BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2018-3000124
	:	R-2018-3000829
	:	
Office of Consumer Advocate	:	C-2018-3001029
Jason Dolby	:	C-2018-3001074
Peoples Natural Gas Company LLC	:	C-2018-3001152
Office of Small Business Advocate	:	C-2018-3001566
Duquesne Industrial Intervenors	:	C-2018-3001713
Leonard Coyer	:	C-2018-3002424
NRG Energy Center Pittsburgh LLC	:	C-2018-3002755
	:	
v.	:	
	:	
Duquesne Light Company	:	

RECOMMENDED DECISION

Before
Katrina L. Dunderdale
Administrative Law Judge

TABLE OF CONTENTS

I. INTRODUCTION

This decision recommends: (1) approving a joint settlement for base rates to be effective on or before December 29, 2018; (2) denying some changes to the tariff proposed in Duquesne Light Company's initial filing; and (3) granting the request of the Duquesne Industrial Intervenors to change Tariff Rider No. 16 to reflect a lower rate. The last public meeting before December 29, 2018 will take place on December 20, 2018.

II. HISTORY OF THE PROCEEDINGS

A. Procedural History

On March 28, 2018, Duquesne Light Company (Duquesne Light, Duquesne or the Company), filed Supplement No. 174 to Tariff Electric Pa. P.U.C. No. 24 to become effective May 29, 2018, containing a proposed general increase in electric distribution rates of approximately $133.8 million in additional annual base rate operating revenues based upon data for a Fully Projected Future Test Year (FPFTY) ending December 31, 2019. The proposed base rate increase included $52.2 million of revenues currently recovered by surcharges. Therefore, the proposed increase to customers over current charges was $81.6 million.

Duquesne Light is a "public utility" and "electric distribution company", as those terms are defined at 66 Pa.C.S.A. §§ 102 and 2803, which provides electric distribution and transmission services to approximately 596,000 customers in Allegheny and Beaver Counties, Pennsylvania. If Duquesne Light's original proposal had been approved, the total monthly bill for an average residential customer using 600 kilowatt-hours would have increased from $98.15 to $106.80 (8.82%); for an average commercial customer using 10,000 kilowatt-hours would have increased from $984.94 to $1,013.71 (2.92%); and for an average industrial customer using 200,000 kilowatt-hours would have increased from $18,730.50 to $19,165.27 (2.32%).

On March 30, 2018, the Bureau of Investigation & Enforcement (BIE) filed a Notice of Appearance. On April 6, 2018, the Office of Consumer Advocate (OCA) filed a public

statement and formal complaint at Docket No. C-2018-3001029. In addition to the formal complaint filed by OCA, formal complaints were filed by Jason Dolby at Docket No. C-2018-3001074; the Peoples Natural Gas Company LLC (Peoples) at Docket No. C-2018-3001152; James Fedell at Docket No. C-2018-3001473;[1] the Office of Small Business Advocate (OSBA) at Docket No. C-2018-3001566; Duquesne Industrial Intervenors (DII) at Docket No. C-2018-3001713; Leonard Coyer at Docket No. C-2018-3002424; and NRG Energy Center Pittsburgh LLC (NRG Pittsburgh or NRGP) at Docket No. C-2018-3002755.

Petitions to Intervene have been filed by Community Action Association of Pennsylvania (CAAP), the International Brotherhood of Electrical Workers Local 29 (IBEW-29), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), Clean Air Council (CAC) and Natural Resources Defense Council (NRDC).

On April 19, 2018, the Commission suspended the implementation of Supplement No. 174 to Tariff Electric Pa. P.U.C. No. 24 by operation of law, pursuant to 66 Pa.C.S.A. § 1308(d), until December 29, 2018, unless permitted by Commission Order to become effective at an earlier date, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement No. 174. On April 26, 2018, the Office of Administrative Law Judge (OALJ) scheduled a prehearing conference to be conducted telephonically on May 3, 2018.

On May 1, 2018, Duquesne Light filed a Motion for Partial Judgment on the Pleadings against Peoples. Duquesne Light contended Peoples lacked standing to pursue a claim against Duquesne Light's proposed changes to Tariff Rider No. 16 because Peoples did not receive service under Tariff Rider No. 16 and Peoples lacked standing to pursue a claim on behalf of its customers who might use Tariff Rider No. 16.

[1] On June 1, 2018, the presiding officer issued the Fifth Interim Order which bifurcated the formal complaint filed by James Fedell at Docket No. C-2018-3001473 from the base rate proceeding, and marked the formal complaint proceeding as closed due to the filing of a Certificate of Satisfaction, in accordance with 52 Pa.Code § 5.24.

On May 3, 2018, Administrative Law Judge (ALJ) Katrina L. Dunderdale conducted a call-in telephonic prehearing conference with the parties in which various procedural matters were discussed and a litigation schedule was established. Present during the call-in telephonic prehearing conference were counsel representing the following: Duquesne Light; OCA; OSBA; BIE; CAAP; Peoples; IBEW-29; and CAUSE-PA. The parties addressed various matters and on May 8, 2018, the presiding officer issued the Prehearing Order which memorialized the matters discussed.

On May 15, 2018, the OALJ scheduled one public input hearing to be conducted on the afternoon of June 14, 2018 in the City of Pittsburgh, Allegheny County, Pennsylvania and another public input hearing to be conducted on the evening of June 14, 2018 in Beaver Falls, Beaver County, Pennsylvania. Notice was published in two newspapers of general circulation on June 1, 2018 and June 8, 2018.

On May 18, 2018, the Commission consolidated the temporary rates proceeding for Duquesne Light at Docket No. R-2018-3000829 with the pending Section 1308(d) rate proceeding at Docket No. R-2018-3000124, pursuant to the Commission's Order adopted May 17, 2018 at Docket No. M-2018-2641242 concerning the Tax Cuts and Jobs Act of 2017. The Commission specified the parties were expected to address the effect of the federal tax rate reductions and other changes in the Tax Cuts and Jobs Act (TCJA) on the justness and reasonableness of the consumer rates charged during the term of the suspension period and, in particular, whether a retroactive surcharge or other measure is necessary to account for the tax rate changes that became effective on January 1, 2018.

On May 22, 2018, the presiding officer issued an Interim Order which granted Duquesne Light's Motion for Partial Judgment on the Pleadings against Peoples. The Interim Order noted Peoples was still a party in the base rate proceeding due to its status as a customer of Duquesne Light.

Also on May 22, 2018, Peoples filed a Petition for Interlocutory Review and Answer to Material Question on an Expedited Basis (IR Petition) with the Commission, pursuant

to 52 Pa.Code § 5.302(a). Peoples asked the Commission if the presiding officer erred in the Interim Order dated May 22, 2018 by granting the Motion for Partial Judgment on the Pleadings filed by Duquesne Light on May 1, 2018. Peoples and DII filed briefs in support of the IR Petition, and Duquesne Light filed a brief in opposition to the IR Petition.

On May 24, 2018, the presiding officer issued the Second Interim Order which denied in part and granted in part the Motion to Dismiss Objections and Compel Answers to Interrogatories, filed by Peoples on May 14, 2018. Duquesne Light was ordered to answer two numbered interrogatories on or before May 30, 2018.

On May 24, 2018, the presiding officer issued the Third Interim Order which granted the Expedited Motion to Compel filed by BIE on May 15, 2018. Duquesne Light was ordered to serve its answers to BIE's Data Requests in full on or before May 30, 2018.

On May 29, 2018, the presiding officer granted Petitions to Intervene filed by Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, Wal-Mart or Walmart) and by ChargePoint, Inc. (CPI).

On May 31, 2018, Keystone Energy Efficiency Alliance (KEEA) filed a Petition to Intervene. KEEA averred it consisted of over 40 entities which implement energy efficiency improvements and the proposed changes to Tariff Rider No. 16 could impact negatively the ability of KEEA entities to offer these energy efficiency improvements to customers of Duquesne Light.

On June 1, 2018, the presiding officer issued a Protective Order pursuant to the Motion for Protective Order filed by Duquesne Light on May 31, 2018. Also on June 1, 2018, the OALJ issued the Hearing Notice, scheduling the evidentiary hearings to be conducted in person from Wednesday, August 15, 2018 through Friday, August 17, 2018 in the Commonwealth Keystone Building in Harrisburg, Pennsylvania.

On June 14, 2018, the presiding officer conducted an afternoon public input hearing at which ten (10) people appeared and testified under oath, and an evening public input hearing at which two (2) people appeared and testified under oath.

On the same date (June 14, 2018), the Commission issued its Opinion and Order on the IR Petition filed by Peoples on May 22, 2018. The Commission indicated the material question was whether the May 22, 2018 Interim Order (which granted the Motion for Partial Judgment on the Pleadings) erred by precluding Peoples, as a developer of Combined Heat And Power projects, from contesting Duquesne Light's proposed increase to the Back Up Rate for Combined Heat and Power projects. The Commission answered the material question in the affirmative and returned the matter to OALJ for further proceedings.

On June 20, 2018, the presiding officer issued the Sixth Interim Order granting the Petition to Intervene of KEEA filed on May 31, 2018. In the same interim order, the presiding officer consolidated the formal complaint of Leonard Coyer filed on May 31, 2018 at Docket No. C-2018-3002424 with the rate proceeding.

On June 20, 2018, the presiding officer issued the Seventh Interim Order denying Duquesne Light's Preliminary Objections dated June 7, 2018 and filed against Peoples on the grounds Peoples allegedly lacked standing to participate in the base rate proceeding.

On June 20, 2018, the presiding officer issued the Eighth Interim Order granting a motion of Peoples to dismiss the objections of Duquesne Light and to compel Duquesne Light to answer Peoples' Interrogatories and Requests for Production of Documents (Set II) propounded upon Duquesne Light on May 16, 2018.

On July 25, 2018, the presiding officer issued the Ninth Interim Order denying the motion of Duquesne Light to dismiss the objections of Peoples to Duquesne Light's Interrogatories (Set III) and to compel Peoples to answer specific interrogatories.

On August 15, 2018, the presiding officer convened the parties and conducted the evidentiary hearing in Harrisburg, Pennsylvania. Present were the following parties: Duquesne Light, BIE, OCA, OSBA, Wal-Mart, ChargePoint, DII, CAUSE-PA, CAAP, NRDC, NRG Pittsburgh, KEEA and Peoples. The presiding officer concluded the proceedings on August 17, 2018. The hearing on August 15, 2018 generated Transcript pages 169 through 388, the hearing on August 16, 2018 generated Transcript pages 389 through 639, and the hearing on August 17, 2018 generated Transcript pages 640 through 678. The documents that were marked and admitted into evidence at the evidentiary hearing are itemized by party in an 18-page document marked as Appendix A and attached to this Recommended Decision.

At the start of the evidentiary hearing on August 15, 2018, Duquesne Light advised the presiding officer a settlement in principle had been reached between Duquesne Light and all other active parties except Peoples. Duquesne Light also advised the settlement covered all issues except the Tariff Rider No. 16 issue. Duquesne Light provided the presiding officer with a confidential summary list of the settlement provisions. The evidentiary hearing proceeded on the litigated issue involving Tariff Rider No. 16.

At the start of the evidentiary hearing on August 17, 2018, Duquesne Light advised the presiding officer that Duquesne Light officially withdrew its request to amend Tariff Rider No. 16, and Peoples advised it no longer objected to the settlement. However, DII indicated it wished to pursue its objection to Tariff Rider No. 16 and requested the opportunity to question witnesses on August 17, 2018 and to brief the Commission on its position. Both requests were granted.

On August 29, 2018, the presiding officer issued the Tenth Interim Order which admitted Cross Exhibit No. 3 of DII into the hearing record pursuant to a data request made on the record at the evidentiary record and motion filed by DII on August 17, 2018.

On September 6, 2018, main briefs were received from Duquesne Light and DII.

On September 12, 2018, the presiding officer issued the Eleventh Interim Order which corrected errors in the transcript from the evidentiary hearing conducted on August 16, 2018, as requested by DII in its petition dated August 29, 2018.

On September 14, 2018, reply briefs were received from Duquesne Light and DII. On the same date, Duquesne Light, on behalf of all signatories, filed the Petition for Partial Joint Settlement (Settlement), including Statements in Support. The following parties joined with Duquesne Light in requesting the Commission approve the proposed resolution: BIE, OCA, OSBA, CAUSE-PA, DII, CAAP, Wal-Mart, ChargePoint, KEEA, NRG Pittsburgh, CAC, and NRDC (collectively the "Joint Petitioners"). Peoples and IBEW indicated they had no objection to the Settlement.

On September 14, 2018, the presiding officer issued a letter to all formal complainants advising of their right to comment, agree or object to the Settlement and explaining how their responses could be included in the hearing record in this proceeding.

On October 2, 2018, the presiding officer issued the Twelfth Interim Order and closed the hearing record. The hearing record consists of transcript pages 1 through 678 in addition to the statements and exhibits listed in Appendix A, appended to the end of the Recommended Decision.

