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October 19, 2017

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

**Re: Duquesne Light Company's – Application for Authority Pursuant to 66 Pa. C.S. §1102 for Future Sale or Acquisition of Property under a Multi Utility Agreement Known as the RESTORE Agreement
Docket No. A-2017**

Dear Secretary Chiavetta:

Enclosed for filing is Duquesne Light Company's Application for Authority Pursuant to 66 Pa, C.S. § 1102 for Future Sale or Acquisition of Property under a Multi Utility Agreement Known as the RESTORE Agreement.

Should you have any questions, please do not hesitate to contact me.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Tishekia E. Williams", with a long horizontal flourish extending to the right.

Tishekia E. Williams
Attorney ID#208997

Enclosures

Cc: Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Duquesne Light Company :
for Authority Pursuant to 66 Pa. C.S. § :
1102 for Future Sale or Acquisition of : **Docket No. A-2017-_____**
Property Under A Multi-Utility Agreement :
Known as the RESTORE Agreement :

**APPLICATION OF
DUQUESNE LIGHT COMPANY**

Duquesne Light Company (“Duquesne Light” or “the Company”) hereby submits for filing an Application for authority, pursuant to 66 Pa. C.S. § 1102, for future sales or acquisitions of transmission-related property and equipment under a multi-utility agreement, known as the RESTORE Agreement (“RESTORE Agreement” or “Agreement”). The RESTORE Agreement is attached to this filing as Attachment A¹.

The RESTORE Agreement establishes a framework to allow participants to efficiently and quickly transfer electric transformers and potentially other transmission equipment, referred to as “Qualifying Equipment” under the Agreement, under the occurrence of certain “Triggering Events.” A Triggering Event is defined by the RESTORE Agreement as a catastrophic event creating an urgent grid need in which, for an extended period of time, a Participant loses its ability to serve significant load, is at risk for losing significant load, or cannot maintain grid stability. Potential transactions under the RESTORE Agreement include disposition of a

¹ Appendix B of the RESTORE Agreement includes Critical Energy Infrastructure Information (“CEII”) and has not been included in Attachment A of this filing.

Qualifying Equipment that a) is in service, b) has previously been placed in service but is not in service at the time of the disposition or acquisition; or c) has never been placed into service.

The RESTORE program will be complimentary to the Edison Electric Institute's Spare Transformer Equipment Program ("EEI STEP") in which the Commission has authorized Duquesne Light and other Pennsylvania Electric Distribution Companies to participate. See *Application of Duquesne Light Company for Approval of Future Sale or Acquisition of Property Under the Spare Transformer Sharing Agreement*, Docket No. A-2015-2471192, Order entered May 7, 2015; *Application of PECO Energy Company for Approval for Future Transfers of Property under a Multi-Utility Agreement Known as the Spare Transformer Sharing Agreement*, Docket No. A-110550F0165, Order entered October 23, 2006; *Application of Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company for Approval for Future Transfer of Property under a Multi-Utility Agreement Known as the Spare Transformer Sharing Agreement*, Docket Nos. A-110300F0110 et al., Order entered December 5, 2006.

Approval of this Application by the Pennsylvania Public Utility Commission ("Commission") is in the public interest because it will enhance the reliability and resilience of the electric transmission grid by allowing Duquesne Light to participate with other utilities to quickly transfer electric transformers among themselves in a cost-effective manner that will lower overall costs of service to customers. In support, Duquesne Light states as follows:

A. Background and Description of the RESTORE Program

1. The applicant is Duquesne Light Company, a Pennsylvania public utility corporation with its principal place of business at 411 Seventh Avenue, Pittsburgh, PA 15219.

2. Correspondence with respect to this Application should be addressed to:

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3. Section 61004 of the Fixing America's Surface Transportation Act (Pub. L. No. 114-94), 129 Stat. 1780 ("FAST Act"), states that the Secretary of the Department of Energy ("DOE"), acting through DOE's Office of Electricity Delivery and Energy Reliability, shall, in consultation with the Commission, the Electricity Subsector Coordinating Council ("ESCC"), the North American Electric Reliability Corporation ("NERC"), and "owners and operators of critical electric infrastructure and defense and military installations, prepare and submit to Congress a plan to establish a Strategic Transformer Reserve for the storage, in strategically located facilities, of spare large power transformers and emergency mobile substations in sufficient numbers to temporarily replace critically damaged large power transformers and substations that are critical electric infrastructure or serve defense and military installations."²

4. Following the FAST Act, the Department of Energy issued a "Strategic Transformer Reserve" report to Congress in March 2017, in which it recommended "encouraging and supporting an industry-based option drive by voluntary industry actions and

² FAST Act at § 61004.

