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August 9, 2021

Via Electronic Filing

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

**Re: Duquesne Light Company - Default Service Plan IX – Petition for Modification
Docket Nos. P-2020-3019522; P-2021-_____**

Dear Secretary Chiavetta:

Enclosed for filing, please find an original copy of Duquesne Light Company’s (“Duquesne Light” or the “Company”) Petition for Approval to Modify its Supplier Master Agreement (“Petition”) and supporting Exhibits. The Petition is filed pursuant to Section 5.41 of the Pennsylvania Public Utility Commission’s (“Commission”) Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41.

By this Petition, the Company requests Commission approval to implement a Capacity Proxy Price (“CPP”) for certain default supply contracts to be procured in September 2021, to accommodate PJM Interconnection, Inc.’s (“PJM”) revised schedule for Base Residual Auctions (“BRA”) for capacity. This proposed CPP, which would apply to the 2023/2024 PJM delivery year, follows the same process as the CPP for the 2022/2023 PJM delivery year that the Commission approved January 14, 2021, at Docket No. P-2020-3023149.¹

The Company respectfully requests expedited treatment of this Petition, and that the Commission grant the modification requested herein by its September 15, 2021 public meeting. Should you have any questions, please do not hesitate to contact me.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael Zimmerman".

Michael Zimmerman
Senior Counsel, Regulatory

Enclosures

Cc: Certificate of Service

¹ *Petition of Duquesne Light Company for Approval to Modify its Supplier Master Agreement*, Docket No. P-2020-3023149 (Order entered January 14, 2021).

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant):

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Date: August 9, 2021



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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
for Approval to Modify its : Docket No. P-2020-3019522
Supplier Master Agreement :

**PETITION OF DUQUESNE LIGHT COMPANY
FOR APPROVAL TO MODIFY
ITS SUPPLIER MASTER AGREEMENT**

I. INTRODUCTION

Duquesne Light Company (“Duquesne Light” or “Company”) hereby submits this Petition for Approval to Modify its Supplier Master Agreement (“Petition”) pursuant to Section 5.41 of the Pennsylvania Public Utility Commission’s (“Commission”) Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41. The Default Service Plan for the Period June 1, 2021, through May 31, 2025 (“DSP IX”) was approved by the Commission on January 14, 2021, *Petition of Duquesne Light Company for Approval of a Default Service Plan for the Period June 1, 2021, through May 31, 2025*, Docket No. P-2020-3019522 (Order Entered January 14, 2021). During the Company’s prior Default Service Plan for the Period June 1, 2017, through May 31, 2021 (“DSP VIII”), the Commission approved modifications to the Company’s September 2020 and March 2021 procurements of default service contracts in recognition of an ongoing proceeding at the Federal Energy Regulatory Commission (“FERC”) concerning PJM Interconnection, Inc.’s (“PJM”) Base Residual Auction (“BRA”) for capacity.¹ *Petition of Duquesne Light Company for Approval to Modify the Procurement Schedule for its Default Service Plan for the Period June 1,*

¹ *Complaint of Calpine Corporation, et. al.*, FERC Docket No. EL16-49 (“Calpine Proceeding”).

2017, through May 31, 2021, Docket No. P-2016-2543140, Order Entered July 16, 2020, (“April 2020 DSP VIII Petition”); Order Entered January 14, 2021 (“Capacity Proxy Price Petition”).

In its Order approving the Capacity Proxy Price Petition, the Commission approved the Company’s proposal to implement a capacity proxy price (“CPP”) for use in its March 2021 procurement of default supply contracts. As the Company explained in that Petition, use of the CPP was necessary because in March 2021, when the Company was required to procure certain fixed-price full requirements (“FPFR”) supply contracts² that extended into the 2022/2023 delivery period, PJM’s BRA for that delivery period had not yet occurred.

Since the Commission’s approval of the Capacity Proxy Price Petition, PJM rescheduled its BRAs for the 2022/2023, 2023/2024, and 2024/2025 delivery periods; and conducted the BRA for the 2022/2023 delivery period in June of 2021. The BRA for the 2023/2024 delivery period is now scheduled to occur in December 2021. This will occur after September 2021, when the Company must procure default supply contracts that extend into the 2023/2024 delivery period. Therefore, for the same reasons that the Company implemented a CPP for its March 2021 default supply procurement, it seeks by this Petition to implement another CPP for use in its upcoming September 2021 procurement.

