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Gary A. Jack
Assistant General Counsel

January 24, 2012

VIA OVERNIGHT MAIL

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

RECEIVED

FEB - 3 2012

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

**Re: Investigation of Pennsylvania's Retail Electricity Market:
Docket No. I-2011-2237952**

Dear Secretary Chiavetta:

Enclosed for filing are an original and five (5) copies of the Comments of Duquesne Light Company on the end state default service market model in the above-referenced case, submitted at the request of the Commission's retail markets investigation working group.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'G. Jack', written over a circular stamp or seal.

Gary A. Jack
Assistant General Counsel

Enclosure

c: Office of Competitive Market Oversight – via email

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

FEB - 3 2012

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

**Investigation of Pennsylvania's)
Retail Electricity Market)**

Docket No. I-2011-2237952

**COMMENTS OF DUQUESNE LIGHT COMPANY
ON END STATE DEFAULT SERVICE MODEL**

Duquesne Light Company ("Duquesne" or the "Company") submits the following Comments in response to a request from the Pennsylvania Public Utility Commission's ("Commission") retail markets investigation working group for comments on the end state default service market model.

I. COMMENTS

- Currently, Default Service is a regulated service providing a stable, reliable energy source to millions of Pennsylvanians. That regulated supply service is important in the overall scheme of electric utility regulation, providing an essential service at a reasonable price for those customers who do not choose an alternative supplier and for those customers who consciously choose to be with default service.
- Duquesne is currently implementing its fifth default service plan and has successfully advanced competition in its territory over the years. These plans, in Duquesne's view, have been successful in both providing a competitive environment for shopping and for protecting those customers, through regulation, who choose not to shop or choose to be with default supply.

- Duquesne is preparing to file its sixth default service plan shortly. This plan will continue to advance competition by adopting many of the recommendations contained in the Commission's Tentative Order on the intermediate portion of the retail markets investigation.
- EDCs are the logical entity to provide default service based not only on their experience and stability but on their obligations to provide many other services to customers through Commission regulation. Such programs are Universal Services, Energy Efficiency, Smart Meters, and delivery service.
- With rate caps for many of the major electric utilities having just expired a year ago, time is required for markets to develop and mature. In Duquesne's service territory, its competitive market has continued to develop and mature from the time its caps were removed 10 years ago. Duquesne now has the 9th highest shopping levels in the entire U. S. with fully 69% of its load shopping with alternative suppliers. These other service territories in Pennsylvania should be given sufficient time to develop before altering the model.
- The Pennsylvania Legislature has established a statutory framework that is designed to use competitive procurement processes to obtain a prudent mix of contracts to ensure adequate and reliable default service at the least cost to customers over time taking into account the benefits of price stability. In Duquesne's opinion, substantially altering the current default service model is contrary to the express provisions of Act 129, which provides customers with a right to default service on such terms, and changes would require new legislation.

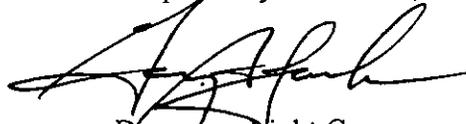
Duquesne does not favor approaching the Legislature with new legislation on this topic at this time, especially since Act 129 was so recently enacted.

- There is a continuing importance to customers of having its wires utility company provide default service as a supportive component to customer choice. In fact, several of the competitive enhancements proposed in the Tentative Order (i.e., Opt-In Retail Auctions and Customer Referral Programs), involve the EDCs because of the high level of trust that customers place in the EDCs. Part of that trust is the continued provision of default service as a back-up to competition. In order to continue to serve the needs of customers on a fair and reliable basis, Duquesne, as a service-oriented wires company, is best suited to continue to provide default service.
- Duquesne has reviewed the Comments submitted by the Energy Association of Pennsylvania and supports those Comments.

II. CONCLUDING REMARKS

Duquesne does not support substantially modifying the end state default service model at this point in time. The competitive markets throughout Pennsylvania should be given time to develop now that rate caps have recently expired. Shopping levels are relatively high in the Commonwealth. Intermediate steps, which have resulted as part of this retail markets investigation, should be implemented and their results analyzed before altering the end-state default service model.

Respectfully Submitted,



Duquesne Light Company

January 24, 2012

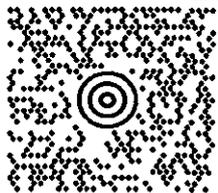
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