B. Public Input Hearings

The presiding officer conducted two public input hearings in the Company's service territory. A public input hearing was held on the afternoon of June 14, 2018 in Pittsburgh, Allegheny County, Pennsylvania, which generated Transcript pages 39 through 144.[2] A second public input hearing was held on the evening of June 14, 2018 in Beaver Falls, Beaver County, Pennsylvania and generated Transcript pages 145 through 168. Judge Exhibits 1 and 2 were marked and admitted into the hearing record and ten (10) people appeared to testify at the

[2] The transcript contains the unsworn statement of Jacqueline Hill on pages 116 to 117. The statement, being unsworn, was not considered in the Recommended Decision.

afternoon public input hearing. No exhibits were marked and admitted at the evening public input hearing at which two (2) people appeared to testify. Notice to the public was provided by Duquesne Light through advertisement in two newspapers of general circulation within the service area, the Beaver County Times and the Pittsburgh Post-Gazette, on June 1, 2018 and June 8, 2018.

The following individuals testified at the public input hearing conducted on the afternoon of June 14, 2018 in Pittsburgh, Allegheny County, Pennsylvania:

1. Mr. David McGaffin testified he was a residential customer of Duquesne Light and his employer, Forest City Realty Trust, was a customer of Duquesne Light. Mr. McGaffin testified he supported fully the proposed rate increase because Duquesne Light provides reliable service to him at his residence and at his place of employment. He also testified he supported the proposed changes to Tariff Rider No. 16, if those charges are justified, because the customers who do not generate electricity should not be forced to bear the cost of the infrastructure needed by these small generation customers.
2. Dr. Gregory Reed testified he was not a customer of Duquesne Light. He is a professor in the Swanson School of Engineering at the University of Pittsburgh, the Director of the Center for Energy and the Energy Grid Institute at the University of Pittsburgh, and the sole proprietor of Power Grid Energy Consulting LLC. Dr. Reed testified at length about the electric power industry, distribution system integration and generation assets. His written statement was marked and entered into evidence as Judge Exhibit 1.
3. Mr. Jonathon Potts testified he was the Vice President of Public Relations and Marketing and was speaking on behalf of Robert Morris University (RMU) in Moon Township. He testified RMU was exploring currently a Combined Heat and Power (CHP) system and hoped to use the CHP system in order to increase energy efficiency on campus, provide a more reliable energy supply and provide a more resilient energy supply. He testified the increase up to $8.00 per kilowatt under Duquesne Light's

Tariff Rider No. 16 would threaten the financial viability of using CHP to reduce costs borne, ultimately, by RMU's students.

4. Mr. Jamie White testified as an owner of LLI Engineering, a commercial customer of Duquesne Light. Mr. White testified he is a Professional Engineer who designs CHP plants and he was speaking on behalf of the National Association of Industrial Office Parks (NAIOP). NAIOP is a large regional association of developers, owners, investors and professionals of commercial real estate. He testified commercial real estate in Pennsylvania is a powerful economic engine, creating jobs and generating financial contributions to the state's gross domestic product totaling over $36 billion. He testified the proposed rate increase to Tariff Rider No. 16, if approved, would have a chilling effect on the economy in Duquesne Light's territory. He noted several NAIOP members within Duquesne Light's territory are in the development stage with co-generation projects, which projects may be cancelled if the proposed Tariff Rider No. 16 rate is approved. Mr. White testified about the importance of using available microgrid technologies to improve business competitiveness within the region, to lower overall utility costs and to improve the reliability of the electric grid through the use of diversified generation sources.
5. Ms. Cherylie Fuller testified she is a customer of Duquesne Light and both her husband and she are retirees. She testified the electric bill for her residence is astronomical. However, her family does not qualify for utility assistance because now their joint income is considered above the income limits. She testified if the rate increase is approved, she will have to return to work in order to pay her utility bills.
6. Mr. Henry McKay testified he is a customer of Duquesne Light and he is the Pennsylvania Program Director of Solar United Neighbors, which is a nonprofit organization helping people use solar energy and fight for their energy rights. He spoke on behalf of Solar United Neighbors of Pennsylvania in opposition to the proposed increase in base rates. He testified in favor of upgrading the electric grid to include more solar, battery storage, electric vehicles and other forms of clean energy. He testified that increasing the fixed customer charge was a fundamentally unfair way to raise revenue which disproportionately burdens the lower-income ratepayers. He

presented a petition with 38 signatures which was marked and admitted as Judge Exhibit 2.

7. Mr. Todd Reidbord testified he is a personal customer of Duquesne Light and he is the president and founder of Walnut Capital, a commercial development firm in Pittsburgh which is a large commercial customer of Duquesne Light. He testified it would be fairer and more appropriate if the Commission makes the customers who develop microgrids bear the cost of the microgrid instead of making all the customers pay for the costs through a general rate increase.
8. Ms. Kelsey Krepps testified she is a customer of Duquesne Light and she is the Western Pennsylvania Outreach Coordinator for PennFuture. She agreed with the testimony provided by Mr. McKay and objected to the proposed increase to the base rates. Ms. Krepps testified middle income families in Pittsburgh already pay high energy burdens and Pittsburgh is ranked nationally as one of the top ten cities for high energy burdens. She further testified increasing the rate paid by middle income residential consumers is unfair and discourages residential consumers from using programs that would cut costs. She also testified she opposed the increase to Tariff Rider No. 16 because the increase would discourage clean and renewable energy production and takes away residential customers' right to choose clean power.
9. Mr. Nicholas Kyriazi testified he is an all-electric customer of Duquesne Light and a retired biomedical engineer. He testified Duquesne Light is a good company that does its job well, and he thinks Duquesne Light should get its costs covered. He asked the Commission to bring back the quantity electric heat discount.
10. Ms. Eva Resnick-Day testified she is a customer of Duquesne Light who works as a community organizer for the Sierra Club. She testified the rates Pittsburgh residents pay for electric and natural gas are so high that it affects the ability of customers to provide for their families and households. She further testified Pittsburgh and Cleveland are the only two cities that are ranked in the worst top ten lists for both burdens on low-income households and African-American households. She testified the local Sierra Club group worked recently with Duquesne Light, among others, to help 300 local low-income families participate in an energy-saving program, but this

rate increase will hurt those families disproportionately. She opposed the increase and asked that Duquesne Light be forced to invest more in renewable energy.

The following individuals testified at the public input hearing conducted on the evening of June 14, 2018 in Beaver Falls, Beaver County, Pennsylvania:

1. Mr. David Aitken testified he is a customer of Duquesne Light who is retired and also testified as a member of AARP (American Association of Retired Persons). He opposed the proposed customer service charge increase from $10.00 each month to $16.25 each month. He testified the proposed increase was unfair and would hurt lower-usage and lower-income customers the most because the customers will incur a high customer charge even if they turn off all the appliances in their homes. He testified the proposed 8.82 percent increase for a residential customer is excessive especially since Social Security for retirees only increased by 2 percent in January 2018. He testified the overall rate increase was in addition to the 16 percent increase in the distribution rates. He testified the 62.5 percent increase in the customer service charge was counter-productive to encouraging customers to conserve energy. These increases will erase the benefits of earlier conservation efforts and increase costs to retirees, such as himself, which cost can never be mitigated by the customers. Lastly, he complained that the Commission should force Duquesne Light to refund the tax savings Duquesne Light received under the Tax Cuts and Jobs Act of 2017, and those refunds should be backdated to January 1, 2018.
2. Ms. Cheryl Manganello testified she is also retired and a customer of Duquesne Light. She agreed with the testimony of Mr. Aitken. She testified she is on a fixed income and questioned why the residential customers would have a higher percentage increase than the commercial customers.

III. DISCUSSION

A. Overview of Discussion Section of the Recommended Decision

This proceeding involved many issues which initially were hotly contested. At the start of the evidentiary hearings, a majority of the active parties settled almost all issues although one issue continued to be contested by two parties. By the start of the last day of evidentiary hearings, Duquesne Light withdrew its requests on the contested issue and Peoples indicated it no longer had an objection to the settlement in principle. However, one party – DII – continued to contest the tariff rate under Tariff Rider No. 16. At the conclusion of the evidentiary hearing, the presiding officer highlighted some specific finite issues arising from the initial filing which the presiding officer ordered the parties to address in their Statements in Support even though these items appeared to be included in the settlement in principle. The presiding officer questioned how the parties resolved certain issues in the Settlement and required the parties, especially Duquesne Light, to discuss in their Statements in Support how these issues were in the public interest.

When drafting this Recommended Decision, it became obvious there were multiple issues the presiding officer needed to discuss. After outlining the parties' positions, the presiding officer would need to detail the recommended course of action the Commission should pursue. The items to be discussed were too voluminous and, although helpful, a simple Table of Contents would be insufficient to explain the progression of this Recommended Decision.

Accordingly, the Discussion to this Recommended Decision is divided into the following sections: (1) the proposed Settlement's provisions and implications; (2) the parties' statements in support of the proposed Settlement; (3) the various issues from the initial filing highlighted by the presiding officer plus the income tax cut and refund issue; and (4) the litigated issue on Tariff Rider No. 16 including the presiding officer's findings of fact. After explaining the parties' positions on the issues, the Recommended Decision will discuss the presiding officer's recommendations concerning: (5) the proposed Settlement; (6) the highlighted issues

from the initial filing; and (7) the litigated issue. After the presiding officer's recommendations, the Recommended Decision will conclude with: (8) the Conclusions of Law; and (9) the Ordering Paragraphs.

IV. TERMS AND CONDITIONS OF SETTLEMENT

The Joint Petitioners agreed to a settlement covering all issues in the proceeding except one. The one issue reserved for litigation concerns Tariff Rider No. 16. Joint Petitioners have agreed to a base rate increase, to an allocation of that revenue increase to the rate classes and to a rate design for the non-residential rate classes to recover the portion of the rate increase allocated to such classes. The Joint Petitioners are in full agreement that the Settlement is in the best interests of Duquesne Light and its customers.

A. Description and Terms of the Settlement

The Settlement consists of the 26-page Joint Petition containing the terms and conditions of the Settlement. In addition, there are 20 appendices attached to the Settlement. Appendix A to the Settlement sets out the tariff supplement to be filed at Electric – Pa. P.U.C. No. 24 after approval by the Commission. Appendix B to the Settlement sets out the proof of revenues. Appendix C to the Settlement sets forth the present rates, the proposed rates and the effects of the Settlement on Residential (Rate RS) customers, Residential Heating Service (Rate RH) customers, Small Commercial (Rate GS) customers, Medium Commercial (Rate GM>25) customers and Industrial (Rate GL) customers, in addition to showing the impacts on billing statements. Appendix D to the Settlement is the allocation of the tax refund concerning the Tax Cuts and Jobs Act of 2017. Appendix E to the Settlement is the revenue allocation to each class at the net settlement increase of $40.5 million. Appendix F to the Settlement is proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs. Appendices G through R to the Settlement are the statements in support of the Settlement by Duquesne Light, BIE, OCA, OSBA, CAUSE-PA, DII, ChargePoint, Walmart, NRDC, KEEA, NRG Pittsburgh and CAAP, respectively. Appendices S and T are letters of non-opposition from Peoples and IBEW.

The essential terms of the Settlement are contained in paragraph nos. 30 through and including 60 (pages 8 through 19 of the Settlement), which provide, *in verbatim*:

A. REVENUE REQUIREMENT AND ACCOUNTING

30. The distribution rates set in this proceeding will be designed to produce increased base operating revenues of $92.7 million based upon the pro forma level of operations for the twelve months ended December 31, 2019, inclusive of the $52.2 million of revenues recovered under current surcharges, for a net increase in revenues of $40.5 million.

31. Duquesne Light will provide a refund to customers of $24 million, which includes interest. This amount resolves the parties' positions regarding the return of 2018 federal income tax expense savings and 2018 Excess Deferred Income Taxes ("EDIT"). Duquesne Light will refund this amount beginning January 2019 through a one- or two - time bill credit on a distribution revenue basis. The provision of this credit to customers will be subject to audit to ensure that the Company has returned the full amount of the credit to customers in the manner referenced herein. The allocation of the tax refund is set forth in **Appendix D**. As set forth in **Appendix D**, the credit for most customers will be a fixed amount per customer based upon the allocation of the refund to class divided by the number of customers in the class as of December 1, 2018. The credit for other customers will be an individual calculation based on the percentage of each customers' base distribution revenue to the class distribution revenue for the period of December 1, 2017 through November 30, 2018.

32. The level of revenue requirement included in this Settlement reflects the resolution of the parties' positions in the dispute regarding the application of 66 Pa.C.S. § 1301.1 in this case.

33. As of the effective date of rates in this proceeding, Duquesne Light will be eligible to include plant additions in the Distribution System Improvement Charge ("DSIC") once the total eligible account balances exceed the levels projected by the Company in this proceeding at December 31, 2019. The foregoing provision is included solely for purposes of calculating the DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in an FPFTY filing.