Duquesne Light respectfully requests that the Commission approve this Petition without modification, and amend its prior Orders approving the Company’s DSP IX accordingly, no later than the Commission’s September 15, 2021, public meeting date. In support of this Petition, Duquesne Light states as follows:

II. BACKGROUND

² “Full requirements” supply contracts include all products and services that constitute a given tranche of default supply, including energy, ancillary services, alternative energy credits, and – relevant to the instant petition – capacity.

1. Duquesne Light Company is a public utility and electric distribution company (“EDC”) as defined in Sections 102 and 2803 of the Public Utility Code, 66 Pa.C.S. §§ 102, 2803. Duquesne Light provides electric supply service to approximately 600,000 customers in its certified service territory, which includes portions of the City of Pittsburgh and Allegheny and Beaver Counties of Pennsylvania.

2. The name and address of Duquesne Light’s attorneys for purposes of this filing are as follows:

Michael Zimmerman (Pa. I.D. 323715)
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411 Seventh Avenue
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Email: mzimmerman@duqlight.com

Counsel consent to electronic service of any documents associated with this Petition.

3. Enclosed as Exhibits to this Petition are:

- Exhibit A, comprising the proposed supplement Appendix F to the Company’s Supplier Master Agreement (“SMA”).
- Exhibit B, depicting limited changes to the Bidding Rules for the Company’s default service solicitation. Commission approval of changes to the Bidding Rules is not required so long as the Commission approves the underlying changes to the SMA.³ Exhibit B is therefore provided here as illustration.

³ See Bidding Rules p. 1 (“These Bidding Rules may be modified from time to time by the Independent Market Monitor in order to: (i) facilitate a more competitive auction process, (ii) make any necessary corrections and/or clarifications, (iii) account for any change in auction products, (iv) conform to any change in state or federal law or rule, and (v) apply any change deemed necessary at the discretion of the Independent Market Monitor. Such modifications will be carried out in consultation with the Company but without prior consent from the Pennsylvania Public Utilities Commission (‘PA PUC’ or ‘Commission’) or any past, current, or potential bidder and will be posted to the Information Website.”)

4. Chapter 28, Section 2807(e) of the Public Utility Code (Code), 66 Pa. C.S. § 2807(e), provides the requirements of a default service plan. Chapter 28 requires the default service provider to follow a Commission-approved competitive procurement plan that includes auctions, requests for proposal, and/or bilateral agreements, as well as a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time. 66 Pa. C.S. § 2807(e). The Commission provides additional guidance regarding these requirements in its Order entered October 4, 2011, in *Default Service and Retail Electric Markets*, Docket No. L-2009-2095604 (“*Second Default Service Rulemaking Order*”).

5. The Company’s current default service plan, DSP IX, extends through May 31, 2025. Under DSP IX, the Company procures default supply for Residential and Small C&I⁴ customers through a combination of laddered twelve (12) and twenty-four (24) month FPF⁵ supply contracts. The Company conducts Requests for Proposals (RFPs) for these FPF⁵ supply contracts in September and March of each year, for FPF⁵ supply contracts to commence the following December 1 and June 1, respectively.⁵ Typically, the price of capacity for the full duration of the FPF⁵ contract is known at the time of each RFP.

6. On March 21, 2016, a group of wholesale suppliers filed an action at the FERC complaining of alleged state subsidization of certain capacity resources, and the effects on wholesale market capacity prices. *See Complaint of Calpine Corporation, et. al.*, FERC Docket No. EL16-49 (“*Calpine Proceeding*”).

⁴ Small C&I customers include non-residential customers with average monthly peak demands less than 25kW.

⁵ Under DSP VIII, default supply for Medium C&I – i.e., nonresidential customers with average monthly peak demands greater than or equal to 25kW and less than 200kW – is procured through three-month FPF⁵ supply contracts. Default supply for Large C&I customers – i.e., nonresidential customers with average monthly peak demands of 200kW and above – is procured through Duquesne Light’s Hourly Priced Service (“HPS”).

7. On July 25, 2019, the FERC entered an Order in the Calpine Proceeding directing PJM to suspend the scheduled BRA for the 2022/2023 delivery period.

8. On December 19, 2019, the FERC issued an Order that, *inter alia*, expanded PJM's Minimum Offer Price Rule ("MOPR") to all state-subsidized resources ("MOPR-Ex Order"). FERC instructed PJM to make a compliance filing implementing the MOPR-Ex Order.

