

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

Public Meeting held January 14, 2021

Commissioners Present:

Gladys Brown Dutrieuille, Chairman
David W. Sweet, Vice Chairman
John F. Coleman, Jr.
Ralph V. Yanora

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

Docket Number:
P-2020-3023149

ORDER

BY THE COMMISSION:

On December 3, 2020, Duquesne Light Company (Duquesne Light), Utility Code 110150, filed a Petition (Petition) for approval to modify its Supplier Master Agreement (SMA) to include a capacity proxy price (CPP) for Duquesne Light's upcoming default service auction in March 2021.

Duquesne Light served the Petition on the Commission's Bureau of Investigation,

Enforcement, Office of Consumer Advocate, Office of Small Business Advocate, Nextera Energy Power Marketing, CAUSE-PA, Noble Americas Energy Solutions, LLC, Retail Energy Supply Association, Exelon Generation Company, LLC, and Greenhurlocker, PLC. No Answers were filed, and no hearings were held. For the reasons expressed in this Order, the Pennsylvania Public Utility Commission (Commission) will grant the Petition as approved by this Order.

By Order entered July 16, 2020, the Commission approved the modification of Duquesne Light's September 2020 procurement of default service contracts in recognition of an ongoing proceeding at the Federal Energy Regulatory Commission (FERC) concerning PJM Interconnections, Inc.'s (PJM) Base Residual Auction (BRA) for capacity. This modification approved Duquesne Light shortening its fixed-price full requirements (FPFR) supply contracts that would have extended into the unpriced capacity period.¹

Duquesne Light states it is requesting the Commission's approval to modify its SMA. The proposed modification will include a CPP for PJM 2022/2023 delivery year as part of Duquesne Light's upcoming default service auction. Duquesne Light submits that the proposed change is necessary because PJM is not expected to conduct a BRA to determine the Capacity Price for the 2022/2023 delivery year before Duquesne Light's upcoming March 2021 default service auction. Duquesne Light states it wants approval to implement a CPP for the portions of the residential and small C&I FPFR supply contracts to be procured in March 2021 that extend into the 2022/2023 unpriced capacity period. Petition ¶16.

Duquesne Light states that its CPP will be the straight average of the capacity prices for 2020/2021 and 2021/2022, the two years preceding the 2022/2023 delivery year, and the

¹ *Petition of Duquesne Light Company for Approval to Modify its Default Service Plan for the Period June 1, 2017, through May 31, 2021*, Order at Docket No. P-2016-2543140, entered July 16, 2020.

most recent data available from PJM. This proposed change would apply only to Duquesne Light's scheduled March 2021 RFP for Residential and Small C&I default supply procurement. It would not apply to any subsequent RFPs or RFPs for default supply for other customer classes. Duquesne Light states that it anticipates PJM to set capacity prices by early June 2021, and any differences between the CPP and the actual capacity price would be reconciled. Duquesne Light states that its proposal follows the same approach as the CPP proposal of the FirstEnergy Companies which the Commission approved by Order entered October 13, 2020.² Petition ¶¶17, 19.

Duquesne Light states that winning wholesale suppliers of its 24-month FPCR contracts procured in March 2021 would be paid the auction closing price, subject to subsequent true-up for the portion of the contracts that extend into the 2022/2023 delivery period. Duquesne Light also states that after the PJM capacity prices are set, the suppliers will be debited or credited, as applicable, for the differences between the CPP and the applicable PJM capacity price. Duquesne Light further states that effective in June 2022, it will make an adjustment to its Rider No. 8 – Default Service Supply rates to compensate for any differences between the CPP and the final PJM 2022/2023 capacity prices. Duquesne Light avers it would then refund/recoup any remaining differences through its next section 1307(e) reconciliation of default supply rates. Accordingly, Duquesne Light asserts, the impact of the CPP on customers over time will be neutral. Petition ¶21.

In support of its proposal, Duquesne Light states that the adoption of a CPP has been endorsed in several neighboring jurisdictions. Duquesne Light submits that the New Jersey Board of Public Utilities, Maryland Public Service Commission, and the Public Utilities Commission of Ohio all approved the use of a CPP for upcoming default service auctions

² *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company for approval to Modify their Supplier Master Agreement*, Order at Docket Nos. P-2020-3021424, P-2020-3021425, P-2020-3021426, and P-2020-3021427, entered on October 13, 2020.

being held by their jurisdictional utilities. Petition ¶22.

Duquesne Light also states that a CPP permits utilities to preserve their auction portfolio of different fixed product lengths, consistent with the Commission's requirement to offer default service at the least cost over time, which can be achieved by offering a prudent mix of default service products. Petition ¶18.

Duquesne Light states that it initially addressed the 2022/2023 unpriced capacity period by truncating the affected contracts procured in September 2020 and that this approach was an interim solution, not intended to be used beyond its September 2020 auction. Duquesne Light also states that truncating upcoming default service contracts is not a durable solution because with each successive RFP, a more aggressive truncation is necessary to avoid the 2022/2023 unpriced capacity period. Petition ¶25.

We find this modification will maintain the diversity of Duquesne's Light's default service contracts while mitigating embedded risk premiums. Accordingly, we grant Duquesne Light's request to modify its Supplier Master Agreement; **THEREFORE**,

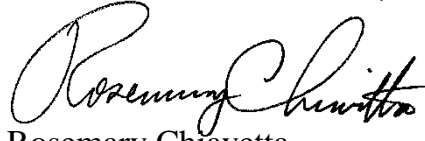
IT IS ORDERED:

1. That the Petition filed by Duquesne Light Company, for approval to modify its Supplier Master Agreement to include a capacity proxy price for Duquesne Light Company's upcoming default service auction in March 2021, 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-2020-3023149 be closed upon the filing of the compliance tariff.

BY THE COMMISSION,

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

Rosemary Chiavetta
Secretary

ORDER ADOPTED: January 14, 2021

ORDER ENTERED: January 14, 2021