34. For purposes of calculating its DSIC, Duquesne Light shall use the equity return rate for electric utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for electric utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

35. Duquesne Light will continue to use normalization accounting with respect to the benefits of the tax repairs and Internal Revenue Code ("IRC") Section 263A deductions. Duquesne Light will reverse EDIT with regard to prior tax repairs and IRC Section 263A deductions pursuant to the Average Rate Assumption Method ("ARAM") used to reverse EDIT associated with accelerated depreciation deductions. The remaining unamortized EDIT balance will continue as a reduction to rate base in all future base rate proceedings until the full amount is returned to ratepayers.

36. Duquesne Light will be permitted to amortize its costs related to the following:

(i) Electrical Model – Commencing with the effective date of rates in this proceeding (December 29, 2018), the Company will be permitted to amortize the estimated non-labor expenses for the field inventory and graphic design tool of $20.6 million related to the development and implementation of the electrical model over a five-year period for an annual amortization of $4.12 million per year.

37. Commencing with calendar year 2019, Duquesne Light will deposit into its pension trusts an amount equal to $10 million per year; provided, however, that contribution(s) in any year in excess of the foregoing may be used on a cumulative basis to satisfy future contribution obligations under this Settlement. The Settlement provides for recovery of the expense component of $5 million (50% of the average cash contributions) of projected future pension contributions. Additionally, Duquesne Light will be permitted to include the other 50% of actual pension contributions from January 1, 2007, forward, net of related accumulated deferred income taxes, in rate base for rate making purposes. The rate base adjustment for pensions shall be the amount necessary to adjust the Accounting Standards Codification ("ASC") 715 capitalized pension amounts to equal accumulated capitalized pension contributions, net of applicable deferred income taxes, from January 1, 2007 forward. The depreciation expense for book and ratemaking purposes will be based on the ASC 715 capitalized amounts. The adjusted amounts will be used for reporting rate base in reports to the Commission. If Duquesne Light concludes that a contribution less than $10 million to the pension trust is appropriate, the Company may reduce the pension contribution and will record a regulatory liability on its books of account that is equal to 50% of the reduction to the pension contribution below the level of $10 million. Any regulatory liability recorded will be reduced to the extent of 50% of contributions in excess of $10 million in subsequent years. If a regulatory liability remains at the time of the Company's next rate proceeding, the regulatory liability amount will be returned to ratepayers as directed in the next base rate proceeding. Any amount recorded as a regulatory liability shall not bear an interest obligation. Duquesne Light shall provide a report and affidavit attesting to the actual contributions to pension trusts during each calendar year. The report and affidavit shall be publicly filed with the Commission, with copies provided to I&E, OCA and OSBA on or before January 31 of the following calendar year, with the first report and affidavit due on or before January 31, 2020.

38. The Company's distribution rate allowance for Other Post Employment Benefits ("OPEBs") is based upon the estimated ASC 715 cost for the FPFTY of approximately $0.4 million ($0.3 million on a distribution basis), which reflects a two-year normalization of the Net Periodic Benefit Cost for historic and future test year distribution costs. The distribution expense component included in rates is approximately 50% of this estimated cost less the annual effect of the 3-year amortization of the regulatory liability of $2.6 million ($2.2 million on a distribution basis) as explained in Duquesne Light St. No. 2, p. 29, for a net distribution credit of $0.6 million. The remaining 50% of actual ASC 715 cost will be the amount to be capitalized on the Company's books. The actual labor capitalization ratio will be used to determine the split between capitalized and expensed amounts. The Company accounts for and funds OPEBs through a Voluntary Employees Beneficiary Associated ("VEBA") trust, into which it will deposit the full amount of annual costs calculated by the Company's actuary pursuant to ASC 715. Retiree OPEBs and administrative costs of maintaining the trusts and/or accounts are paid from amounts deposited in the trust. The Company accounts for the difference between the net periodic postretirement benefit expense determined annually by the actuary in accordance with ASC 715 and the amount of ASC 715 postretirement benefit expense used to establish rates. That difference is recorded as a regulatory asset or liability and will be expensed or credited in future base rate proceedings in determining OPEB expense included in rates.

39. Duquesne Light's jurisdictional separation study of distribution and transmission costs and assets shall be approved for purposes of this case only and shall hold no precedential value in a future base rate proceeding. All parties reserve the right to challenge the jurisdictional separation study in future matters.

40. Duquesne Light will file a Total Company Pennsylvania jurisdictional report showing capital expenditures, plant additions and retirements, by month, for the Future Test Year ("FTY") ending December 31, 2018, and the FPFTY ending December 31, 2019, by July 31 of each of the years following the test years. In Duquesne Light's next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ending December 31, 2019, to its projections in this case. However, it is recognized by Joint Petitioners that this is a black box settlement that is a compromise of the Joint Petitioners' positions on various issues.

41. Commencing with implementations subsequent to May 1, 2015, the Company shall be permitted to capitalize the development costs for cloud-based information systems. The Company will record the costs related to the development of cloud-based information systems as a regulatory asset at the time such costs are incurred. The Company shall begin amortization of the costs after the systems are placed in service. Amortization of the regulatory asset will be included in the Company's depreciation claim and the unamortized balance in the regulatory asset account will be included in rate base in the Company's current and future base rate proceedings. Nothing in this provision shall preclude a challenge to the prudence or reasonableness of specific cloud-based expenditures in a future base rate proceeding.

42. In each base rate case in which the Company proposes to recover costs of cloud-based information systems that were recorded in the regulatory asset, pursuant to paragraph 41 as a capital cost for ratemaking purposes, the Company will provide a listing of the cloud-based computing costs by year, as well as the expected useful life of each item. This requirement applies to the costs of cloud-based information systems recorded in the regulatory asset that were not capitalized for Generally Accepted Accounting Principles ("GAAP") purposes.

43. The timing of a Company notice with regard to annual dividends in excess of 85% of annual net income will be revised to the following: The Company must provide notice and explanation to the Commission when annual dividend payments in the preceding 12 months ended March 31st exceed 85% of annual net income of the prior calendar year. With the revised language, the Company will be able to adjust its distributions in the first quarter of the following year in order to avoid inadvertently violating the advance notice requirement currently in place.

44. Duquesne Light will update the unbundled costs that are currently recovered in default service rates that were previously approved by the Commission as part of the Petition of Duquesne Light Company for Approval of a Default Service Plan for the Period June 1, 2017, to May 31, 2021, at Docket No. P-2016-2543140. Exhibit DBO-5 reflects the updated unbundling costs. These updated unbundling costs will be fixed and reconciled only for differences between projected and actual consumption. The Company would reflect the updated unbundled costs in rates effective June 1, 2019, the first effective default service supply rate change for all classes after new distribution rates become effective December 29, 2018.

B. DUQUESNE LIGHT PROGRAMS

45. The Electric Vehicle ChargeUp Pilot ("EV Pilot") is resolved on the following terms and conditions:

a. The Company's proposed DC Fast Charging Evaluation will be limited to make ready infrastructure, as defined in DLC Statement No. 6, and fast charging stations owned by the Company to be used solely for the Company and the Port Authority of Allegheny County electric bus evaluation. The cost associated with this investment included in rate base in this case is $500,000.

b. The Company's Level 2 charging proposal will be limited to the Company's investment in make ready infrastructure to provide electric service to charging stations owned by other parties with at least 4 charging stations available to the public. The Company's total investment in these facilities under the pilot will be limited to $1.3 million: approximately $650,000 of this investment will be capital investment in front of and including the meter, and approximately $650,000 will be expense investment in the form of rebates behind the meter. The Company will be

permitted to capitalize all costs for infrastructure in front of and including the meter. The Company will be permitted to provide a rebate for costs for infrastructure behind the meter and will be permitted to record these rebate costs as a regulatory asset. The Company will provide a report in its next base rate proceeding. The report will evaluate customer participation and feedback, public access to charging stations and charger station usage and identify the charging station revenues received by the Company from charging station owners. Report results will be broken down by year. Determination of the appropriate method of cost recovery for the behind the meter Level 2 rebate costs will be deferred to the Company's next base rate case.

c. Customer education costs with regard to the EV Pilot in this proceeding are reduced to $200,000 to reflect the reduction in scope of the pilot in this settlement.

d. The Company will assess the EV Pilot data and develop a plan for an EV load management program to be proposed in its next base rate case proceeding.

e. Customer Electric Vehicle Registration Incentives in this proceeding are reduced to $70,000 per year. Any unused portion of the $70,000 per year will be addressed in the next base rate proceeding.

f. The Company will develop annual public reports, submitted to the Commission, to track the progress of the EV Pilot implementation. Metrics include:

i. Charging infrastructure deployed over time, including by location and date of activation;
ii. Charging infrastructure installation costs by site type (broken out by capital and rebate costs);
iii. For all charging stations deployed through the EV Pilot: the usage rate by site type and charger type;
iv. Estimated avoided air emissions resulting from the programs.

46. Duquesne Light's revised Light Emitting Diode ("LED") Street Light Program, as explained in Duquesne Light Statement No. 6 and as set forth in Rate SM of the Company's tariff Supplement No. 174, is approved. See Duquesne Light Exhibit No. DBO-1.

47. Duquesne Light's proposed fee free bank card payment program, as described in DLC Statement No. 7, is approved.

48. Duquesne Light withdraws its Woods Run Microgrid proposal without prejudice.

C. REVENUE ALLOCATION AND RATE DESIGN INCLUDING CUSTOMER CHARGE

49. The revenue allocation to each class at the net settlement increase of $40.5 million is reflected in **Appendix E**.

50. The fixed monthly customer charge for Rates RS, RA, RH and GS will be increased from $10.00 per month to $12.50 per month.

D. UNIVERSAL SERVICE, CUSTOMER SERVICE, TIME OF USE SERVICE AND MASTER METERING

51. Duquesne Light agrees that its proposal to remove the phrase "for which service is requested" from its retail tariff Rule No. 5a is withdrawn.

52. Within 120 days of the entry of a Commission order approving this settlement, Duquesne Light agrees to hold a non-confidential collaborative with all interested stakeholders to obtain stakeholder input regarding residential time-of-use rates. Duquesne Light agrees to continue with a second non-confidential collaborative with all interested stakeholders to obtain additional stakeholder input regarding residential time-of-use rates within 30 to 60 days after its initial collaborative. Duquesne Light agrees to consider in good faith the issues and suggestions raised in the collaboratives. Duquesne Light agrees to make a proposal regarding time-of-use rates in its next default service rate filing, unless the Commission directs that Duquesne Light make a time-of-use rate filing prior to its next default service rate filing. All parties retain all rights to challenge the rates, terms and conditions proposed by Duquesne Light with regard to its time-of-use rates. This paragraph 52 does not supersede any Commission directive relating to time-of-use rates that conflicts with the provisions herein.

53. Duquesne Light intends to provide anonymized aggregate energy usage data for residential multifamily buildings that are 50,000 square feet or larger and will provide periodic updates to the Income Eligible Program Advisory Group regarding the status of implementation. Duquesne Light further agrees to participate in any working group established by the City of Pittsburgh to address the issue of energy efficiency benchmarking for multifamily buildings.

54. Starting with its 2019 program year, Duquesne Light will use its best efforts to ensure that 10% of its completed Low Income Usage Reduction Program ("LIURP") jobs are for electric heating customers, and will provide reports on its progress toward reaching that goal to members of its Income Eligible Advisory Group. Duquesne Light will increase its LIURP budget by $140,740 annually to accommodate for the increased cost to remediate electric heating customer usage. Duquesne Light agrees to review the list of customers with high Customer Assistance Program ("CAP") credits (over $1,000) from the prior year and prioritize those customers for LIURP treatment when possible. If the list has been exhausted, Duquesne Light will use the high usage CAP customer list as well as eligible customers requesting weatherization. This prioritization will continue

unless Duquesne Light evaluates the cost-effectiveness of the prioritization, and reviews that evaluation with stakeholders.

55. Within 60 days of the effective date of rates, Duquesne Light will revise its medical certificate policy and accompanying procedures to accept medical certificate renewals if the customer's current bill or budget bill amount is paid in full by the due date while under the protection of a medical certificate. Customers will not be limited to two medical certificate renewals if the provisions of this paragraph are met. Upon submission of an initial medical certificate, Duquesne Light will inform customers that they can continue to renew their medical certificate and continue to receive medical certificate protection if they continue to pay their current bill or budget bill amount in full by the due date for the duration of their medical condition or emergency, and that they remain responsible for any outstanding balance. Duquesne Light will also refer customers to any available bill payment assistance programs, including CAP, Hardship Fund, Customer Assistance Referral Evaluation Services ("CARES"), and Low Income Home Energy Assistance Program ("LIHEAP"), and will work with customers protected by a medical certificate to establish an equitable payment arrangement for outstanding arrears pursuant to Commission rules. Duquesne Light will share its revised policy with parties to this proceeding, and will provide an opportunity for feedback and suggestions. Duquesne Light may amend this policy in response to future Commission rulemakings, orders or policy. Duquesne Light will be permitted to write off any outstanding balances overdue for more than one year for customers that have medical certificates for a period of one year or longer.