9. On March 18, 2020, PJM filed a proposed compliance filing to implement the MOPR-Ex Order ("PJM Compliance Filing").⁶ *Inter alia*, the PJM Compliance Filing proposed a compressed timetable for PJM's upcoming BRAs.

10. On April 8, 2020, the Company filed the April 2020 DSP VIII Petition to modify its scheduled September, 2020, procurement of default service contracts, in light of the high probability that capacity price for the 2022/2023 delivery period would not be established by that time. The Company specifically proposed to truncate, from 24 months to 12 months, the durations of those Residential and Small C&I FPFR supply contracts to be procured in September 2020 that would otherwise extend into the unpriced capacity period. The Company explained: "Unpriced capacity periods should be excluded from the Company's September RFPs because, if otherwise included, they may diminish those RFPs' likelihood of success and/or drive up bidders' risk premiums, yielding higher final default supply prices."⁷

11. On July 16, 2020, the Commission approved the April 2020 Petition.⁸ The Company subsequently held its September 2020 default service auction as modified, and the

⁶ *Compliance Filing Concerning the Minimum Offer Price Rule, Request for Waiver of RPM Auction Deadlines and Request for an Extended Comment Period of At Least 35 Days*, filed March 18, 2020, at Docket No. EL16-49.

⁷ April 2020 DSP VIII Petition ¶24.

⁸ Docket No. P-2016-2543140, Order entered July 16, 2020, p. 4 ("We agree with Duquesne Light that its proposal to modify its procurement schedule for September 2020 by shortening the contract supply period from 24 months to 12 months will mitigate the uncertainties relating to capacity pricing in the PJM capacity markets in such a way that it will ensure that default supply is procured at the least cost to consumers over time and will maintain a prudent mix of supply contracts as required by the Competition Act.")

Commission accepted the results of the auction by Secretarial Letter entered September 22, 2020 at this docket.

12. On October 15, 2020, FERC issued an Order⁹ accepting the PJM Compliance Filing in part, and directing PJM to submit a further compliance filing within 30 days. Importantly, while FERC's October 15, 2020 Order authorized PJM to compress its pre-auction process to 6.5 months, it did not authorize PJM to commence such process, pending resolution of related PJM compliance filings concerning price formation at Docket No. EL19-58. October 15, 2020 Order ¶¶105 fn.192; ¶¶360.

13. On November 12, 2020, FERC issued an Order accepting PJM's compliance filings in Docket No. EL19-58, which effectively cleared the way for PJM to resume scheduling the BRAs and commence its 6.5-month pre-auction process.

14. On November 19, 2020, PJM presented an updated BRA schedule to the PJM Markets and Reliability Committee, which scheduled the BRA for the 2022/2023 delivery period to be held in May 2021, and the BRA for the 2023/2024 delivery period in December 2021.¹⁰

15. On December 3, 2020, the Company filed the Capacity Proxy Price Petition to implement a CPP for use in its March 2021 procurement of default supply contracts, to account for PJM's delayed BRA for the 2022-2023 delivery period as discussed above. The Commission granted the Capacity Proxy Price Petition on January 14, 2021.

16. On March 15, 2021, the Company conducted its March 2021 procurement of default supply contracts, including implementation of the CPP. The Commission approved the results of this procurement by Secretarial Letter issued March 17, 2021 at this docket.

⁹ Docket No. EL16-49, *Order on Compliance, Granting Waiver Request, Addressing Argument Raise on Rehearing, and Setting Aside Prior Order, in Part* (October 15, 2020).

¹⁰ See <https://www.pjm.com/-/media/committees-groups/committees/mrc/2020/20201119/20201119-item-03-2022-2023-base-residual-auction-schedule-presentation.ashx>.

17. In May 2021, PJM conducted the BRA for the 2022/2023 delivery period, and released the results on June 2, 2021.

18. PJM's next BRA, for the 2023-2024 delivery period, will occur at least three months after the Company's procurement of Residential and Small C&I default supply contracts in September 2021, which contracts will extend into the 2023-2024 delivery period.

