

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Public Meeting held March 2, 2023

Commissioners Present:

Gladys Brown Dutrieuille, Chairman
Stephen M. DeFrank, Vice Chairman
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman, Jr.

Petition of Duquesne Light Company
for Approval to Modify its
Supplier Master Agreement

P-2023-3037630

ORDER

BY THE COMMISSION:

On January 13, 2023, Duquesne Light Company (Duquesne Light), Utility Code 110150, filed a Petition (Petition) for Approval to Modify its Default Service Plan (DSP) IX Supplier Master Agreement (SMA) to implement a Capacity Proxy Price (CPP) for its upcoming default service auction in March 2023. Duquesne Light is requesting approval pursuant to Section 5.41 of the Pennsylvania Public Utility Commission's (Commission) Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41.

Duquesne Light served the Petition on the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the

Pennsylvania Utility Law Project, CAUSE-PA, Calpine Retail Holdings, LLC, Todd S. Stewart, representing Nextera Energy Power Marketing, ChargePoint, StateWise Energy PA LLC & SFE Energy, MAREC Action, and the National Resources Defense Council. No answers or comments were filed, and no hearings were held. For the reasons expressed in this Order, the Commission will grant the Petition as approved by this Order.

Duquesne Light states that the proposed modification will include a CPP for the PJM Interconnection, Inc. (PJM) 2024/2025 delivery year, as part of its upcoming March 2023 procurement. Duquesne Light states that on four prior occasions, the Commission approved its petitions to use a CPP applicable to default service procurements, to account for delays in the PJM Base Residual Auction (BRA) for the capacity prices. Duquesne Light states that on December 23, 2022, PJM filed proposed tariff revisions¹ with the Federal Energy Regulatory Commission (FERC) to revise its process for establishing certain BRA parameters. Duquesne Light states that PJM proposes to apply the revised process to the currently pending BRA for the 2024/2025 delivery period, for which PJM accepted bids in late 2022, but has not yet determined auction results or awarded capacity commitments. Duquesne Light states that the BRA for the 2024/2025 delivery period is therefore unlikely to conclude until PJM's proposal is resolved. Duquesne Light further states that it must procure certain fixed-price full requirements (FPFR) supply contracts that extend into the 2024/2025 period as part of its March 2023 procurement. Duquesne Light states that for the same reasons that it implemented CPPs for prior default supply procurements, it is seeking by this Petition to implement a fifth CPP for use in its upcoming March 21, 2023, procurement. Duquesne Light states that this fifth CPP would function identically to its prior four CPP petitions², with one potential difference in the calculation of the CPP as described below. Petition §I, ¶¶1-3.

¹ At FERC Docket Nos. ER23-729 and EL23-19.

² At Docket Nos. P-2020-3023149, P-2021-3027796, P-2022-3030423, and P-2022-3034176.

Duquesne Light proposes two methods for the determination of the applicable CPP. Duquesne Light states that under the first method, if PJM publicly posts indicative BRA results prior to 9 am on March 20, 2023, then the CPP shall be set equal to such indicative BRA results. Duquesne Light states that if PJM does not post such indicative results prior to 9 am on March 20, 2023, then it would implement its second method to determine the CPP. Duquesne Light states that under the second method the CPP is calculated as a straight average of the actual capacity prices from the two preceding delivery periods, by the same method as its prior CPPs. Duquesne Light states that no later than March 20, 2023, it will notify all potential RFP participants of the final value of the CPP (if any) and its applicable method in determining the CPP. Petition ¶¶35.

Duquesne Light states that this proposed change would apply only to its scheduled March 2023 RFP for residential and small commercial and industrial default supply. Duquesne Light states that it would not apply to any subsequent RFPs or RFPs for default supply for other customer classes. Duquesne Light states that when PJM concludes the BRA for this period and releases the results, any differences between the CPP and the actual capacity price would be reconciled, by the same method as its prior CPPs. Duquesne Light states that the unpriced capacity period injects an element of uncertainty into its default service auctions, which could impair auction liquidity and drive-up default supply prices. Duquesne Light states that implementing a CPP is the appropriate method to mitigate these risks and advance its “least cost over time” and “prudent mix” obligations with respect to the remaining DSP IX term. Petition ¶¶36-37.

