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November 1, 2019

VIA ELECTRONIC FILING

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
2nd Floor, Room-N201
400 North Street
Harrisburg, PA 17120

Re: **2021 Total Resource Cost (TRC) Test**
M-2019-3006868

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's Comments for filing in the above referenced proceeding.

Upon receipt, if you have any questions regarding the information contained in this filing, please feel free to contact me or Audrey Waldock at 412-393-6334 or awaldock@duqlight.com.

Sincerely,

Lindsay A. Baxter
Manager, State Regulatory Strategy

Enclosure

cc (w/ Word version of enclosure.):
Louise Fink Smith (finksmith@pa.gov)
David Edinger (dedinger@pa.gov)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2021 Total Resource Cost (TRC) Test	:	M-2019-3006868

COMMENTS OF
DUQUESNE LIGHT COMPANY

On September 19, 2019 the Pennsylvania Public Utility Commission ("Commission" or "PUC") issued a Tentative Order seeking comment and reply comments on a proposed 2021 Total Resource Cost (TRC) Test intended for use in the potential Phase IV of Act 129. In the Tentative Order, the Commission provided for comments to be filed twenty (20) days after publication in the *Pennsylvania Bulletin* with reply comments to be filed thirty (30) days from the date of publication. 49 Pa.B. 6038 (October 12, 2019). Pursuant to the published schedule, Duquesne Light Company ("Duquesne Light" or "Company") hereby submits its comments.

Duquesne Light[1] is a public utility as the term is defined under Section 102 of the Public Utility Code, 66 Pa.C.S. § 102, and is certificated by the Commission to provide electric distribution service in portions of Allegheny County and Beaver County in Pennsylvania. The Company implements an energy efficiency and conservation program in compliance with 66 Pa. C.S. § 2806.1.

The Company is generally supportive of the changes outlined in the draft TRC. However, it offers the following comments, using the numbering system established in the tentative order.

[1] Duquesne Light is a member of the Energy Association of Pennsylvania (EAP), which is also submitting comments at this docket. In addition to the positions stated herein, Duquesne Light generally supports the positions articulated in EAP's comments to the extent they are consistent with the comments submitted by the Company.

2. Avoided Cost of Electric Energy (page 14) – The Tentative Order proposes that forecasted avoided energy costs be calculated using six distinct periods per annum, as compared to four periods as is currently done. The current TRC uses the following time periods: summer on-peak, summer off-peak, winter on-peak, and winter off-peak.[2] The proposed change would transition to the following six time-periods: 1) summer (May-September) on-peak; 2) summer off-peak; 3) winter (December-February) on-peak; 4) winter off-peak; and two new "shoulder" periods of 5) March-April and 6) October-November. Today, the basis for much of the avoided forecast is a futures contract with on-peak and off-peak seasonal pricing. At this time there is no contract pricing for the proposed shoulder periods. Expanding to use six time periods instead of four would require use of averaged on- and off-peak pricing as well as other assumptions. The methods available for calculating the data will not increase accuracy, but rather introduce potential error. Duquesne Light encourages the Commission to revert to the use of four time periods in the final TRC.

A. Avoided Costs of Supplying Electricity

2. Avoided Cost of Electric Energy, Subsection (a) (page 15) – In the 2016 TRC Test Order, electric distribution companies (EDCs) were permitted to use NYMEX[3] PJM futures for the specific zone in which they were located. In the draft TRC under consideration in this proceeding, the Commission proposes to disallow this practice for a potential Phase IV due to inconsistent and incomplete futures price data at the zonal level. Duquesne Light agrees with this proposed change because its specific zone often has inconsistent and incomplete futures price data. The Company believes the PJM

[2] The current TRC defines Summer as May through September and defines Winter as October through April.
[3] New York Mercantile Stock Exchange

Interconnection Western Hub provides more reliable and representative regional pricing data. The Company asks that the Commission, in its final TRC, confirm that the Company should use this PJM Interconnection Hub for electric futures prices.

