



Duquesne Light

Our Energy... Your Power

411 Seventh Avenue
16th Floor
Pittsburgh, PA 15219

Tel 412-393-1541
Fax 412-393-1418
gjack@duqlight.com

Gary A. Jack
Assistant General Counsel

November 3, 2008

HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

**Re: Request for Comments on Energy Efficiency
and Conservation Program and EDC Plans
Docket No. M-2008-2069887**

Dear Secretary McNulty:

Enclosed for filing are the original and 15 copies of the Comments of Duquesne Light Company in the above-referenced proceeding. Please do not hesitate to contact us if you have any questions.

Sincerely yours,

Gary A. Jack
Assistant General Counsel

Enclosures

c: Bureau of Fixed Utility Services – Robert Wilson
Bureau of Conservation, Economics & Energy Planning – Wayne Williams

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Energy Efficiency and Conservation Program
And EDC Plans

Docket No. M-2008-2069887

**COMMENTS OF
DUQUESNE LIGHT COMPANY**

Duquesne Light Company hereby submits these comments in response to House Bill 2200, the Commission's obligation to adopt an energy efficiency and conservation program by January 15, 2009, and the Secretarial Letter dated October 20, 2008 in this docket. In addition, Duquesne has worked in concert with the other Pennsylvania Electric Distribution Company (EDC) Energy Association of Pennsylvania (EAP) members in the development of the EAP comments submitted in response to the Commission's October 20, 2008 Secretarial Letter at this docket and endorses the positions set forth therein.

Duquesne agrees that each utility plan must be meritorious and cost effective. Accordingly, Duquesne believes that the entire plan of programs for the EDC, including selection of Service Providers and cost benefit testing, must be evaluated in aggregate, rather than individual programs. Goals achieved for compliance with the entire plan passing the defined cost benefit tests should be the measure. EDCs must not be subject to after-the-fact review of the costs and contracts associated with CSPs for cost recovery already approved by the Commission. EDCs need a level of certainty that these costs will be fully recovered with Commission approval of the plan.

2806 (1) (c) Reductions in consumption and (d) Peak demand.

The legislation requires reductions in consumption and demand of "retail customers." Duquesne Light requests clarification that "retail customers" excludes customers purchasing their generation from an Electric Generation Supplier (EGS). Duquesne is unique from other EDCs in that it has implemented multiple default service plans that promote and nurture competition, which resulted in significant shopping. In fact, Duquesne's territory has seen the greatest level of activity in the competitive electric supply market. Nearly half of the load in Duquesne's service territory is supplied by EGSs. Duquesne's ability to achieve the targeted reductions, if a broader interpretation of "retail customers" is used, will be severely constrained and hampered by the following factors:

- Legal limitations may exist on Duquesne's ability to offer incentives to a customer to decrease or otherwise modify its consumption of a commodity that it

purchases from another entity. The EGS has certain financial goals it desires, including an inherent desire to increase its own sales. The EDC, on the other hand, has the countervailing incentive. This conflict becomes very difficult when, in the Duquesne zone, much of the electric power consumed is sold by entities others than Duquesne. Duquesne would not be aware of the contractual terms that have been agreed to between the EGS and the customer, including quantity, demands, pricing and other important contractual components, yet Duquesne is under the obligation to shift or influence the usage of that product.

- The current success of competition in Duquesne's service territory eliminates, or greatly reduces, Duquesne's ability to influence customer behavior with price signals for a significant portion of its customer base. Currently, all of the large and medium size C & I default service customers are on hourly priced service ---a result that could be argued is the "ultimate" in conservation and peak load reduction measures.
- Energy supply contracts offered by EGSs to C & I customers are typically based on a per kwh charge, with no monthly demand charges to the retail customer. Additionally, at the request of many parties and with Commission support, Duquesne eliminated its demand charges in its POLR C & I rates primarily as a stimulus to the competitive market and to make comparisons between its price and other EGSs easier and more transparent. Because of this change in rate structure in the Duquesne zone, there will be little incentive to shift load based on demand. While current modification of demand may positively influence the prices that will be available to a customer in a future contract period, there is little apparent incentive to shift demand on a current basis. So the choice seems to be either Duquesne returns to demand based rates or the Commission needs to take into account the fact that Duquesne's rate structure is materially different than other utilities.
- Customer participation in energy efficiency and conservation programs to be offered by the EDCs is not mandatory.

In Illinois, whose efficiency and conservation legislation language is very similar to Act 129, reductions in consumption and demand are required only from "eligible retail customers," or those who purchase their energy supply from the regulated EDC. The PUC needs to make a clarification or interpretation similar to Illinois so that individual companies are responsible for their own generation-supplied customers and not responsible for customers over whom they have little influence or with whom they have no contractual relationship.

§2806 (1) (g) Limitation on costs.

Recoverable costs are limited to 2% of an EDCs total retail revenues. Those revenues include generation, transmission and distribution. Generation is typically the largest component. As noted above, Duquesne believe that a clarification is in order that

"retail customers" does not include customers purchasing their generation from other EGS. However, if the Commission does not agree, and it consequently applies the program to Duquesne for all customers in the service territory including customers that purchase their generation from others, then an adjustment upward is required to Duquesne's 2006 retail generation revenues in order to provide the same level of investment in these programs to the customers in our service territory as compared with other customers across Pennsylvania. At year-end 2006, the date used for the calculation of the 2% expenditure limit, Duquesne had 46.5% of its load served by EGSs. Penn Power had the next highest percentage of load served by EGSs at 4.3%. PECO had 3.1%, Met Ed/Penelec 1.14%, PPL 0.1% and Allegheny Power and UGI each had no load served by alternate suppliers. Therefore the basis for Duquesne's investment in energy efficiency and conservation plans has significantly less generation revenues than the other PA EDCs due to the competitive shopping occurring in the Duquesne service territory. Failure to make an adjustment will penalize the success of the competitive market in the Duquesne territory. Thus, if the Commission were to include other EGS' customers in the Duquesne service territory as part of the definition of "retail customers," (which Duquesne does not recommend), then at least in order to provide parity to electric utility customers across the state, the revenues of Duquesne should be adjusted upward pro forma to take into account all the generation sales that occurred in the EDC's service territory and not just the generation sales made by the default service provider, Duquesne. These adjustments should be made specific to each rate class.

GENERAL

Duquesne has worked in concert with the other Pennsylvania EDC EAP members in the development of the EAP comments submitted in response to the Commission's October 20, 2008 Secretarial Letter at this docket and generally endorses the positions set forth therein.

CONCLUSION

Duquesne Light Company respectfully requests that the Commission consider and address the issues raised in these comments. Duquesne looks forward to working with the Commission in the establishment of this new program.

Respectfully Submitted,

DUQUESNE LIGHT COMPANY

November 3, 2008