56. Within 60 days of the effective date of rates, Duquesne Light will revise its Protection From Abuse Order ("PFA") policy and accompanying procedures to accept PFAs or civil or criminal court orders with evidence of domestic violence toward an applicant for service, a current customer, or a member of the applicant or customer's household, consistent with 66 Pa. C.S. § 1417 and 52 Pa. Code Ch. 56, subsections L-V. Duquesne Light will share its revised policy with the Income Eligible Program Advisory Group, and will provide an opportunity for feedback and suggestions.

57. Duquesne Light will engage in discussions regarding budget billing issues with its Income Eligible Program Advisory Group and will consider proposals to address these issues in its next base rate proceeding. If prior to the next base rate proceeding, consensus is reached among the Income Eligible Program Advisory Group and the Company on implementation of particular budget billing proposals and the Company determines that those proposals will have minimal or no revenue impact, Duquesne Light agrees that it will implement those proposals as soon as practicable.

58. Duquesne Light will conduct a competitive selection process, such as a Request for Proposal, for the purpose of determining its universal service program provider(s). Duquesne Light will invite local community-based organizations ("CBO") to participate in the competitive selection process. Final selection of universal service program providers will be determined in accordance with Duquesne Light's processes and procedures. A description of CBO participation in Duquesne Light's universal services

programs will be included in its Universal Services and Energy Conservation Plan that is filed with the Commission for review and approval.

59. Within 180 days of the effective date of rates, Duquesne Light will convene a non-confidential collaborative with all parties to this proceeding, and all interested stakeholders who are developers of multifamily housing within its service territory, to discuss the feasibility of revising its retail tariff to permit master-metering of multifamily housing. Parties to the collaborative will specifically consider:

a. Under what circumstances master-metering would be permitted, and the factors Duquesne Light would require a building owner to meet before approving a master-metering configuration;

b. The impact that any such tariff change would have on low income tenants' ability to continue to afford utility service;

c. The impact of individual customers not utilizing Advanced Metering Infrastructure ("AMI") meters; and

d. The impact that any such change would have on the Company's revenue allocation and the ability to meet its projected revenue requirements.

The parties to the collaborative will make a good faith effort, in coordination with the Company, to develop consensus on the scope of a tariff revision that permits master-metering, taking into consideration all of the foregoing factors. Additional collaborative meetings will be held thereafter, as necessary, but not less than on an annual basis, in an effort to reach consensus on any issues which remain unresolved after the first collaborative is held. Based on feedback from the collaborative meetings, Duquesne Light will present a proposal regarding master-metering of multifamily housing buildings as a part of its next general base rate case. The treatment of any alleged confidential information during the collaborative will be subject of an agreement of the parties and stakeholders participating in the collaborative.

E. OTHER ISSUES

60. Duquesne Light, on behalf of itself and its affiliates, will not develop or fund (except such projects incented through Duquesne Light Act 129 programs) a project for the generation or distribution of steam, hot water, or chilled water (except for self-service) within the then-certificated service territory of NRGP, without sending letter notification to NRGP at least forty-five (45) days prior to the commencement of any construction activities or funding disbursements related to any such project. The letter notification will identify the customers that will be served, what service will be provided, and how service will be provided. Duquesne Light will cooperate in providing additional information to NRGP with respect to such project upon request from NRGP.

B. Additional Settlement Provisions

In addition to the specific terms to which the parties have agreed to settle the rate proceeding and consolidated tax savings proceeding, there are certain general, miscellaneous terms which should be mentioned. Paragraph No. 65 of the Settlement establishes the procedure by which any of the parties may withdraw from the Settlement and proceed to litigate this case, if the Commission modifies the Settlement. In addition, paragraph nos. 68 and 69 of the Settlement provide the Settlement does not constitute an admission against or prejudice to any position which any of the parties might adopt during subsequent litigation, or further litigation of this case, in the event the Settlement is rejected by the Commission, or any of the parties withdraw under Paragraph No. 65.

On the basis of these and other provisions of the Settlement, the parties request: (a) approval of the Settlement, to become effective on December 29, 2018; (b) Duquesne Light Company be permitted to file a tariff or tariff supplement containing the rates and rules in Appendix "A" to the Settlement; (c) the closing and termination of the rate investigation and tax savings proceeding at Docket Nos. R-2018-3000124 and R-2018-3000829; (d) the dismissal of the complaints of OCA, Peoples, OSBA, DII and NRG Pittsburgh at Docket Nos. C-2018-3001029, C-2018-3001152, C-2018-3001566, C-2018-3001713 and C-2018-3002755, respectively; and (e) the dismissal of all customer complaints associated with this proceeding, including the complaints of Jason Dolby and Leonard Coyer at Docket Nos. C-2018-3001074 and C-2018-3002424, respectively.

V. DISCUSSION OF SETTLEMENT PROVISIONS

The terms and conditions of the Settlement are set forth fully in Section II of the Settlement filed on September 14, 2018, incorporated herein by reference, beginning at numbered paragraph 30 through and including numbered paragraph 60 on pages 8 through 19.

A. Legal/Policy Standards for Settlement Approval

The policy of the Commission is to encourage settlements and the Commission has stated that settlement rates are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa.Code §§ 5.231, 69.401. A full settlement of all the issues in a proceeding eliminates the time, effort and expense that would otherwise have been used in litigating the proceeding, while a partial settlement may significantly reduce the time, effort and expense of litigating a case. A settlement, whether whole or partial, benefits not only the named parties directly, but, indirectly, all customers of the public utility involved in the case.

The Commission's policy is to encourage settlements[3] because the Commission has learned:

> [T]he results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.[4]

The benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest. Warner v. GTE North, Inc., Docket No. C-00902815 (Opinion and Order entered April 1, 1996); Pa. Pub. Util. Comm'n v. CS Water and Sewer Associates, 74 Pa. PUC 767 (1991).

B. Impact of Proposed and Settled Rate Requests

Pursuant to the initial filing, Duquesne Light requested a $133.8 million increase to its annual operating revenues. However, as will be discussed herein, the Settlement provides for an additional increase of only $92.7 million in annual operating revenues. Of the proposed

[3] 52 Pa.Code § 5.231.

[4] 52 Pa.Code § 69.401.

$92.7 million increase, $52.2 million is the amount currently recovered through surcharges which surcharges are to be rolled into the base rate and "zeroed" out at the conclusion of this proceeding. As a result, the actual increase in annual operating revenues, if approved by the Commission, will be $40.5 million.

If approved, as originally filed, the total monthly bill for an average residential customer using 600 kilowatt-hours would have increased from $98.15 to $106.80 (8.82%). Under the Settlement rates, that same customer will see the annual bill increase from $98.15 to $102.51 (4.44%).

If approved, as originally filed, the total monthly bill for an average commercial customer using 10,000 kilowatt-hours would have increased from $984.94 to $1,013.71 (2.92%). Under the Settlement rates, that same customer will see the annual bill increase from $984.94 to $1,004.40 (1.98%).

If approved, as originally filed, the total monthly bill for an average industrial customer using 200,000 kilowatt-hours would have increased from $18,730.50 to $19,165.27 (2.32%). Under the Settlement rates, that same customer will see the annual bill increase from $18,730.50 to $19,095.27 (1.95%).

C. Description of the Settlement

The Settlement submitted in this case represents a complete and full settlement of all but one issue. The one issue remaining – concerning Duquesne Light's original proposal to make changes to Tariff Rider No. 16 – will be discussed starting in Section VII below. In this section, the parties' positions and statements offered in support of the Settlement are outlined below. In addition, at the hearing on August 17, 2018, the presiding officer identified questions about certain provisions of the Settlement and advised the parties, especially Duquesne Light, that these questions should be addressed in the Statements in Support.

As originally filed, Duquesne Light's Supplement No. 174 to Tariff Electric Pa. P.U.C. No. 24 (Supplement No. 174) sought an increase in rates of approximately $133.8 million per year, or an approximate 8.82% increase over its present rates. Under the terms of the Settlement, the amount of the net increase in annual base distribution operating revenues has been reduced to $92.7 million per year, or approximately 4.44%, over present rates. Of the $92.7 million increase, $52.2 million of that amount includes revenues currently recovered from customers in surcharges.

D. Duquesne Light's Statement in Support

1. Revenue Requirement

Duquesne Light argues it provided substantial evidence to support its proposed revenue requirement increase in this proceeding, the increase under the Settlement is well within the range proposed by the parties, is in the public interest and should be adopted without modification.[5] Duquesne Light points out the Settlement provides for a revenue requirement that includes a net increase in revenues of $40.5 million and an increase in base rates of $92.7 million after projected recoveries under the Smart Meter Charge (SMC), Distribution System Improvement Charge (DSIC), and the Purchase of Receivable (POR) portion of the Retail Market Enhancement Surcharge (RMES) are rolled into the current base rate. Duquesne Light asserts it made considerable efforts to control costs, improve customer service and continue to provide highly reliable service to customers since the Company's last base rate proceeding in 2013. (Duquesne Light St. No. 1, pp. 5-8). However, Duquesne Light points out its costs of providing electric distribution service increased in many areas, including increased investment in facilities to maintain high levels of service and reliability and increased operation and maintenance (O&M) expenses. In addition, the Company contends it experienced a sharp reduction in sales due to energy efficiency measures. (Duquesne Light St. No. 1, pp. 9-10).

[5] DLC St. Nos. 2, 2-R, 9, 9-R, 11, 11-R, 12, and 12-R.

Absent rate relief, Duquesne Light projected an overall return on rate base of approximately 5.27% for the fully projected future test year (FPFTY). (See Duquesne Light St. No. 1, p. 13). This overall return would translate into a return on equity (ROE) for the FPFTY of 5.83%. (See Duquesne Light St. No. 1, p. 13). This ROE is substantially lower than the Company's proposed ROE of 10.95% in this proceeding. (Duquesne Light St. No. 12, p. 1). It is also substantially lower than the latest ROE set forth by the Commission in its Quarterly Earnings Report for electric company Distribution System Improvement Charges (DSIC) of 9.65%.[6]

Duquesne Light asserts the $40.5 million increase will allow it to recover its necessary expenses, including the expense component of pension contributions and increased O&M expenses and provide the Company with the reasonable opportunity to earn a fair return. The revenue increase should also allow the Company to attract capital on reasonable terms and allow the Company to continue to provide safe and reliable service to customers.

Duquesne Light points out the revenue requirement under the Settlement is generally a "black box" number. Under a "black box" settlement, parties do not specifically identify the rate base, revenue, expense and return amounts that are allowed or disallowed. The Company has found that the "black box" concept often facilitates settlement agreements because parties are not required to identify a specific return on equity or specifically identify rate base, revenue, expense and return amounts that are allowed or disallowed. This process allows a settlement without requiring parties to abandon or reverse their positions on important issues, which could impact their positions in later cases. Duquesne Light also points out the Commission encourages black box settlements.[7]

---

[6] *Report on Quarterly Earnings for March 31, 2018*, Docket No. M-2018-3003513, Appendix F, Public Meeting of August 2, 2018.

[7] *Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-2011-2267958 (Order entered June 7, 2012), pp. 26-27; *Pa. Pub. Util. Comm'n v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Order entered December 19, 2013), p. 27 ("*Peoples TWP LLC*"); Statement of Chairman Robert F. Powelson, *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Public Meeting, August 2, 2012).