North American Electric Reliability Corporations' Reliability Standard CIP-014-2 requirements, which were approved by the Federal Energy Regulatory Commission (FERC)."³

5. In response to the FAST Act and the DOE's Transformer Report, a group of FERC-jurisdictional electric distribution utilities and some non-FERC jurisdictional cooperative and authorities entered into the RESTORE Agreement.

6. The RESTORE Agreement is open to any "transmission owners that provide a regional benefit to existing Parties and who are willing and able to contribute Equipment to Pools in Equipment classes in accordance with the terms and conditions of the Agreement."⁴

7. The RESTORE Agreement was created to identify and enable the sharing of Qualifying Equipment among transmission owners, by making such equipment available for purchase by other Participants in the event of a major disaster within their services area.

8. Each Participant in the RESTORE Agreement is responsible for purchasing or otherwise acquiring, storing, maintaining, and replacing its own Spare Equipment in accordance with Prudent Utility Practices.⁵

9. Participants are required to designate Spare Equipment to be listed as available under and subject to the Agreement. Specifically, each Participant in an Equipment Class will designate specific Spare Transformers of that Equipment Class to be included with an aggregate MVA equal to or greater than its required designation, which is calculated under a formula contained within the Agreement.⁶

³ U.S. Department of Energy, *Strategic Transformer Reserve: Report to Congress*, at p.ii (March 2017), available at:

<https://energy.gov/sites/prod/files/2017/04/f34/Strategic%20Transformer%20Reserve%20Report%20-%20FINAL.pdf> (hereinafter, "DOE Transformer Report").

⁴ See RESTORE Agreement at Section II.A.

⁵ RESTORE Agreement Section II.C.

⁶ RESTORE Agreement Section III.A.1.b.

10. By electing to participate in any Equipment Class and to identify and nominate Spare Equipment for inclusion in that Equipment Class, a Participant agrees to sell, subject to the terms and conditions, the Spare Equipment to another Participant exercising its Call Rights after a Triggering Event.⁷

11. Any Participant may sell, retire, or otherwise dispose of Qualifying Equipment at any time subject to the obligation to use commercially reasonable efforts to replace, as soon as practicable, but no more than eighteen (18) months, after the date of such disposition.⁸

12. Any Participant affected by a Triggering Event and seeks to acquire by purchasing spare Equipment under the Program must provide prompt notice thereof to the RESTORE Operating Committee.

13. No later than five (5) Days after receipt of such notice, the Operating Committee will determine if the event is a Triggering Event, notice of which determination the Operating Committee shall deliver to the affected Participant and the Technical Committee.⁹

14. If the Operating Committee determines that a Triggering Event has occurred, then each affected Participant may exercise its Call Rights by submitting a request to purchase Spare Equipment to the Technical Committee.¹⁰

15. Each affected Participant will be entitled to purchase only enough Spare Equipment needed to restore the grid to a stable condition that can serve all load allowing for N minus zero (“N-0”) contingencies to exist.

⁷ RESTORE Agreement Section III.B.

⁸ RESTORE Agreement Section III.C.3 and III.C.4.

⁹ RESTORE Agreement Section IV.A.

¹⁰ Section IV.B.2.

16. The Technical Committee will make a recommendation to the Operating Committee of which Spare Equipment, if any, from the Pool in the applicable Equipment Class should be purchased by each affected Participant.¹¹

17. If any affected Participant (“Buyer”) elects to exercise its Call Rights, then it shall provide notice thereof to the contributing Participant(s) designated by the Operating Committee (“Sellers”) and all other Participants in the applicable Equipment Class.

18. Effective upon receipt of the Buyer’s selection notice, Seller(s) shall be obligated to sell to Buyer the Equipment identified by the Operating Committee, subject to the terms and conditions of a purchase and sale agreement to be executed by Buyer and Sellers(s) substantial and in all material respects in the form of Appendix D of the Agreement, although it may be amended by mutual agreement.