III. PROPOSED CHANGE TO DSP IX

19. As indicated above, the Company requests Commission approval to adopt Appendix F to the Company's Supplier Master Agreement, which would implement a Capacity Proxy Price for the portions of the Residential and Small C&I FPFR supply contracts to be procured in September 2021 that extend into the 2023/2024 unpriced capacity period. Appendix F is attached as Exhibit A. The Company's proposed CPP, which is calculated as a straight average of the actual capacity prices from the two preceding delivery periods, is illustrated below:

2021/2022 Delivery Year. 3rd Incremental Auction. Adjusted Zonal Net Load Price (\$/MW-day)	2022/2023 Delivery Year. Base Residual Auction. Adjusted Zonal Net Load Price (\$/MW-day)	Proposed 2023/2024 Capacity Proxy Price (\$/MW-day)
\$142.16	\$50.09	\$96.13

20. This proposed change would apply only to the Company's scheduled September 2021 RFP for Residential and Small C&I default supply. It would not apply to any subsequent RFPs or RFPs for default supply for other customer classes. Once PJM sets capacity prices for this period, which is currently anticipated to occur in December 2021 or January 2022, any differences between the CPP and the actual capacity price would be reconciled, as described more fully herein.

21. This proposal addresses the 2023/2024 unpriced capacity period from those FPFR supply contracts to be procured in September 2021. Unpriced capacity period injects an element

of uncertainty into the Company's default service auctions, which could impair auction liquidity and drive up default supply prices.¹¹ Implementing a CPP is the appropriate method to mitigate these risks and advance the Company's "least cost over time" and "prudent mix" obligations with respect to the remaining DSP IX term. See also Capacity Proxy Price Petition ¶¶ 18-26.

22. The structure of the Company's instant CPP proposal is substantially identical to that of its prior Capacity Proxy Price Petition. Namely:

- a. The Company proposes to add Appendix F to its Supplier Master Agreement implementing this approach, attached hereto as Exhibit A; and limited changes to the Bidding Rules, illustrated in Exhibit B. Both Exhibits are substantially similar to those used to implement the Company's March 2021 CPP.
- b. Winning wholesale suppliers of the Company's 24-month FPFR contracts procured in September 2021 will be paid the auction closing price, subject to subsequent true-up for the portion of the contracts that extend into the 2023/2024 delivery period.
- c. Once 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. The Company would then refund/recoup this amount through its next section 1307(e) reconciliation of default supply rates, which would be reflected in the Company's default supply rates effective June 1, 2022. Thus, the impact of the CPP on customers will be neutral.¹²

23. The Company believes that implementing another CPP in September 2021 is the appropriate means of addressing the 2023/2024 unpriced capacity period. First, as discussed in the

¹¹ See April 2020 DSP VIII Petition ¶¶24-26.

¹² See Capacity Proxy Price Petition ¶21.

Company's Capacity Proxy Price Petition, the CPP is impact-neutral and is consistent with recent past approaches taken by the Company, other Pennsylvania EDCs, and neighboring states.¹³ Second, the Company implemented its March 2021 CPP without incident. That solicitation demonstrated to the Company that the CPP is understood by wholesale suppliers and supports a competitive procurement.

24. Based on PJM's intended schedule for future BRAs, the Company does not currently anticipate that future CPPs will be necessary during DSP IX. With the exception of the Company's September 2021 procurement, PJM's current BRA schedule provides for the capacity price for each delivery year to be established prior to the Company's procurement of default supply contracts that extend into the delivery year.

IV. NOTICE AND IMPLEMENTATION

25. The Company is serving copies of this filing on the Pennsylvania Office of the Consumer Advocate, the Pennsylvania Office of the Small Business Advocate, the Commission's Bureau of Investigations and Enforcement, and all other parties of record in the Company's DSP IX proceeding. The Company is also posting a copy of this filing to the Procurement page on its website.¹⁴

26. The Company also plans to notify current and prospective wholesale suppliers that, subject to Commission approval of this Petition, the Company intends to implement a CPP for its September 2021 procurement.

¹³ Capacity Proxy Price Petition ¶26.

¹⁴ <https://www.duquesnelight.com/service-reliability/service-map/rates/tariff-resources/procurement>.

27. As indicated above, the Company respectfully requests the Commission approve this Petition by September 15, 2021, to allow the Company to implement the CPP as part of its September 2021 procurement.

V. CONCLUSION

WHEREFORE, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission approve the requested modifications to its DSP IX, to become effective no later than September 15, 2021, as set forth in this Petition.

Respectfully submitted,



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DATE: August 9, 2021

Exhibit A

APPENDIX F – SUPPLEMENT¹

This Supplement to the Supplier Master Agreement (“SMA”) entered into as of [date], by and between Duquesne Light Company (the “Company”) and _____ (the “DS Supplier”) (together, the “Parties”) is effective as of the Effective Date of the SMA. Except as specifically modified in and by this Supplement, all terms and conditions of the SMA shall remain in full force and effect and shall apply to this Supplement.