Duquesne Light contends the parties made exceptions to the "black box" concept in order to specify the refund with regards to 2018 tax reductions, amortization of electric model costs, pension funding and accounting requirements, Other Post-Employment Benefits (OPEB) funding, and accounting for cloud-based information technology systems. These exceptions to the black box settlement are explained below, along with various other aspects of the Settlement generally related to revenue requirement issues. These specific resolutions of issues are the kinds of innovative solutions that can be developed by parties in a rate case through the settlement process that generally are not produced by litigation.[8]

a. Pa. Act 40 – Paragraph No. 32 of the Settlement addresses requirements of Pa. Act 40, codified as Section 1301.1 of the Public Utility Code, which eliminated the former consolidated income tax adjustment and requires income taxes be based solely on the expenses and tax deductions of the utility, not its affiliates. Section 1301.1(b) contains provisions about the use of funds during a transition period ending 2025. There was a dispute in this proceeding as to whether these funds should be deducted from rate base. The Settlement paragraph provides that the effects of this section are reflected in the negotiated black box revenue requirement.

b. DSIC – Paragraph No. 33 of the Settlement addresses when the Company will be permitted to charge the DSIC. Specifically, the Company will be permitted to charge the DSIC when the Company's total DSIC plant balances exceed the levels reflected in the rate case and justify inclusion of such increased balances in the DSIC. The Settlement provides that the DSIC may be charged once the total DSIC plant balances exceed the levels projected at the end of the FPFTY. Only the fixed costs of new eligible property that have not previously been reflected in the utility's rate base shall be reflected in the quarterly updates of the DSIC, pursuant to the requirements of 66 Pa.C.S.A. § 1358(b).

c. DSIC Return on Equity – Paragraph No. 34 notes the Commission requirement that Settlements provide a mechanism for determining the return on equity to be

[8] *Peoples TWP LLC*, p. 27.

used in future DSIC calculations. Because settlements do not typically specify a return on equity, the Commission has accepted agreements by settling parties that the DSIC ROE published in the quarterly earnings reports may be used.[9]

d. Return of EDIT – Paragraph No. 35 addresses the period for return of excess deferred income taxes. Excess deferred income taxes are created when there is a tax rate reduction and previously deferred taxes are not necessary. Under the TCJA, certain excess deferred taxes must be returned to customers over the life of the property, with the unreturned or unamortized amounts deducted from rate base, thereby benefiting customers (the Average Rate Assumption Method or ARAM). While other excess deferred taxes are not subject to this requirement, and OCA proposed accelerated return of such amounts, the Company demonstrated in its rebuttal that accelerated return would increase rates by over $52 million. OCA later withdrew the proposed adjustment.[10] This provision affirms all EDIT related to plant will be returned under the ARAM procedure and unamortized balances will be deducted from rate base in future base rate proceedings, thereby benefiting customers.

e. Electrical Model – Paragraph No. 36 addresses the claim for costs of building an electrical model, which will enhance the Company's ability to maintain and improve the grid's reliability, resiliency and operation. The electrical model will allow the Company to identify the location and interconnection of all critical facilities and customer meters on the Company's system on a computerized layout and will provide critical information about the distribution system. (Duquesne Light St. No. 5, pp. 1-5.) The Company claimed the costs of $24.5 million of expense for conducting field inventory over years 2019-2021 and claimed capital costs and additional expenses in the FPFTY.[11] The Settlement provides for amortization of these field inventory costs less Company labor expenses over 5 years. While Duquesne Light

---

9 *Petition of Duquesne Light Company for Approval of Smart Meter Technology Procurement and Installation Plan*, Docket No. M-2009-2123948 (Order entered May 11, 2010), pp. 24-25; See also *Pa. Pub. Util. Comm'n v. Duquesne Light Company*, Docket No. R-2013-2372129 (Order approving Settlement entered April 23, 2014).

10 OCA St. No. 2-SR, pp. 10-11.

11 DLC St. No. 5, pp. 1-5, 9.

argues this provision does not provide it with recovery of costs as incurred, it does provide a reasonable opportunity for the Company to ultimately recover its costs since the unamortized portion of costs can be recovered in a future case.[12]

f. Pension Contributions – Paragraph No. 37 addresses pension contributions. The Company proposed to make pension contributions of $10 million per year over the next three years, 2019-2021, in which half of those costs are recovered as expense while half are capitalized and added to rate base. The Company also proposed a provision, used in its prior rate cases, that any expense recovery for pensions that is not contributed to the pension would be returned to customers. In addition, any capital amount for pensions not contributed to the trust would not be added to rate base.[13] These provisions ensure that only pension contributions that actually are contributed are reflected in rates charged to customers. No party opposed these proposals. And Settlement paragraph 37 includes these commitments in the final order in this proceeding, which is consistent with prior Company settlements approved by the Commission.[14]

g. Other Post Employment Benefits (OPEBs) – Paragraph No. 38 provides the unopposed Company proposals concerning the Company's OPEB claim and provides commitments similar to those for pensions for inclusion in the final order in this proceeding. This Settlement provision is consistent with prior Company settlements approved by the Commission.[15]

h. Jurisdictional Separation Study – Paragraph No. 39 provides for approval of the study used to separate the Company's assets, revenues and expenses into Federal

---

[12] *Pa. Pub. Util. Comm'n v. Butler Twp. Water Co.*, 52 Pa. PUC 571, 1980 Pa. PUC LEXIS 2 (December 18, 1980).

[13] DLC St. No. 2, pp. 25-27.

[14] *Pa. Pub. Util. Comm'n v. Duquesne Light Company*, Docket No. R-2010-2179522 (Order entered February 24, 2011); *Pa. Pub. Util. Comm'n v. Duquesne Light Company*, Docket No. R-2013-2372129 (Order entered April 23, 2014).

[15] *Id.*

Energy Regulatory Commission (FERC) and state jurisdictional amounts, with separated amounts used to set rates for interstate and intrastate service. As the separation is typically approved by the Commission, this provision provides the basis for use of the study for FERC's setting of rates for interstate service. This Settlement provision is consistent with prior Company settlements approved by the Commission.[16]

i. Reports of Actual Capital Expenditures, Plant Additions, Retirements and Expenses for the FTY and FPFTY – Paragraph No. 40 provides for the filing of actual data for the FTY and FPFTY after those years are completed, which will permit the Commission and parties to review the accuracy of Company projections. Requests for these reports were made in BIE's testimony as a requirement in this proceeding.[17]

j. Capitalization of Cloud Computing Costs – Paragraph Nos. 41 and 42 address capitalization of cloud computing costs, which relate to software costs that if installed on Company computers would be capitalized. With the advent of cloud computing, these software costs provided by third parties cannot be capitalized without Commission approval. The Settlement provides for capitalization of these costs but preserves rights to challenge the reasonableness and prudence of costs in future base rate proceedings.[18]

k. Notice Regarding Dividends – Paragraph No. 43 revises a prior commitment by Duquesne Light to provide notice if annual dividends exceed 85% of annual net income for a calendar year. In this filing, the Company proposed a timing change to this commitment so that the Company does not inadvertently exceed the 85% at the end of the calendar year when annual net income is being finalized. The revision simply changes the annual period to year ending March 31 of each year. No party opposed this change.[19]

---

16 *Id.*

17 BIE Statement No. 3, p. 44.

18 DLC St. No. 2-R, p. 17.

19 DLC St. No. 13, p. 8-9. See also DLC St. No. 5, pp. 24-25.

l. Update of Unbundled Costs – Paragraph No. 44 of the Settlement provides for an update of costs that were unbundled in the Company's last default service proceeding. These costs are the costs of providing default service which are not charged to shopping customers. The unbundled costs will be updated to reflect costs in this proceeding on June 1, 2019, which is the first effective default service supply rate change after the effective date of rates in this proceeding.[20]

m. Light Emitting Diode (LED) Street Lighting Program – Paragraph No. 46 of the Settlement addresses the Company's revised LED Street Lighting Program. The Company proposed an expanded program to convert mercury vapor, high pressure sodium lights over to LEDs. Under the primary program, the Company pays the cost of the conversion to LED fixtures and reflects that cost in its base rates after the lights are replaced. However, there is an option where a customer can pay the conversion cost, in which case the Company only charges for distribution service.[21] No Party opposed these changes and the related charges to Lighting rate schedules, and this provision is included in the Settlement to confirm approval of the changes.

n. Fee Free Bank Card Payment Program – Paragraph No. 47 of the Settlement confirms approval of a program to allow bank card payments by customers without charges for the transaction to customers because lower income customers currently make up the majority of such payments and currently bear such costs.[22] No party opposed the program but a dispute arose about the projected costs.[23] This dispute was resolved by the black box revenue requirement settlement.

---

20 DLC St. No. 15, p. 22.

21 DLC St. No. 15, pp. 20-22.

22 DLC St. No. 7, pp. 9-17.

23 BIE St. No. 1, p. 47; DLC St. No. 7-R, pp. 12-14.

o. Woods Run Microgrid – Paragraph No. 48 of the Settlement withdraws the Company's proposal to build a microgrid to increase reliability, control center and operations facilities at Woods Run without prejudice.

p. Revenue Allocation and Rate Design – Paragraph No. 49 of the Settlement and related Appendices contain the provisions allocating the net increase of $40.5 million to the customer rate classes and provide rates to recover the allocated increases. **Appendix E** to the Settlement provides the allocations to the rate classes. **Appendix B** provides the adjusted rates and a proof of revenues to demonstrate that the changes in rates produce this Settlement revenue increase by class.

Duquesne Light noted the parties compromised in order to achieve a settlement. The primary tool for allocating increases to the rate classes is a class cost of service study. While both the Company and OCA submitted studies in this proceeding, both studies demonstrate that the residential rate classes are providing returns below the system average at present rates. In contrast, industrial classes are generally providing returns above the system average.[24] Under such circumstances, Duquesne Light avers it is appropriate to apply a greater percentage increase to the residential rates and lower percentage increases or no increases to industrial rates. In some instances, a decrease in rates is appropriate for a rate class that is paying rates that produce a return well above the system average return at present rates. However, in most instances, rate decreases are not implemented and rate classes with returns above the system average are brought in line by receiving less than average increases over time.[25] Duquesne Light provided the allocation proposals in a chart showing the percentage increases proposed by each party in order to place the allocation under the Settlement in context.

[24] DLC Exh. No. 6-10-R; OCA St. No. 4, p. 38.

[25] It should be noted the rate applied to the Lighting rate classes in addition to the HVPS rate class all received decreases in Duquesne Light's last base rate proceeding at Docket No. R-2013-2372129.

	Duquesne Initial @ $81.6 M[26]	Duquesne Scale Back	OSBA Scale – Back	OCA Scale Back	DII First Proposal – 100% ACOS[27]	DII Second Proposal – 50% ACOS[28]	Amount
Residential	20.3%	10.1%	10.1%	8.7%	14.5%	12.4%	10.5%
Small & Medium C&I	12.7%	6.3%	6.3%	8.4%	4.5%	5.6%	7.2%
Large C&I	11.1%	5.5%	5.5%	7.2%	-2.8%	1.1%	3.1%
Lighting	0.0%	0.0%	0.0%	0.0%	-26.1%	-15.5%	0.0%
Total	16.4%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%

Duquesne Light noted its initial allocation is in the middle of the parties' proposed allocations. Under the Settlement, the increases in rates for residential customers are scaled back from the Company proposal to reflect the lower revenue increase. As noted previously, residential customers are receiving an above average increase because they provide less than a system average return at current rates.[29] Consistent with Commission practice, rate reductions are not reflected in the Settlement, except for Rate HVPS,[30] which produces a very high rate of return (1,543% under Duquesne Light's Cost of Service study and 5,608% under OCA's COS study).[31]

With regard to rate design, the Settlement provides for an increase in the base rate residential customer charge from $10 per month to $12.50 per month. However, Duquesne Light pointed out the Smart Meter Charge currently contains a fixed monthly charge of $4.17 per

[26] The Duquesne Light, OSBA and OCA scale back percentages are based upon a straight percentage scale back of each parties' initial revenue allocation proposal.

[27] DII's primary recommendation was to move all rate classes to full cost of service. See DII St. No. 1, pp. 4-10; DII Exh. JC-3; DLC Exh. 6-10, 6-10-R; DII Cross Exh. No. 3.

[28] DII's secondary recommendation was to move all rate classes to full cost of service in two phases, 50% in the current case, and the balance of the movement in the next base rate case of the Company. DII St. No. 1, pp. 4-10.

[29] DLC Exh. No. 6-10-R; OCA St. No. 4, p. 38.

[30] High Voltage Power Service.

[31] DLC Exh. No. 6-10-R; OCA St. No. 4, p. 38.

month, bringing the current fixed charge to $14.17 per month.[32] Duquesne Light notes that because the SMC will be removed with the roll-in, there actually will be a decrease of the current combined fixed charge from $14.17 per month to $12.50 per month. Duquesne Light contends the revenue allocation and rate design components of the Settlement equitably resolve the positions of the parties in this proceeding and are in the public interest.

q. Tariff Language – Paragraph No. 51 of the Settlement provides that Duquesne Light will not remove the phrase "for which service is requested" from its retail tariff Rule No. 5a. Originally, Duquesne Light proposed to remove this language from its tariff to clarify that when a customer accrued a balance at one or more premises, the customer may be required to pay that balance as a condition of establishing service at a different premise.[33] CAUSE-PA argued this phrase needs to remain because the Public Utility Code ties responsibility for balances from prior residences to individuals when the individual is on the mortgage, deed or lease.[34] Under the Settlement, Duquesne Light agreed not to remove the phrase and it will continue to rely on its statutory and regulatory rights and obligations under the Public Utility Code and Commission's regulations with respect to unpaid balances.

r. Aggregate Energy Usage Data – Paragraph No. 53 of the Settlement provides that Duquesne Light intends to provide anonymized aggregate energy usage data for residential multi-family buildings that are 50,000 square feet or larger and will update the Income Charitable Program Advisory Group regarding the status of implementation. CAUSE-PA had requested Duquesne Light provide aggregate data for residential buildings that are larger than 50,000 square feet in order to understand how much energy large buildings use.[35] Duquesne Light was amenable to providing this type of data when it was capable of doing it and,

---

[32] DLC St. No. 15-R, p. 8.

