Medium C&I
17 customers, which consists of six-month, non-laddered, full requirements contracts, rather
18 than adopt the plan proposed in the DSP VII Plan of three-month, non-laddered, full
19 requirements contracts. Clearly, the OSBA does not believe that Medium C&I customers
20 desire a move to more frequent rate changes or a willingness to take on even more volatile
21 rates as RESA suggests. The Company also does not believe that Medium C&I customers

¹ RESA Statement No. 1, Rebuttal Testimony, p. 7.

1 with peak demand above 100 kW desire to receive HPS. In addition, as Duquesne Light
2 witness Fisher demonstrates in his direct testimony, Duquesne Light still has one of the
3 lowest kilowatt demand thresholds for hourly price default service for Large C&I
4 customers in the United States.²
5

6 **Q. How do you respond to RESA’s recommendation that the remaining customers**
7 **(between 25 kW and 100 kW) should receive default service supplied through**
8 **quarterly contracts as proposed by Duquesne Light?**³

9 A. I have two main comments. First, I am concerned that Mr. Hudson has recommended that
10 a significant portion (approximately 42% of the Medium C&I default service MWHs in
11 2013) of the Medium C&I procurement class be “carved out” and transferred into the
12 Large C&I customer class, which would leave considerably less load to be included in the
13 Medium C&I procurement class. I am particularly concerned that the remaining load in
14 this class may not be sufficient to attract potential RFP suppliers, especially during
15 solicitations where Residential and Small C&I supplies are not being obtained at the same
16 time, and further due to the fact that the proposed nature of quarterly RFPs for 3-month
17 supply products would already be reducing the overall amount of load being solicited in
18 each RFP by roughly half that of the amount of load being solicited in each RFP if the
19 products were for six months.

² Duquesne Light Statement No. 3, Direct Testimony, p. 5.

³ RESA Statement No. 1, Rebuttal Testimony, p. 7.

1 Second, as I stated in my rebuttal testimony, the Company does not oppose the
2 OSBA's recommendation to maintain the six-month, non-laddered, full requirements
3 contracts that are currently in place in DSP VI. The Company notes that it proposed in its
4 DSP VII Plan to shorten these supply contract lengths to three months each, and increase
5 the supply rate change frequency from biannually to quarterly, in order to further the
6 Medium C&I class's movement to more market responsive rates over time. However, the
7 Company agrees with OSBA witness Mr. Kalcic that while Medium C&I customers tend
8 to be very sophisticated about the market, it does not remove their desire to avoid
9 unnecessarily volatile rates. The Company also notes that maintaining the current
10 portfolio mix for Medium C&I customers would eliminate four RFPs in the DSP VII
11 period, which would have each existed solely to procure supply for the Medium C&I class.
12 Therefore, the OSBA's recommendation would have administrative cost savings for
13 Medium C&I default service customers, and similarly, less RFPs would need to be
14 evaluated and approved by the Commission. In summation, OSBA's recommendation for
15 Medium C&I customers is not unreasonable.

16
17 **III. DUQUESNE LIGHT'S PROPOSED TIME OF USE PROGRAM**

18 **Q. What is your reaction to RESA's argument that Duquesne Light's Time of Use**
19 **proposal relies on a complicated, structured RFP process to bid out a Time of Use**
20 **option that has been pre-defined by Duquesne Light, which EGSs may or may not be**
21 **prepared to offer.⁴**

⁴ RESA Statement No. 1, Rebuttal Testimony, p. 17.

1 A. The Company disagrees with RESA’s argument that Duquesne Light’s Time of Use
2 proposal relies on a complicated, structured RFP process. As I described in my rebuttal
3 testimony, Duquesne Light carefully considered a new Time of Use program in light of its
4 new customer care platform, named “FOCUS”, that is in the process of being installed.
5 The FOCUS project is scheduled to go live in the fourth quarter of 2014. The Company
6 believes that the functionality to support one EGS offering a single Time of Use product
7 will be ready to go on the Oracle Utilities solution for the proposed start of the Time of
8 Use program in June of 2015. However, to add the functionality to support multiple
9 EGSs, each of whom could be offering differentiated Time of Use products, would require
10 additional development work that cannot be developed, tested and implemented within the
11 time frame between FOCUS stabilization after the system goes live and June 2015. I note
12 that the Company could allow multiple EGSs in year two of the TOU program as long as
13 there was a single on-peak and off-peak period for all EGSs. However, for the reasons I
14 explain below and in my rebuttal testimony, the Company does not believe that this should
15 be adopted at this time.

16
17 **Q. What about Mr. Hudson’s concern that EGSs may or may not be prepared to make**
18 **an offer in a Time of Use on- and off-peak period structure that has been pre-defined**
19 **by Duquesne Light?**

20 A. The Company carefully considered the on- and off-peak period definitions, as well as
21 whether to allow one or multiple EGSs to participate in the Time of Use program, and
22 further developed a contingency plan in the event no EGSs bid to serve customers in either
23 the first and/or second year of the Time of Use program. In addition, I would like to

1 address several of the specific comments made by Mr. Hudson in his rebuttal testimony.
2 First, Duquesne Light witness Pfrommer explains in detail in his direct testimony the
3 reasoning for the three Time of Use time periods (Summer On-Peak, Summer Off-Peak,
4 and Non-Summer) and the commitment to provide predetermined Time of Use prices over
5 a 12-month period. The rate structure proposed by the Company is based in large part on
6 the market research and results of Duquesne Light's TOU-1 and TOU-2 pilot programs.
7 To align with customer preferences, and to align with the timing of the Company's peak
8 system load, the Company proposes a 2:00 PM to 6:00 PM weekday summer on-peak
9 period.⁵ It is also noteworthy that OCA witness Estomin expresses concern about Mr.
10 Hudson's Time of Use approach. In particular, Dr. Estomin states that allowing EGSs
11 complete freedom to specify any on-peak and off-peak period can result in inappropriate
12 price signals being sent to customers.⁶