19. The Purchase Agreement contained in Appendix D of the RESTORE Agreement specifies that the Qualifying Equipment shall be purchased at the Purchase Price¹² and

¹¹ The Technical Committee will establish and publish considerations, factors or other procedures for the determination of which specific Equipment should be purchased upon the occurrence of a Triggering Event and the exercise of Call Rights by one or more affected Participants, including procedures for evaluating and determining the respective rights of affected Participants when multiple affected Participants make requests to purchase Spare Equipment.

¹² “Purchase Price” is defined as “all reasonable costs or expenses reasonably incurred, or that would be reasonably incurred, by Seller to replace the Purchased Spare Equipment with another piece of Qualifying Equipment of like type and specifications under ordinary and customary business conditions, including those costs and expenses that are appropriate and not excessive under the circumstances prevailing at the time such costs or expenses are paid or incurred, including: (i) the purchase price for the replacement equipment; (ii) any and all transportation costs associated with the delivery of such replacement Equipment; and (iii) other direct acquisition costs and out-of-pocket costs reasonably incurred by Seller or, if applicable, the other owner(s) of such Equipment, to effect the transfer of the replacement Equipment to Seller (and/or Seller’s affiliates).

Reimbursable Costs¹³ based on information reasonably available to the Sellers at the time of the Closing.¹⁴

20. The purchase and sale of the Spare Equipment shall occur directly between Buyer and Seller(s) without involvement of the Committees or any other Parties or Participants.

21. In the event of multiple, over-lapping Triggering Events, the Operating Committee, with the Technical Committee's assistance and taking into account any established protocols as appropriate, will determine the priority of rights and assistance to be provided to affected Participants.

22. Notwithstanding these obligations, any Participant who is affected, or has one or more Affiliates who are affected by the same Triggering Event will be permitted to use its own spare Equipment for that Participant's (or its Affiliate's) own bona fide internal needs arising from the Triggering Event (and the terms of the purchase and Sale Agreement shall not apply to such use), but will be obligated to sell all remaining spare Equipment to other affected Participants who exercise Call Rights in accordance with the Agreement's terms and conditions.

23. In calculating the MVA required to be Committed by Participating Utilities in respect of a particular Equipment Class, each Participating Utility that is a member of such Equipment Class must provide the relevant Equipment Sub-Committee with the following information:

¹³ "Reimbursable Costs" are defined as "all reasonable costs and expenses of Seller, if any, to move, prepare or otherwise ready the Purchased Spare Equipment for transport to Buyer, including: (i) other direct acquisition costs and out-of-pocket costs and expenses reasonably incurred by Seller or, if applicable, the other owner(s) of the Purchased Spare Equipment, to effect the transfer of the Purchased Spare Equipment to Buyer; (ii) the cost and expense to assign any warranties applicable to the Purchased Spare Equipment in accordance with this Agreement; and (iii) Seller's tax liability, if any, attributable to the sale of the Purchased Spare Equipment at the Purchase Price."

¹⁴ See RESTORE Agreement, Appendix D, at Section 2.2.

- i. the number of banks of spare transformers and the total MVA represented thereby ("Needed MVA") that such Participating Utility would need, in the event that it suffers an S-5 contingency in respect of such Equipment Class (i.e., it has lost five substations that utilize spare transformers in such Equipment Class), to restore its system to satisfy an N-0 Contingency,
- ii. the total amount of such Participating Utility's connected MVA in such Equipment Class ("Connected MVA"), and
- iii. the total number of qualified spare transformers, together with their MVA, that such Participating Utility then owns and is willing to share with others under this Agreement ("Available Spares"); provided, however, that such number of Available Spares shall in no way be deemed to limit a Participating Utility's Required Obligation in any way.

24. Based on the foregoing information, the relevant Equipment Sub-Committee will (i) sum the Needed MVA reported by all Participating Utilities in the subject Equipment Class (such sum, the "Aggregate Needed MVA"), (ii) sum the Connected MVA reported by all Participating Utilities in such Equipment Class (such sum, the "Aggregate Connected MVA"), and (iii) determine the "MVA Factor," which shall mean the sum of the Needed MVA reported by the Participating Utility reporting the largest Needed MVA in such Equipment Class and the amount of MVA represented by the Available Spares reported by such Participating Utility.