[33] DLC St. No. 7-R, p. 32.

[34] CAUSE-PA St. No. 1, pp. 31-32.

[35] CAUSE-PA St. No. 2, pp. 11-12.

accordingly, Duquesne Light believes this Settlement provision is reasonable because it notes Duquesne Light's intent while also allowing time to implement this capability.[36]

s. LIURP – Paragraph No. 54 provides that Duquesne Light will use its best efforts to ensure that 10% of its completed LIURP jobs are for elective heating customers, will provide reports on reaching that goal to its Income Eligible Program Advisory Group, will increase its LIURP budget by $140,740 annually and will prioritize certain CAP customers for LIURP.

This Settlement provision addresses concerns raised by CAUSE-PA regarding LIURP issues.[37] Duquesne Light believes these LIURP Settlement provisions are reasonable because they increase LIURP funding and prioritize funding to appropriate customers.

t. Protection from Abuse (PFA) – Paragraph No. 56 provides that within 60 days of the effective date of these rates, Duquesne Light will revise its PFA policy and procedures to accept PFAs or civil or criminal court orders, with evidence of domestic violence toward an applicant for service, a current customer or member of an applicant or customer's household. This provision was adopted in response to CAUSE-PA's concerns that Duquesne Light's PFA terms were too restrictive.[38] Duquesne Light agreed to this recommendation and incorporated it into the Settlement.[39]

u. Budget Billing – Paragraph No. 57 provides that Duquesne Light will engage in discussions regarding budget billing issues and will consider proposals to address budget billing concerns in its next base rate proceeding, or earlier if consensus is reached and the proposals will have minimal or no revenue impact. OCA raised several concerns regarding

---

36 DLC St. No. 7-R, p. 26.

37 CAUSE-PA St. No. 1, p. 21.

38 CAUSE-PA St. No. 1, p. 29.

39 DLC St. No. 7-R, p. 30.

budget billing[40] and Duquesne Light contends it will be beneficial to discuss these concerns with its Income Eligible Program Advisory Group so that all interested participants have a better understanding of the concerns and potential solutions.

v. Universal Service Program Providers – Paragraph No. 58 provides that Duquesne Light will conduct a competitive selection process to select its universal service program providers and will invite local community-based organizations (CBO) to participate in the process. Duquesne Light contends this provision is consistent with how it currently selects universal program providers and set forth in the Settlement how it intends to address issues regarding use of CBOs.

w. Master Metering – In Paragraph 59, Duquesne Light agreed to hold a collaborative to discuss master-metering issues related to multi-family housing. Duquesne Light agreed to present a proposal regarding master-metering of multi-family housing buildings as part of its next general base rate case. In this proceeding, two parties argued Duquesne Light should allow residential master-metering for multi-family buildings.[41] These parties argued master-metering would allow individual families in multi-family buildings to avoid customer charges and receive lower electric bills.

Duquesne Light argues there are many issues to evaluate before providing master-metering to multi-family buildings. First, it would need to evaluate the impacts of master-metering on the Company's revenues and revenue allocation. If customers can avoid customer charges, which recover fixed costs, then Duquesne Light would have to recover these fixed costs from other customers. Second, if tenants of multi-family buildings are not customers of Duquesne Light, then they will not be eligible for low-income programs, budget billing, competitive shopping opportunities and will not have smart meters.[42] For these reasons, Duquesne Light argues these Settlement provisions are in the public interest and the

---

40 OCA St. No. 5, p. 29.

41 CAUSE-PA St. No. 2, p. 9; KEEA St. No. 1, p. 39.

42 DLC St. No. 6-R, pp. 16-17.

collaborative will allow interested stakeholders the opportunity to discuss and evaluate issues before any master-metering proposal is adopted. The Company contends the Settlement provisions are an appropriate and reasonable compromise of parties' positions.

x. Non-Electric Services – In Paragraph No. 60, Duquesne Light agrees to provide NRGP with notice before Duquesne Light develops or funds certain projects for the generation or distribution of steam, hot water or chilled water services within NRGP's service territory. This provision was important to NRGP and Duquesne Light was willing to adopt it for settlement purposes.[43]

E. BIE's Statement in Support

BIE contends it analyzed the ratemaking claims contained in the base rate filing including operating and maintenance expenses, rate base, taxes, cash working capital, rate structure, capital structure, and the cost of equity and debt. BIE asserts the Settlement represents more than $41 million in savings for Duquesne Light's customers and represents more than a 50% reduction in Duquesne Light's initial requested increase. For these reasons, BIE fully supports the revenue levels compromised upon in the Settlement.

BIE acknowledges there is a "black box" in this Settlement because the parties could not agree upon individual issues. BIE notes the parties agreed to an overall increase to base rates that is substantially less than what was requested by Duquesne Light and a line-by-line identification and ultimate resolution of every issue raised in the proceeding is not necessary to find the Settlement satisfies the public interest, nor could such a result be achieved as part of a settlement. BIE contends black box settlements benefit ratepayers because they allow for the resolution of a contested proceeding at a level of increase that is below the amount requested by the regulated entity and in a manner that avoids the significant expenditure of time and resources related to further litigation. BIE points out black box settlements are not uncommon in

[43] NRGP St. No. 1, p. 7; DLC St. No. 1-R, pp. 12-15.

Commission practice. Indeed, the Commission has endorsed the use of black box settlements, as discussed in a 2013 Commission Order approving a "black box" settlement:

> We have historically permitted the use of "black box" settlements as a means of promoting settlement among the parties in contentious base rate proceedings. *See*, *Pa. PUC v. Wellsboro Electric Co*., Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens' Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a "black box" settlement in this proceeding and, accordingly, deny this Exception.[44]

BIE asserts it considered, discussed, and negotiated all issues of import in this Settlement. From a holistic perspective, each party agreed the Settlement benefits each party's particular interest. The Commission has recognized a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."[45] The Settlement in this proceeding promotes the public interest because a review of the testimony submitted by all parties demonstrates the Settlement reflects a compromise of the litigated positions held by those parties. Therefore, BIE submits the Settlement balances the interests of Duquesne Light and its customers in a fair and equitable manner.

BIE points out the parties engaged in extensive formal and informal discovery, preparation of testimony, and lengthy settlement discussions. All signatories to the Settlement actively participated in and vigorously represented their respective positions. BIE contends the issues it raised have been satisfactorily resolved through discovery, through discussions with the parties and are incorporated in the Joint Petition. Further, BIE asserts the Settlement satisfies all

---

[44] *Pa. Pub. Util. Comm'n v. Peoples TWP LLC*, Docket No. R-2013-2355886, p. 28 (Order entered December 19, 2013).

[45] *Pa. Pub. Util. Comm'n v. C S Water and Sewer Associates*, 74 Pa. PUC 767, 771 (1991).

applicable legal standards and results in terms that are preferable to those terms that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, BIE maintains the Settlement is in the public interest and requests that the following terms be approved by the ALJ and the Commission without modification:

1. Revenue Requirement (Joint Petition ¶¶ 30, 32)

BIE notes Duquesne Light originally requested an overall increase to its total annual distribution rates of approximately $133.8 million effective January 1, 2019.[46] BIE contends the rates proposed in the Settlement are designed to produce additional annual operating revenue of $92.7 million, which includes $52.2 million of revenues currently recovered from customers in surcharges, thereby resulting in an increase in revenues of $40.5 million.[47] If the Settlement is approved as filed, the total bill for an average residential customer using 600 kilowatt-hours would only increase from $98.15 to $102.51 (4.44%),[48] the average commercial customer using 10,000 kilowatt-hours would increase from $984.94 to $1,004.40 (1.98%),[49] and the average industrial customer using 200,000 kilowatt-hours would increase from $18,730.50 to $19,095.27 (1.95%).[50] Below is a summary of the revenue increase requested by Duquesne Light, and the agreed-upon increase contained in the Settlement:[51]

46 DLC St. No. 1, p. 4.

47 Joint Petition, p. 2; Joint Petition, Appendix E.

48 Joint Petition, Appendix C.

49 *Id.*

50 *Id.*

51 Joint Petition, Appendix E.

	Company Proposed Increase[52]	Percentage of Company Proposed Increase	Settlement Increase[53]	Percentage Increase of Settlement Rates
Residential RS	$52,035,055	20.2%	$26,589,970	10.3%
Residential RH	$4,519,780	20.8%	$2,619,671	12%
Residential RA	$529,488	20.4%	$301,344	11.6%
Small and Medium C&I GS	$1,595,466	16%	$601,643	6%
Small and Medium C&I GM <25	$3,688,062	15.8%	$2,218,430	9.5%
Small and Medium C&I GM >25	$7,544,551	10.6%	$4,274,405	6%
Small and Medium C&I GMH <25	$309,448	13.8%	$256,841	11.4%
Small and Medium C&I GM >25	$1,426,892	21.3%	$823,771	12.3%
Large C&I GL	$6,349,584	10.3%	$2,353,363	3.8%
Large C&I GLH	$1,312,360	15.7%	$676,562	8.1%

52 *Id.*

53 Joint Petition, Appendix B, p. 1.

	Company Proposed Increase	Percentage of Company Proposed Increase	Settlement Increase	Percentage Increase of Settlement Rates
Large C&I L	$2,013,461	10%	$0	0%
Large C&I HVPS	$384,739	86.9%	($216,000)	-48.8%
Lighting AL	$0	0%	$0	0%
Lighting SE	($2,563)	-0.2%	$0	0%
Lighting SM	$444	0%	$0	0%
Lighting SH	$13	0%	$0	0%
Lighting UMS	($103,950)	-10.2%	$0	0%
Lighting PAL	($4)	0%	$0	0%
Overall	$81,602,827	16.4%	$40,500,000	8.1%

BIE avers public utility regulations allow a utility to recover prudently incurred expenses as well as providing the utility with an opportunity to earn a reasonable return on the value of assets used and useful in public service, and the increases proposed in this Settlement respect this principle. Ratepayers will continue to receive safe and reliable service at just and reasonable rates while allowing Duquesne Light sufficient additional revenues to meet its operating and capital expenses and providing Duquesne Light with the opportunity to earn a reasonable return on its investment. Accordingly, BIE submits the proposed Settlement is in the public interest and requests it be approved by the ALJ and the Commission without modification.

2. DSIC (Joint Petition ¶¶ 33-34)

BIE points out in the Settlement Duquesne Light will be eligible to include plant additions in its Distribution System Improvement Charge (DSIC) once the total eligible account balances exceed the levels it projects in this proceeding at December 31, 2019. However, Duquesne Light recognizes the above-mentioned provision is included only for purposes of calculating its DSIC and it is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing. Additionally, for purposes of calculating its DSIC, Duquesne Light agreed to use the equity return rate for electric utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities.

Duquesne Light agreed it will update the equity return rate each quarter consistent with any changes to the equity return rate for electric utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa.C.S.A. § 1357(b)(3), until the DSIC resets pursuant to the provisions of 66 Pa.C.S.A. § 1358(b)(1).

BIE contends it supports the terms referenced above because those terms memorialize Duquesne Light's agreement to impose its DSIC in a manner consistent with the Commission's Supplemental Implementation Order at Docket No. M-2012-2293611. BIE avers the DSIC-related terms of the Settlement are in the public interest because the terms benefit both Duquesne Light and its ratepayers. First, Duquesne Light benefits because it will have access to DSIC funding for necessary infrastructure improvement, which will facilitate its obligation to maintain adequate, efficient, safe, and reasonable service and facilities.[54] Duquesne Light's customers will benefit because they will not need to fund the DSIC until eligible account balances exceed the levels projected by Duquesne Light in this proceeding at December 31, 2019. Accordingly, ratepayers will experience relief from paying DSIC costs for a fixed period of time in addition to benefiting after the charge becomes effective because they will enjoy safe and effective service that was facilitated through improved infrastructure.

3. Normalization (Joint Petition ¶ 35)

BIE supports returning the remaining unamortized EDIT balance as a reduction to rate base in all future base rate proceedings until the full amount is returned to ratepayers.[55] Pursuant to the Settlement, Duquesne Light agreed to continue to use normalization accounting with respect to the benefits of the tax repairs and Internal Revenue Code (IRC) Section 263A deductions. Duquesne Light will reverse EDIT with regard to prior tax repairs and IRC Section 263A deductions pursuant to the Average Rate Assumption Method (ARAM) used to reverse EDIT associated with accelerated depreciation deductions.

---

[54] 66 Pa.C.S.A. § 1501.

[55] BIE St. No. 1, pp. 38-40; BIE St. No. 1-SR, pp. 28-29.