7. Avoided Cost of Transmission and Distribution Capacity (page 23) – The draft TRC proposes "that no avoided cost of distribution capacity be assigned to EE peak demand reductions from participants in the Large C&I class." Duquesne Light questions the justification for this change, which will under-count avoided costs. Large commercial and industrial (C&I) customers, as defined in the Company's tariff, are those with demand greater than 300 kW. The draft TRC suggests that *all* C&I customers take service at primary voltage. This is not true in Duquesne Light's service territory, in which C&I customers with peak loads of 300-500 kW are frequently served by distribution voltages. The proposed change is inappropriate and will be punitive to EDCs like Duquesne Light, which have a significant C&I customer base, who are often served at the distribution level.

B. Other TRC Benefits

2. Monetizing Water Impacts (page 29) – The draft TRC proposes use of $0.01 per gallon (2021 dollars) as the marginal cost of water. This rate would be escalated yearly using the same escalation rate assumed throughout the TRC model. Included in this marginal cost of water is the cost of energy required to pump and treat the water. To avoid double-counting, the draft TRC prohibits an EDC from separately counting the energy savings associated with reduced treatment and pumping of water towards its compliance targets, because this savings is already factored into the marginal cost of water. The Company agrees with this practice for standard energy efficiency projects that

also result in water savings, such as replacement of a dishwasher with a more efficient model.

However, infrastructure projects implemented by public water and wastewater utilities that result in measurable water savings, for example by fixing water mains and distribution feeders, can result in significant energy savings through the reduced treatment and pumping of water. These projects should be eligible for energy efficiency funding, and the EDC should be able to count the energy savings towards its Act 129 targets. Water utilities are significant end-users of electricity with electric energy costs amounting to 30-40% of utility operating costs.[4] Water utilities should be able to leverage energy efficiency funding as they upgrade infrastructure, given, and in proportion to, measurable energy savings. Because the TRC is silent on these types of projects, Duquesne Light requests that the Commission clarify that the marginal cost of water applies to energy efficiency projects with associated water savings and not water infrastructure projects, for which EDCs can continue to count resulting electricity savings towards compliance targets.

D. TRC Costs

2. Incremental Costs (page 39) – The draft TRC states "The Commission proposes to have the Phase IV SWE update the Incremental Cost Database by July 1, 2020." This is a very aggressive timeline. The Commission would first need to establish a contract with the Phase IV SWE, then have the SWE update the Incremental Cost Database. The Company suggests that this sentence should propose to have the Phase III SWE make the required update, or that the timeline for completing updates should be extended.

[4] U.S. Environmental Protection Agency, www.epa.gov/sustainable-water-infrastructure/energy-efficiency-water-utilities

G. Demand Response (Page 44)

Most significant of Duquesne Light's concerns about the proposed TRC is the methodology for determining cost-effectiveness of demand response (DR). The Company asserts that a DR program should be an optional component of an EDC's plan. Should the Commission move forward with mandating a DR program in Phase IV, it should allow flexibility to EDCs to propose impactful and cost-effective programs for the territories they serve.

Duquesne Light is a member of the Energy Association of Pennsylvania (EAP), which has prepared more detailed comments on this subject on behalf of its membership. However, the Company would like to highlight a few specific concerns with the proposed TRC, relevant to DR. In particular, the Company believes the proposal to require nomination of DR programs to the PJM Peak Shaving Adjustment (PSA) program is inappropriate and should be rejected. The PSA program is new and untested and thus should not be the sole avenue for testing cost effectiveness of a DR program. Beyond this fact, the timeframe for participation in the PSA does not align with the timing of a potential Phase IV of Act 129. The Company is also concerned that the C&I customers most likely to participate in, and benefit from, an EDC DR program will already be enrolled in PJM's DR program. Because a customer cannot enroll in both PJM's DR and PSA programs, it is unlikely the Company will be able to recruit them to participate in its Act 129 DR program, severely limiting the pool of potential participants.

CONCLUSION

Duquesne Light supports the Commission's efforts to update the TRC for a potential Phase IV of Act 129. In general, the Company is supportive of the proposed changes and appreciates the opportunity to comment on the aforementioned elements of the TRC.

Respectfully submitted,

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