25. Then, the relevant Equipment Sub-Committee shall determine the Required Obligation for each Participating Utility in respect of such Equipment Class by calculating, with respect to each Participating Utility, the average of (i) the MVA Factor multiplied by the ratio of such Participating Utility's Needed MVA to the Aggregate Needed MVA, and (ii) the MVA Factor multiplied by the ratio of such Participating Utility's Connected MVA to the Aggregate Connected MVA. The resulting average for each Participating Utility shall be the MVA required to be committed by it for that Equipment Class.

26. At this time, Duquesne Light intends to designate two transformers as available under and subject to the Agreement: one 345/138kV transformer and one 138/069kV transformer; however Duquesne Light may designate other Qualifying Equipment in the future

and requests Commission approval for participation in the RESTORE Program without limitation to any specific equipment or equipment classes.

B. The RESTORE Agreement Complements the EEI STEP

27. The RESTORE Agreement is not designed to replace the EEI STEP, but rather to complement it by providing additional resources for utilities seeking critical equipment during a disaster recovery, thus enhancing the resilience and reliability of the power grid.

28. Although they are similar in terms of their benefits, there are some important differences that allow the RESTORE agreement to accomplish things that EEI STEP does not.

29. Like the EEI STEP, the RESTORE Agreement and participation therein would be open to all electric utilities, including rural electric cooperatives financed by the Rural Utilities Services, municipal utilities, Federal Power Marketing Administration and Canadian utilities.”¹⁵

30. However, whereas, the EEI STEP program defines a Triggering Event as a an act of terrorism that destroys or disables one or more substations and also results in declaration of a state of emergency,¹⁶ the RESTORE program allows for the proposed transactions to be triggered by a wider scope of disasters, defining a Triggering Event as “a catastrophic event creating an urgent grid need in which, for an extended period of time, a Participant loses its ability to serve significant load, is at imminent risk for losing significant load, or cannot maintain grid stability.”¹⁷

¹⁵ See Joint Section 203 Application and Petition for Declaratory Order, *Edison Electric Institute*, Docket No. EC06-140 (July 10, 2006) (“EEI STEP Petition”).

¹⁶ EEI STEP Agreement, § 1.1.

¹⁷ RESTORE Agreement at Section I.JJ.

31. Participation in the RESTORE Agreement would permit Duquesne to contribute to, and benefit from, an emergency equipment transfer program with a wider range of Triggering Events than the EEI STEP.

32. Notably, the same two transformers that Duquesne Light intends to identify as available under the RESTORE Program are the same two transformers that Duquesne Light has identified as part of its participation in the EEI STEP, and neither EEI STEP nor RESTORE prohibits or limits the same transformers being identified as available under the other program.

C. Requested Approvals

33. Section 1102(a)(3) of the Public Utility Code provides, in relevant part, that a public utility must obtain Commission approval to acquire or transfer property that is used or useful in the public service (with certain exceptions). The assets that will be involved in any transaction under the RESTORE Agreement may be transmission assets under the jurisdiction of the Federal Regulatory Commission (“FERC”) and therefore potentially outside of the scope of Section 1102(a)(3). Nevertheless, Duquesne Light requests Commission authorization for any approvals that may be necessary under Section 1102(a)(3) to participate in the RESTORE program.

34. Duquesne Light has recently executed the RESTORE Agreement, but has not acquired nor disposed of any equipment pursuant to the Agreement, and will not do so until the required Commission approvals are obtained.

D. The Proposed Transactions and Requested Approvals Are in the Public Interest

35. The arrangement implemented by the RESTORE Agreement is a prudent approach to make efficient use of the industry’s existing spare transformers and to fairly allocate

the responsibility to acquire a limited number of additional spares, while minimizing duplicative purchases of these costly assets. This program improves the recovery capability of all participating entities that are affected by a catastrophic event creating an urgent grid need, while reducing the burden on any single utility to acquire spare transformers. The RESTORE Agreement provides considerable flexibility for utilities to operate and utilize assets as they would normally do during the course of business, while at the same time binding the utilities to share their spare transformers if a Triggering Event should occur as defined by the RESTORE Agreement.