4. Amortization (Joint Petition ¶ 36)

BIE recommended expenses related to the Electrical Model be amortized over a ten-year period since most of Duquesne Light's intangible plant is recovered over ten years.[56] Pursuant to the Settlement, Duquesne Light will be permitted to amortize its costs related to the Electrical Model over five years. Specifically, commencing with the effective date of the new rates (December 29, 2018), the Company will be permitted to amortize the estimated non-labor expenses for the field inventory and graphic design tool of $20.6 million related to the development and implementation of the electrical model over a five-year period for an annual amortization of $4.12 million per year. BIE supports these Settlement terms because allowing amortization over a five-year period represents a reasonable compromise of the parties' positions.

5. Pension Contributions & Other Post-Employment Benefits (OPEBs) (Joint Petition ¶¶ 37-38)

BIE notes it reviewed Duquesne Light's pension claim of $10 million, which included an expense portion of $5 million and a capitalized portion of $5 million.[57] Duquesne Light's claim was based upon a three-year average of projected contributions from 2019 through 2021, which totaled $30 million, or $10 million per year, where $5 million would be recovered through the expenses component. Duquesne Light's three-year average was based upon a claimed rate case normalization period of three years. According to Duquesne Light, its proposed pension treatment was consistent with the settlement terms in its prior 2013 base rate case.[58]

Although BIE accepted Duquesne Light's claim, Witness Keller recommended, consistent with the 2013 settlement agreement that Duquesne Light relied upon for its claim, if

[56] BIE St. No. 1, pp. 49-53; BIE St. No. 1-SR, pp. 41-44.

[57] DLC Ex. No. 2, Sch. 2, D-9, line 11.

[58] DLC St. No. 2, pp. 22-23.

Duquesne Light made a pension contribution greater than the $23 million already made in 2018, then the Company should reduce its FPFTY annual pension contribution of $10 million by amortizing the excess amount over 48 months as an offset to the base rate pension claim.[59] Witness Keller's recommendation was predicated upon the 2013 settlement agreement provision requiring Duquesne Light to contribute an average of $37 million per year towards its pension, and that while its $23 million contribution made in 2018 fulfilled that pension contribution commitment, any amount of excess contribution for 2018 should be amortized as a reduction to its claimed base rate pension expense.[60]

BIE notes Duquesne Light agreed to several terms that will honor the terms of the 2013 settlement and will provide a layer of reporting to ensure accountability. Duquesne Light agreed to deposit $10 million per year into its pension trust, with the caveat that any excess contribution would be used on a cumulative basis to satisfy future contribution obligations. If Duquesne Light determines a contribution less than $10 million to the pension trust is appropriate, it may reduce the pension contribution and will record a regulatory liability on its books of account that is equal to 50% of the reduction to the pension contribution below the level of $10 million. Any regulatory liability recorded will be reduced to the extent of 50% of contributions in excess of $10 million in subsequent years. If a regulatory liability remains at the time of Duquesne Light's next rate proceeding, the regulatory liability amount will be returned to ratepayers as directed in the next base rate proceeding. Duquesne Light committed to providing a report and affidavit attesting to the actual contributions to pension trusts during each calendar year and agreed to file these documents with the Commission (with copies to BIE, OCA and OSBA) on or before January 31 of the following calendar year. Under this agreement, the first report and affidavit will be due on or before January 31, 2020.[61]

BIE contends the above-referenced terms ensure Duquesne Light has the ability to adequately fund its pension trust, but the terms also serve to ensure accountability to ratepayers

---

59 BIE St. No. 1, p. 28.

60 *Id*. at 29.

61 Joint Petition, ¶ 37.

who will recoup any regulatory liability amount in the next base rate proceeding. Additionally, Duquesne Light committed to certifying the amount of its actual contributions and providing the certification to the Commission and parties, which commitment will enable these entities to track and evaluate Duquesne Light's contributions and to address any deficiencies, overfunding, or other issues that may arise. The reporting requirement provides a level of oversight that will protect Duquesne Light by ensuring the Company accurately and adequately meets its pension obligations. The reporting requirement also will ensure parties are made aware of any inconsistencies or issues regarding those obligations. Because these terms protect Duquesne Light and its ratepayers, BIE avers the terms are in the public interest.

6. Other Post-Employment Benefits (OPEBs)

BIE did not take an express position regarding Duquesne Light's claim for OPEBs. However, BIE asserts it supports the Settlement term that addresses this matter.[62] BIE notes OCA provided testimony regarding a liability of $2.6 million in Duquesne Light's OPEB regulatory liability account.[63] The Settlement indicates Duquesne Light's distribution rate allowance for OPEBs is based upon the estimated ASC 715 cost for the FPFTY of approximately $0.4 million ($0.3 million on a distribution basis), which reflects a two-year normalization of the Net Periodic Benefit Cost for historic and future test year distribution costs. The Settlement further clarifies the distribution expense component included in rates is approximately 50% of this estimated cost less the annual effect of the 3-year amortization of the regulatory liability of $2.6 million ($2.2 million on a distribution basis) for a net distribution credit of $0.6 million. The remaining 50% of actual ASC 715 cost will be the amount to be capitalized on the Company's books. Duquesne Light explained the actual labor capitalization ratio will be used to determine the split between capitalized and expensed amounts. Thus, it appears the explanations and the remaining commitments proposed in paragraph 38, in conjunction with all other Settlement terms, were satisfactory to Duquesne Light and to OCA. Accordingly, BIE supports this term in order to facilitate the global resolution of this matter and to memorialize Duquesne

62 Joint Petition, ¶ 38.

63 OCA St. No. 1, p. 10.

Light's commitment regarding OPEB treatment so as to provide certainty and accountability for future evaluation of Duquesne Light's claims.

7. Jurisdictional Separation Study (Joint Petition ¶ 39)

BIE took no position regarding the Settlement terms for a Jurisdictional Separation Study but supports the ultimate outcome because these matters were essential elements to globally resolve this proceeding.

8. Jurisdictional Report (Joint Petition ¶ 40)

BIE advocated for use of an "average rate base" in this case[64] because BIE sought to avoid ratepayers paying for expenses and plant when new rates become effective on January 1, 2019 when the associated expenses and plant might not be incurred or placed into service until December 31, 2019 or later.[65] Pursuant to the Settlement, Duquesne Light agreed to file a Total Company Pennsylvania jurisdictional report showing capital expenditures, plant additions and retirements, by month, for the Future Test Year (FTY) ending December 31, 2018, and the FPFTY ending December 31, 2019, by July 31 of each of the years following the test years. In addition, in Duquesne Light's next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ending December 31, 2019, to its projections in this case. Although BIE agrees the Settlement is a black box settlement that is a compromise of positions, this report will allow the parties' in the next rate case to better evaluate the extent ratepayers are paying for expenses and rate base additions before they are incurred by comparing actual and projected data.

64 BIE St. No. 1, pp. 21-27.

65 BIE St. No. 1, pp. 21-27.

9. Cloud Based Information Systems (Joint Petition ¶¶ 41-42)

BIE avers all the parties agreed Duquesne Light will be permitted to capitalize the development costs for cloud-based information systems beginning with implementations after May 1, 2015. The Company will record the costs related to the development of cloud-based information systems as a regulatory asset at the time such costs are incurred. Duquesne Light will amortize the costs after the systems are placed in service and the amortization of the regulatory asset will be included in the Company's depreciation claim. However, the unamortized balance in the regulatory asset account will be included in rate base in the Company's current and future base rate proceedings.

BIE points out the parties reserve the right to challenge the prudence and/or reasonableness of Duquesne Light's cloud-based expenditures in a future rate base proceeding. In each base rate case for which Duquesne Light seeks to recover cloud-based information systems that were recorded in the regulatory asset as a capital cost for ratemaking purposes, Duquesne Light must provide a listing of the cloud-based computing costs by year. Further, Duquesne Light must list the expected useful life of each item. Specifically, these listing requirements apply to the costs of cloud-based information systems that were recorded in the regulatory asset and were not capitalized for purposes of Generally Accepted Accounting Principles.

BIE acknowledges it did not take a position regarding the cloud-based computer systems but it nonetheless supports the Settlement terms with respect to those systems because the Settlement preserves the parties' ability to challenge the prudence and reasonableness of cloud-based expenditures in a future rate base proceeding. Preserving this right will enable BIE and the Commission to ensure Duquesne Light's ratepayers are protected from imprudent and unreasonable cloud-based computer system costs. Additionally, requiring Duquesne Light to provide an itemized listing, including the corresponding useful life, of the items for which it seeks recovery in future base rate cases, will enable BIE and the Commission to effectively review the claimed costs in order to gauge whether the proposed recovery is appropriate. Duquesne Light benefits because it will have an avenue to recover the cloud-based computer

costs it will incur to provide service to its customers, while it anticipates the cloud-based information systems will optimize the utility provided to those customers.[66] Accordingly, BIE supports this term.

10. Annual Dividends (Joint Petition ¶ 43)

BIE took no position regarding annual dividends. While it did not advocate or oppose any particular position, BIE supports the ultimate outcome because these matters were essential elements to globally resolve this proceeding.

11. Unbundled Costs (Joint Petition ¶ 44)

BIE took no position regarding unbundled costs. Although it did not advocate or oppose any particular position, BIE supports the ultimate outcome because these matters were essential elements to globally resolve this proceeding. Additionally, BIE agrees with Duquesne Light's position that – as a result of Duquesne's Petition for Approval of a Default Service Plan for the Period June 1, 2017 to May 31, 2021 at Docket No. P-2016-2543140 – Duquesne Light committed to updating unbundled costs currently recovered in default service rates. BIE was a party to the default service proceeding and recognizes Duquesne Light's obligation as a result of its outcome. For this reason, BIE supports Duquesne Light's commitment to reflecting the updated unbundled costs in its rates effective June 1, 2019.

12. LED Street Light Program (Joint Petition ¶ 46)

BIE took no position regarding the Settlement terms for Duquesne Light's LED Street Light Program, but BIE does support the Settlement's provision regarding the program because it was necessary to facilitate a global resolution of this case.

[66] DLC St. No. 2, p. 5.

13. Fee Free Bank Card Payments (Joint Petition ¶ 47)

The parties agreed that Duquesne Light's fee free bank card program should be approved. Duquesne Light noted that while the cost of processing all other forms of payments are embedded in its customers' rates, the cost of processing Western Union payments has not been included.[67] Western Union is the only way a bank card payment can be made on a Duquesne Light account but the customers are assessed a $2.50 fee by Western Union when the customer pays using Western Union.[68] Duquesne Light proposed the costs associated with the transaction fee – which costs approximately $1,100,000 – should be recovered through distribution rates.[69]

BIE supported Duquesne Light's fee free bank card proposal for reasons illustrated in the record.[70] First, customers are generally not accustomed to paying a fee to pay a bill using a bank card.[71] Numerous Duquesne customers expressed dissatisfaction with paying a $2.50 Western Union transaction fee.[72] Lastly, vulnerable customers were subject to Western Union fees when they were delinquent or facing termination for nonpayment since bank card or one-time, same-day payments via Western Union presented the only opportunities for same-day payment.[73] Accordingly, BIE avers the fee free bank card program will enable Duquesne Light to better meet its customers' expectations, and alleviate the compound burden that the existing transaction fees place upon Duquesne Light's most vulnerable customers. Therefore, this settlement provision is in the public interest.