For purposes of this Supplement: (i) the “PJM RPM Zonal Net Load Price” is the price charged by PJM to LSEs for capacity in the Company’s PJM zone under the Reliability Pricing Model (“RPM”) or its successor; and (ii) the “Capacity Proxy Price” (“CPP”) for the Company is \$96.13/MW-day.

The Capacity Proxy Price for the 2023/2024 delivery year for the Company is set according to the values provided in the table below.

Capacity Proxy Price by Company for Energy Year 2023/2024

2021/2022 Delivery Year. 3rd Incremental Auction. Adjusted Zonal Net Load Price (\$/MW-day)	2022/2023 Delivery Year. Base Residual Auction. Adjusted Zonal Net Load Price (\$/MW-day)	2023/2024 Capacity Proxy Price (\$/MW-day)
\$142.16	\$50.09	\$96.13

Source: <https://www.pjm.com/markets-and-operations/rpm.aspx> and calculations.

The CPP for the Company is the average of the capacity prices for 2021/2022 (Adjusted Zonal Net Load Price) and 2022/2023 (Adjusted Zonal Net Load Price), i.e., the two years preceding the 2023/2024 delivery year. The most recent data available from PJM are used for the 2021/2022 and 2022/2023 delivery years.

This CPP is applicable to the Company’s September 2021 solicitation, which includes fixed-price products that extend into the 2023/2024 delivery year. However, this Appendix will not be applicable to any solicitations after the capacity prices are determined at PJM for the 2023/2024 delivery year.

For and in consideration of the promises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 9.1 (a) of the SMA is replaced with the following:

¹ This Appendix will no longer be applicable once the capacity prices are determined at PJM for the 2023/2024 delivery year.

Exhibit A

Each Billing Month, the Company will prepare a Statement of amounts due to the DS Supplier.

- For Fixed Price Transactions, this Statement will show the aggregate amounts due based on the DS Fixed Price multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C for each hour of the Billing Month. For charges associated with each Billing Month of Energy Year 2023/2024, an additional line item will show the difference between the PJM RPM Zonal Net Load Price actually charged for load served on the day for the Company's PJM zone and the Capacity Proxy Price multiplied by the Supplier Responsibility Share of the Company Capacity obligation (expressed in MW) for each day of the Billing Month in question.
- For Hourly Price Transactions, this Statement will show the aggregate amounts due based on the DS Fixed Price Adder For Hourly Price Service multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C for each hour of the Billing Month, plus the DS Variable Payments used to determine the PMEA for each hour of the Billing Month.

Duquesne Light Company

[INSERT]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Exhibit B

3. PRICES PAID TO DS SUPPLIERS

The payment to DS Suppliers for tranches won will be a function of the auction prices.

As described in the SMA, the Company will prepare a statement of amounts due to the DS Supplier that includes the following.

- For Fixed Price Transactions, this statement will show the aggregate amounts due based on the DS Fixed Price multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C of the SMA for each hour of the Billing Month. ~~An additional line item (payment or credit) is added for the 2022/2023 Energy Year; See Appendix F~~ An additional line item (payment or credit), with detailed description of Capacity Proxy Price transaction mechanism is added to the SMA, See Appendix F, "Supplement".
- For Hourly Price Transactions, this statement will show the aggregate amounts due based on the DS Fixed Price Adder For Hourly Price Service multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C for each hour of the Billing Month, plus the DS Variable Payments used to determine the PMEA for each hour of the Billing Month.

4. PRIOR TO THE START OF BIDDING

4.1 Information Provided to Bidders

The Company will make available certain information to suppliers in advance of qualification. This information will be posted on the Information Website.

4.1.1 Data

The Company will provide:

- Historical load data for the most recent three-year period available.
- Historical hourly load data for total retail load and DS Load.
- Historical switching statistics and historical load profiles.

4.1.2 Minimum and Maximum Starting Prices


The Independent Market Monitor will announce a minimum starting price and a maximum starting price for each product in the auction. The minimum and maximum starting prices establish the range for the possible round 1 prices for the auction.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company for Approval :
To Modify The Procurement Schedule for its : Docket No. P-2020-3019522
Default Service Plan for the Period :
June 1, 2021, through May 31, 2025 :

VERIFICATION

I, C. James Davis, hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief, and I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).



Dated: August 09, 2021