36. The RESTORE Program is designed to assist transmission systems to restore electric service in the event of a catastrophic event. RESTORE participants chose to address the need for a sufficient inventory of spare transmission power transformers have a long manufacturing lead time.

37. Participation in the RESTORE Agreement would enhance Duquesne Light's system reliability, as participation will enable Duquesne Light to obtain access to the spare transformers and other Qualifying Equipment of other utilities, in the event that Duquesne Light suffers a Triggering Event.

38. The RESTORE Agreement represents a substantial cost savings over alternative methods to secure similar system restoration capability, including the individual company purchase of spare transformers to obtain the level of reliability provided for by the Agreement. If Duquesne Light is required to maintain a sufficient number of spare transformers to ensure that it could keep its system in operation despite a catastrophic event, it would be required to maintain and include in its cost of service a substantial number of spares. The RESTORE Agreement allows the qualified Participating Utilities, as a group, to maintain a pool of

transformers that are available to any party participating in a given voltage class. Since each Participating Utility's share of the pool of spare transformers is smaller than the number of transformers that it would maintain to be prepared for an event of comparable magnitude, the costs of each Participating Utility are smaller than they would otherwise be.

E. Reason for Seeking Pre-Authorization of Future Transactions

39. A disposition of Duquesne Light's assets under the RESTORE Agreement, if it occurs, will occur in response to an emergency call from a utility that needs immediate assistance restoring its system. If Duquesne Light was required to seek Section 1102(a)(3) approval for the acquisition of a transformer or the sale of a transformer when a Triggering Event occurs, the time required to prepare and file the application, and for the Commission to act on it and give authorization, could significantly delay Duquesne Light's ability to recover from a Triggering Event or to assist another utility in quickly recovering from such a Triggering Event. The pre-authorization of the transfer of spare transformers will help to ensure that Duquesne Light can restore service more quickly if a triggering event occurs on the Company's system or react to a Triggering Event that affects another utility and assist it to restore its system to operation as quickly as possible.

E. Notice and Proposed Procedure for Review

40. Pursuant to 52 Pa. Code § 5.14, the notice requirements for this application are to be determined by Commission order. To facilitate notice, Duquesne Light is serving a copy of this filing on the Commission's Law Bureau and Bureau of Investigations and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and counsel for the Duquesne Industrial Interveners. Duquesne Light requests that the Commission publish notice

of this application in the Pennsylvania Bulletin at the earliest possible date and that the public protest and comment period for this application be set at 15 days after publication in the Pennsylvania Bulletin (pursuant to 52 Pa. Code § 5.14(b)).

41. Duquesne Light requests that the Commission issue its order at a public meeting at or before 60 days from the date of the filing of this application.

F. Conclusion

For the foregoing reasons, Duquesne Light respectfully requests that the Commission:

1. Publish notice of this Application in the Pennsylvania Bulletin at the earliest possible date and declare that the public protest and comment period shall expire 15 days after such publication.

2. Issue an order at a public meeting on or before 60 days from the filing of this Application in which the Commission (a) authorizes future transactions under the RESTORE Agreement as consistent with the public interest under Section 1102(a)(3) of the Public Utility Code (or declaring that no such authorization is required), and (b) issuing such certificates to Duquesne Light as are required by the Commission's treatment of subpart (a) of this paragraph, including any certificate under Section 1102.

Respectfully submitted,



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CERTIFICATE OF SERVICE

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 § 1.54 (relating to service by a participant):

FIRST-CLASS MAIL

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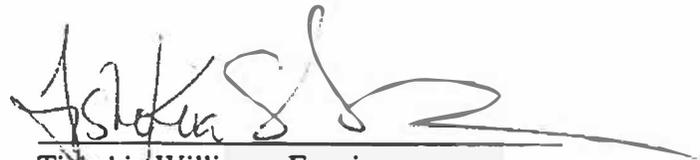
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Counsel for Duquesne Industries Invenors

Date: October 19, 2017



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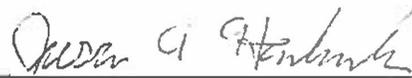
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Docket No. A-2017-_____

VERIFICATION

I, Jason A. Harchick, Senior Manager, System Planning and Protection, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief, and I expect 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).



Jason A. Harchick

Date: October 19, 2017