Duquesne Light states that with one exception, the structure of its instant CPP proposal is substantially identical to that of its First, Second, Third, and Fourth CPP petitions. Duquesne Light states that winning wholesale suppliers of its 24-month FPFR contracts procured in March 2023 will be paid the auction closing price, subject to subsequent true-up for the portion of the contracts that extend into the 2024/2025 delivery period. Duquesne Light states that after the PJM capacity price is set, the suppliers will be

debited or credited as applicable, any differences between the CPP and the PJM capacity price. Duquesne Light states that it would then refund or recoup this amount through its next Section 1307(e) reconciliation of default supply rates, which would be reflected in its subsequent default supply rates. Duquesne Light states that the impact of the CPP on customers will be neutral. Petition ¶38

Duquesne Light states that this proposed fifth CPP differs from its prior CPPs with respect to the calculation of the CPP value. Duquesne Light proposes to use PJM's indicative auction results, if available, rather than a straight average of capacity prices from the prior two delivery periods. Duquesne Light states that with respect to the 2024/2025 BRA, it anticipates that PJM's proposed tariff revisions would mainly affect capacity prices in the Delmarva Power & Light South local delivery area. Duquesne Light states that regardless of whether PJM's proposed tariff revisions are accepted, it would expect any indicative BRA results to approximate final BRA results more closely than a straight average of prior period capacity prices. Petition ¶39.

Duquesne Light states that implementing another CPP for its March 2023 procurement is the appropriate means of addressing the 2024/2025 unpriced capacity period. Duquesne Light states that as discussed in its prior CPP petitions, the CPP is impact-neutral and is consistent with its recent past approaches, other Pennsylvania EDCs, and neighboring states. Duquesne Light states that it implemented its March 2021, September 2021, March 2022, and September 2022 CPPs without incident. Duquesne Light states that the prior solicitations demonstrated that the CPP is generally understood by wholesale suppliers and supports a competitive procurement. Duquesne Light states that additional CPPs should not be required if PJM conducts and concludes future BRAs according to its current published schedule. Duquesne Light states that PJM's current schedule would provide for each BRA to occur prior to its corresponding default supply procurement in DSP IX. Duquesne Light states that it acknowledges the recent frequency with which BRA delays have necessitated modifications to its default supply procurements. Duquesne Light further states that it is

currently considering mechanisms that would allow it to implement a CPP without the need for a separate petition for each affected procurement. Duquesne Light states that it is not proposing such a mechanism here to not delay the Commission's consideration of this Petition. Duquesne Light states that it anticipates proposing such a mechanism later, following the Commission's resolution of this Petition ¶¶40-41.

Duquesne Light's CPP proposal is substantially identical to its four prior CPP petitions which we approved. We agree with Duquesne Light's proposal to modify its Supplier Master Agreement to include two potential methods to determine the capacity proxy price for its upcoming default service auction in March 2023. We find this modification will maintain the diversity of Duquesne's Light's default service contracts while mitigating this unpriced capacity period. Accordingly, we grant Duquesne Light's request to modify its Supplier Master Agreement; **THEREFORE,**

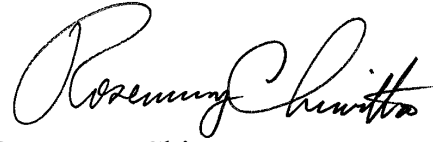
IT IS ORDERED:

1. That the Petition filed by Duquesne Light Company, for approval to modify its Supplier Master Agreement to implement a Capacity Proxy Price for Duquesne Light Company's upcoming default service auction in March 2023, is hereby granted.

2. That Duquesne Light Company is directed to file a compliance tariff supplement as necessary, on at least one-days' notice, to update the terms of the Default Service Plan in the company's tariff.

3. That the proceeding at Docket No. P-2023-3037630 be closed upon the filing of the compliance tariff.

BY THE COMMISSION,

A handwritten signature in black ink, reading "Rosemary Chiavetta". The signature is written in a cursive style with a large initial "R".

Rosemary Chiavetta

Secretary

ORDER ADOPTED: March 2, 2023

ORDER ENTERED: March 2, 2023