13 Second, the Company is concerned with the overall size of the Time of Use
14 program, particularly in the first year. The Company will only have a small number of
15 customers eligible for Time of Use rates at the start of DSP VII, due to the rollout of smart
16 meters which is just getting underway. Further, the Company expects only a limited
17 number of these customers to enroll in the Time of Use program, based upon the
18 experiences of other Electric Distribution Companies ("EDCs") in the Commonwealth.
19 Therefore, the Company believes that it is better to consolidate this small amount of
20 customers for one EGS to serve, as it will make it more likely that the combined volume
21 will motivate an EGS to bid a competitive price into the Time of Use RFP. The Company

⁵ See Duquesne Light Statement No. 4, Direct Testimony, pp.17-18.

⁶ OCA Statement No. 1, Rebuttal Testimony, p. 7.

1 disagrees with Mr. Hudson that dividing up a small amount of Time of Use load among
2 multiple EGSs will make the program more attractive.⁷ There is no price cap imposed on
3 bidding EGSs in the RFP process. Therefore, I expect that an EGS would prefer to serve
4 relatively more volume at a price that it can specify than agree to serve very little volume
5 if multiples EGSs were permitted to participate in the first year.

6 Third, the Company also carefully considered the design of the program in an
7 effort to make it more attractive to potential EGS suppliers. Specifically, customers who
8 elect Time of Use service will become customers of the EGS and will be enrolled by the
9 EGS providing the Time of Use service. After the 12-month period is completed,
10 Duquesne Light's program allows the EGS Time of Use supplier to retain Time of Use
11 customers on EGS service absent an affirmative customer election for some other service
12 (e.g., with the same EGS, another EGS, or Duquesne Light's default service). These
13 features were developed to make the program more attractive from an EGS perspective.

14 Finally, the Company also developed a contingency plan to offer Time of Use
15 service if a given Time of Use RFP fails to attract a qualifying bid from any EGS. This
16 contingency plan is described in my direct testimony and in the direct testimony of
17 Duquesne Light witness Pfrommer.

⁷ In addition, the Company is committed to evaluating the results of the program in an attempt to measure the amount of energy and/or cost savings that customers achieve. It is essential that a large enough sample size of customers are all acting under the same program parameters and price signals, in order to conduct a statistically significant analysis of the program results. Supporting multiple EGSs offering Time of Use rates at various different price levels would harm the ability of this program to produce results that would be beneficial to the Company for future Time of Use programs.

1 **Q. RESA recommends that Duquesne Light implement a Time of Use program**
2 **structure that is more like a referral program, whereby any EGSs with a time**
3 **differentiated offering would be able to offer this as a Time of Use offering through**
4 **Duquesne Light’s Time of Use program.⁸ How do you respond?**

5 A. Mr. Hudson states that under RESA’s approach, Duquesne Light would facilitate the
6 communication and marketing of the various EGS Time of Use options. Mr. Hudson’s
7 position is inconsistent. He states that the Time of Use program should be structured more
8 like the Standard Offer customer referral program, but neglects to mention that the
9 Standard Offer is one standard product. EGSs are not permitted to offer variations of the
10 Standard Offer product. Further, Mr. Hudson argues that as a general policy matter,
11 RESA believes that default service should be a “plain vanilla” service, yet he suggests that
12 Duquesne Light should facilitate the communication and marketing of various EGS Time
13 of Use options.

14
15 **Q. Do you agree with RESA’s belief that its recommended Time of Use program would**
16 **reduce costs for the Time of Use program?⁹**

17 A. No. For the reasons that I describe above, I do not believe allowing multiple EGSs to offer
18 a variety of Time of Use options will reduce costs for the Time of Use program, especially
19 given the existing demands on the Company’s IT resources. The Company does not
20 anticipate the Time of Use RFP to be an expensive undertaking. In contrast, even if it
21 were possible to implement RESA’s recommendations, which I do not believe it is, the

⁸ RESA Statement No. 1, Rebuttal Testimony, p. 17.

⁹ RESA Statement No. 1, Rebuttal Testimony, p. 17.

1 infrastructure development to support multiple EGS Time of Use products would be
2 expensive and risky to put into place for this DSP VII plan.

3
4 **Q. Mr. Hudson states that he believes it is appropriate for the EDC to have an**
5 **opportunity to recover its prudently incurred costs in developing and administering a**
6 **statutorily mandated program, and that if his recommendation to structure the Time**
7 **of Use program more as a referral program is adopted, he would not oppose a**
8 **reasonable fee on participating EGSs to cover the costs incurred by Duquesne Light**
9 **to market the EGS Time of Use offerings.¹⁰ Do you have any comment?**

10 A. I appreciate that RESA believes it is appropriate for Duquesne Light to have an
11 opportunity to recover its prudently incurred costs in developing and administering a
12 statutorily mandated program and that he would not oppose a reasonable fee charged to
13 participating EGSs if his proposal were adopted. However, at this time, I do not believe
14 his proposal would result in a reasonable fee for participating EGSs if multiple EGSs and
15 multiple Time of Use products were permitted. Therefore, RESA's recommendation to
16 fundamentally alter the structure of the Time of Use program should be rejected at this
17 time.

18
19 **IV. CONCLUSION**

20 **Q. Does this conclude your surrebuttal testimony?**

21 A. Yes, it does.

¹⁰ RESA Statement No. 1, Rebuttal Testimony, pp. 17-18.