



Duquesne Light

Our Energy...Your Power

411 Seventh Avenue
16th Floor
Pittsburgh, PA 15219

Tel 412-393-6070
Fax 412-393-5556
ecreahan@duqlight.com

Erin H. Creahan

Senior Attorney

June 1, 2010

VIA ELECTRONIC FILING AND OVERNIGHT MAIL

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

Re: Proposed Policy Statement Regarding Default Service and Retail Electric Markets

Docket No: M-2009-2140580

Dear Secretary Chiavetta:

Enclosed for filing please find one (1) original of Duquesne Light Company's Comments in response to the Commission's January 14, 2010 Proposed Policy Statement Regarding Default Service and Retail Electric Markets. These comments are being electronically filed on the Commission's E-Filing website, with a paper copy and confirmation of electronic filing being sent via overnight mail.

Per the Commission's Order, this is also being electronically mailed to Elizabeth Barnes, Assistant Counsel. If you have any questions, please contact me.

Sincerely yours,

Erin H. Creahan
Senior Attorney

Enclosures

cc: Elizabeth Barnes, Assistant Counsel (via electronic mail)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Re: Proposed Policy Statement : **Docket No. M-2009-2140580**
Regarding Default Service and :
Retail Electric Markets :

**COMMENTS OF
DUQUESNE LIGHT COMPANY**

I. Introduction

The Pennsylvania Public Utility Commission entered an Order on January 19, 2010, which was subsequently published in the Pennsylvania Bulletin on May 1, 2010, with respect to a Proposed Policy Statement Regarding Default Service and Retail Electric Markets. Pursuant to this Order, the Commission seeks comments on amendments to the Commission's current Policy Statement regarding Default Service and Retail Electric Markets at 52 Pa. Code §§ 69.1801, *et seq.*, in light of the enactment of Act 129 and the new standards regarding default service that are in place, particularly the procurement standards.

Duquesne Light is also filing separate comments in Docket No. L-2009-2095604, Implementation of Act 129 of October 15, 2008, Default Service, which is closely related to this proceeding.

II. Comments

Duquesne Light supports the Commission's attempt to update its Policy Statement in light of the extensive changes to default service parameters as a result of Act 129. Duquesne Light will respond to each of the proposed revision individually below.

A. 52 Pa. Code § 69.1803 (Definitions)

Duquesne Light supports adding the definitions for “bilateral contract” and “Default Service Provider,” so that the definitions mirror 66 Pa. C.S. § 2803. However, the amendments are currently drafted so that both definitions simply reference the “meaning as defined in 66 Pa.C.S. § 2803,” and fail to provide the actual definition. Duquesne Light believes that for thoroughness and clarity, the actual substance of the definitions for “bilateral contract” and “Default Service Provider” as provided in 66 Pa.C.S. § 2803 should also be recited in 52 Pa. Code 69.1803.

B. 52 Pa. Code § 69.1805 (Electric Generation Supply Procurement)

Duquesne Light is comfortable with the Commission’s proposed amendments to 52 Pa. Code § 69.1805, specifically to define long-term contracts as “neither less than 4 years nor greater than 20 years in length.”

However, a review of Section 69.1805 indicates that perhaps the Commission did not go far enough in making revisions to this Section. Section 69.1805 states that “[l]ong-term contracts should only be used when necessary and required for DSP compliance with alternative energy requirements, and should be restricted to covering a relatively small portion of the default service load. An over-reliance on long-term contracts would mute demand response, create the potential for future default service customers to bear future above market costs and limit operational flexibility for DSPs to manage their default service supply.” If the Commission desires to amend the Policy Statement to truly comport with Act 129, these sentences should be deleted, as Act 129 does not limit long term contracts to alternative energy compliance, and specifically provides that long term contracts can and should be a part of a default service provider’s

prudent mix of contracts. 66 Pa.C.S. § 2807(e)(3.2). The only restriction that Act 129 places on long term contracts is that such contracts cannot make up more than 25% of the Default Service Provider's projected default service load. 66 Pa.C.S. § 2807(e)(3.2)(iii).

Duquesne Light further recommends deleting subsections 1-3 to Section 69.1805, and the sentence introducing these subsections (“[t]he plan should be tailored to the following customer groupings, but DSPs may propose alternative divisions of customers by registering peak load to preserve existing customer classes”). At the very least, the portions of these subsections that discuss procurement should be deleted. These sections provide procurement guidance for various customer groupings, and conflict with the specific procurement requirements developed in Act 129, 66 Pa.C.S. §2807. For example, subsection 1, with respect to residential customers, indicates that “a minimum of two competitive bid solicitations a year [should be conducted] to further reduce the risk of acquisition at a time of peak prices.” Similarly, subsection 2, with respect to nonresidential customers with 25-500 kW in maximum registered peak load, requires that “[f]ixed-term contracts should be 1 year in length and may be laddered to minimize risk, with a minimum of two competitive bid solicitations a year to further reduce the risk of acquisition at a time of peak prices.” As a final example, subsection 1 mandates that “[i]n subsequent programs, the percentage of supply acquired through shorter duration full requirements contracts and spot market purchases should be gradually increased, depending on developments in retail and wholesale energy markets.” These requirements are not correct standards in light of Act 129, which merely requires default service providers to procure a “prudent mix” of “spot market purchases, short-term contracts and long-term purchase contracts,” through competitive procurement processes including one

or more of the following: “auctions, requests for proposals, [and] bilateral agreements.” Section 2807(E)(3.1) and (3.2). Therefore, such requirements currently set forth in Section 69.1805 with respect to procurement, as identified above, should be deleted.

C. 52 Pa. Code § 69.1806 (Alternative energy portfolio standard compliance)

Duquesne Light supports an update to this Section to reflect that the DSP should procure electric generation supply for default service customers in compliance with Act 129.

Duquesne Light has reviewed the remaining sections of the Policy Statement, and does not believe that any other changes are necessary.

III. Conclusion

Duquesne Light supports the Commission’s efforts to revise this Policy Statement, subject to these comments, and appreciates the opportunity to provide input on this matter.

Respectfully Submitted,



Gary A. Jack, Esq.
Erin H. Creahan, Esq.
Duquesne Light Company
411 Seventh Avenue, 16-1
Pittsburgh, PA 15219
(412) 393-1541
gjack@duqlight.com
ecreahan@duqlight.com

Dated: June 1, 2010