---

67 DLC St. No. 7, p. 10.

68 *Id.*

69 *Id.*

70 BIE St. No. 1, p. 47.

71 DLC St. No. 7, p. 14.

72 DLC Ex. KMS-5.

73 DLC St. No. 7, p. 11.

14. Woods Run Microgrid (Joint Petition ¶ 48)

BIE notes Duquesne Light agreed to withdraw its Woods Run Microgrid Proposal. Initially, Duquesne Light proposed to develop a natural gas-fueled Microgrid for seven facilities located in its Woods Run campus and Preble Avenue Service Center facilities, which are part of its operations facilities.[74] The Microgrid would include distributed energy resources (DER) to generate electricity to be used by the buildings that are interconnected to it and a controller for use in balancing the electricity produced by the DER assets with connected buildings. Duquesne Light planned to generate electricity to supply the buildings interconnected to the Microgrid,[75] and the DER assets that Duquesne proposed to use included two natural gas-fueled reciprocating internal combustion engines, two battery energy storage banks, and three small vertical-axis wind turbines.[76] The Microgrid was intended to protect Duquesne Light's operations from a prolonged or regional grid-outage, or "black sky" event.[77]

BIE strongly opposed the Microgrid proposal for several reasons. First, this proposal was contingent upon the Microgrid's ability to generate electricity[78] and Duquesne Light sought to allocate 100% of those associated generation costs to its ratepayers.[79] BIE opposed Duquesne's ownership of the generation assets and the passthrough of its generation costs to ratepayers on the basis that such action conflicted with the policies that underlie the Electric Generation and Customer Choice and Competition Act (Choice Act).[80] The Choice Act[81] requires that electric distribution companies, like Duquesne Light, must unbundle their

---

74 DLC St. No. 4, p. 19

75 BIE Ex. No. 3, Sch. 4.

76 DLC St. No. 4, p. 24.

77 DLC St. No. 4, p. 21.

78 DLC St. No. 4, p. 24.

79 BIE Ex. No. 3, Sch. 5.

80 BIE St. No. 3, pp. 14-15.

81 66 Pa.C.S.A. § 2802.

rates and services and provide open access over their transmission and distribution systems to permit competitive suppliers to generate and sell electricity directly to consumers in this Commonwealth.[82] Because the generation of electricity is no longer a public utility function, BIE opined that Duquesne Light lacked the authority to pass the cost of its generation assets on to its customers.[83]

Aside from the conflict with the Choice Act, BIE also expressed concern that Duquesne Light failed to identify any economic benefits that would flow to customers through its Microgrid proposal, which Duquesne Light estimated would cost $9,427,243.[84] The economic benefits of a proposed microgrid is an important consideration because this data shows how the cost of the project would be offset by a higher level of service or other benefits.[85] BIE acknowledged Duquesne Light's claim that the Microgrid would enable it to respond in a more timely and efficient manner to a grid-wide outage and increase response time in the event of an emergency, however, BIE contended Duquesne Light failed to support these claims with any quantification or studies.[86] Additionally, while BIE recognized Duquesne Light's valid concerns regarding the threat of cyber-attacks to utilities, BIE also recognized Duquesne Light failed to supports the claims the Microgrid would provide resiliency and security because it did not quantify those claims or conduct any studies to support them.[87]

For the reasons described above, Duquesne Light's agreement to withdraw the Microgrid Proposal was a crucial part of BIE's agreement to this Settlement. BIE opines this Settlement term benefits Duquesne Light and its ratepayers and is in the public interest. Duquesne Light benefits because the withdrawal is without prejudice, meaning that it reserves

---

82 BIE St. No. 3, p. 15, quoting 66 Pa.C.S.A. § 2802(14).

83 BIE St. No. 3, p. 15.

84 BIE Ex. No. 3, Sch. 5. BIE St. No. 3, p. 15

85 *Id*. at p. 16.

86 BIE St. No. 3-SR, p. 20.

87 BIE St. No. 3-SR, p 21.

the right to propose the Microgrid in the future. The ability to propose the Microgrid in the future is important, because legislation is pending in the General Assembly that may rectify the concerns BIE raised regarding the Microgrid's conflict with the Choice Act.[88] Furthermore, proposing the Microgrid at a later time may enable Duquesne Light to conduct studies to support the enhanced reliability, resiliency, and security benefits that it claims would result from the Microgrid. BIE contends Duquesne Light's ratepayers also benefit from this Settlement term because they will not be compelled to pay Duquesne Light's generation-based costs, nor are they being required to pay for a Microgrid with certain costs but uncertain benefits.

15. Revenue Allocation and Rate Design (Joint Petition ¶¶ 49-50)

Duquesne Light's current customer charge for residential classes is $10.00 per month.[89] With its filing, Duquesne Light proposed an increase to $16.25 for residential classes.[90] BIE agreed the proposed customer charge was properly supported by a customer cost analysis, but objected to the proposed increase of 62.5%, stating that it would be unreasonable and in violation of the concept of gradualism.[91] BIE recommended a $13.50 per month charge for the residential classes, which would not violate the concept of gradualism, but still move rates towards the unit cost per customer per month.[92] Under the Settlement, the fixed monthly customer charge for residential classes will increase to only $12.50 per month, which BIE asserts satisfies the public interest because it does not violate the concept of gradualism and represents a reasonable compromise of the parties' positions.

88 BIE St. No. 3-SR, pp. 23-24.

89 DLC 18 Supplement No. 155 to PA. P.U.C. No. 24, pp. 32, 34, and 37.

90 DLC Attachment DFR IV-C-Proof, part 1, 2, and 3 of 18, p. 2 of 2.

91 BIE St. No. 3, p. 59.

92 BIE St. No. 3, p. 60.

16. Energy Usage Data (Joint Petition ¶ 53)

BIE took no position regarding the Settlement terms for energy usage data, but BIE supports the ultimate outcome because these matters were essential elements to globally resolve this proceeding.

17. Universal Service Provisions (Joint Petition ¶¶ 54-58)

BIE did not take a position on but generally supports the universal service programs, including the Low-Income Usage Reduction Program (LIURP), the Customer Assistance Program (CAP), medical certificate policies, Protection From Abuse Order (PFA) policies, budget billing issues, and universal service program providers, and avers these terms are in the public interest for several reasons. Ensuring that low-income customers have access to financial assistance is in the public interest because it facilitates these customers' access to electric service. Increasing low-income customers' access to electric service is consistent with the Code's policy of ensuring service remains available to all customers on reasonable terms and conditions,[93] and that Duquesne Light's practices protect its ratepayers who rely on these policies being correctly and fairly administered, and that these practices comport with the Commission's regulations regarding medical certificate policies and PFA policies. Accordingly, BIE supports the Settlement terms regarding Duquesne Light's universal service programs because they are in the public interest.

18. Master-Metering (Joint Petition ¶ 59)

BIE took no formal position regarding master-metering, however, BIE avers it supports the Settlement term. This term requires Duquesne Light to convene a collaborative, for all parties and interested stakeholders who are developers of multi-family housing within its service territory, to discuss the feasibility of revising the retail tariff to permit master-metering of multi-family housing. The issue regarding master-metering was developed in the testimony filed

[93] 66 Pa.Code § 1402(3).

by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and detailed CAUSE-PA's proposal to revise Duquesne Light's current tariff and allow residential master-metering under certain circumstances.[94] BIE argues Duquesne Light's agreement to hold a collaborative is in the public interest because it will provide a forum for interested parties to discuss this issue in depth and explore proposals that may benefit Duquesne Light's ratepayers. Most of all, BIE supports this term because Duquesne Light's ratepayers and the public interest benefit by enabling parties to make more informed decisions about master-metering and whether and under what circumstances master-metering provisions would apply.

19. The Settlement Satisfies the Public Interest

BIE avers that all issues raised in testimony have been satisfactorily resolved through discovery and discussions between the parties or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The parties to the Settlement carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as BIE represents the Settlement maintains the proper balance of the interests of all parties. BIE is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

Based upon BIE's analysis of the filing, acceptance of this proposed Settlement is in the public interest. Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense. BIE further submits the acceptance of this Settlement will negate the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of

94 CAUSE-PA St. No. 2, pp. 9-10

multiple witnesses, the preparation of briefs, the preparation of exceptions, and the potential of filed appeals, all yielding substantial savings for all parties, and ultimately all customers, as well as certainty on the regulatory disposition of issues.

F. OCA's Statement in Support

OCA contends the terms and conditions of the proposed Settlement, when taken as a whole, represent a fair and reasonable resolution of the issues and claims which arose in this proceeding. OCA requests the Commission should approve the Settlement without modification as the Settlement is in the public interest. OCA acknowledges the Settlement does not reach all the recommendations proposed by OCA, but OCA notes the Settlement is a product of compromise, and its terms and conditions satisfactorily address issues raised in OCA's analyses of Duquesne Light's filing.

OCA does not address all issues addressed by the Settlement in its Statement in Support, but OCA avers it does not oppose terms and conditions not expressly addressed in its Statement in Support. OCA's Statement in Support addresses the following items:

1. Revenue Requirement

OCA notes it recommended a net distribution revenue increase of approximately $12.8 million (or $65 million including present surcharges) after reviewing the Company's filings and other parties' direct and rebuttal testimonies.[95] Under the Settlement, the Company will be permitted to increase annual operating revenues by a net amount of $40.5 million (or $92.7 million including present surcharges), which increase is less than half of the Company's initial requested net increase of $81.6 million and is well within the range of possible outcomes.[96] OCA also points out several notable provisions in this Settlement will protect

[95] OCA St. 1-SR at 2.

[96] Settlement at ¶ 30.

ratepayers and prevent inclusion of costs contested by OCA. Accordingly, OCA submits the Settlement, taken as a whole, is reasonable and in the public interest.

2. Annual Operating Revenue Increase (Settlement at ¶¶ 30, 32)

OCA contends the distribution rate increase in the Settlement reflects an increase in total annual distribution revenues of approximately 8.1 percent as compared to the Company's original request of a 16.4 percent increase in distribution revenues. The terms of the Settlement provide that the increase will go into effect on December 29, 2018, the end of the suspension period per the Commission's Order entered April 19, 2018. OCA points out the Settlement is a "black box" settlement of all revenue requirement and return on equity issues, with limited exceptions contained in the Settlement. Black box settlements provide timely resolution of disputes without the significant expense of prolonged litigation, and OCA submits it was unlikely the parties would have been able to reach consensus on each disputed accounting and ratemaking issue in this matter as policy and legal positions differ widely. OCA argues, based on its analysis of the Company's filing, discovery responses received, and testimony by all parties, the revenue increase represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is reasonable and, when accompanied by other important conditions contained in the Settlement, yields a result that is in the public interest.

3. DSIC (Settlement at ¶¶ 33-34)

OCA notes Duquesne Light agreed it would not be entitled to include plant additions in its DSIC until eligible account balances exceed the levels projected by the Company as of December 31, 2019. Stated otherwise, the Settlement clearly establishes the base level of plant investment that must be realized before any incremental expenditures can be recovered through a DSIC. OCA submits this provision provides more certainty with regard to the timing and implementation of a DSIC. Moreover, the Settlement provides – for purposes 66 Pa.C.S.A. § 1358(b)(1) relating to the DSIC earnings cap – that Duquesne Light shall use the equity return rate contained in the Commission's most recent Quarterly Report on the Earnings of

Jurisdictional Utilities. OCA submits such a provision is common among utilities that have reached a black box settlement and have not designated a specific rate of return in the Settlement.[97]

4. Electrical Model (Settlement at ¶ 36)

OCA points out the Settlement permits Duquesne Light to amortize costs related to its Electrical Model. Duquesne Light will be permitted to amortize estimated non-labor expenses for the field inventory and graphic job design tool of $20.6 million over a five-year period for annual amortization of $4.12 million per year. OCA contends this provision will allow the Company to appropriately recover costs necessary to effectively and efficiently track and manage its electrical system and analyze the distribution grid for present and future conditions. OCA notes Duquesne Light is currently the only major electric utility without the ability to do so.[98] Additionally, the agreed-upon amortization will allow for recovery of the costs over a period of five years, rather than rely on the higher expense levels the Company projected to occur in the FPFTY. Accordingly, OCA submits that this provision should be accepted without modification.

5. Pension and OPEB (Settlement at ¶¶ 37-38)

In the Settlement, the Company agreed to deposit $10 million per year into its pension trusts. Half of this amount will be collected from customers as an expense, and the other half – net of accumulated deferred income taxes – will be capitalized. The Settlement provides for a regulatory liability if the Company collects more in rates than it contributes to its pension trust. Ratepayers will receive the benefit of any remaining regulatory liability in the next base rate case. In addition, specific accounting procedures and reporting requirements are outlined in the Settlement. By January 31, 2020, Duquesne Light must provide a report and affidavit to the Commission and parties attesting to the actual contributions to pension trusts during the

[97] Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Tentative Implementation Order at 14-15 (May 11, 2012).

[98] OCA St. 1 at 13.

contribution year. Duquesne Light also agreed to continue funding its OPEBs (Other Pension Employees Benefits) by depositing the full amount of annual costs calculated by the Company's actuary pursuant to ASC 715. Moreover, one-half (50 percent) of the Company's distribution rate allowance for OPEB will be included in rates as the distribution expense component, and the remaining one-half (50 percent) will be capitalized on the Company's books.

OCA notes the above provisions have been carried forward from the Settlement of the Company's 2013 base rate case at Docket No. R-2013-2372129. OCA contends the pension contribution and OPEB provisions established through the Settlement provide assurances the Company will meet its pension and OPEB contribution requirements.

6. Reporting (Settlement at ¶ 40)

OCA notes Duquesne Light agreed to file a Total Company and Pennsylvania jurisdictional report showing its capital expenditures, plant additions and retirements for the Fully Projected Future Test Year (FPFTY) and will provide a comparison of actual expenses and rate base additions for the twelve months ending December 31, 2020, to its projections in this case when Duquesne Light files its next base rate proceeding. OCA contends this provision benefits the public interest because it is consistent with Section 315, 66 Pa.C.S.A. § 315(e).[99] This reporting requirement will permit the parties to compare the accuracy of Duquesne Light's projections in this matter to its actual expenditures.

7. Cloud-Based Information Systems (Settlement at ¶¶ 41-42)

OCA contends this provision of the Settlement includes language initially proposed in its filing in addition to including language proposed by OCA in surrebuttal testimony. Initially, Duquesne Light sought to include certain costs related to the implementation of cloud-based software.[100] Upon review, OCA's witness found these costs were

[99] This provision states that whenever a utility utilizes a fully projected future test year as the basis for its rate increase, the utility shall provide appropriate data evidencing the accuracy of the estimates of its FPFTY.

[100] DLC St. 2 at 5-6.

one-time costs to implement software in service for a number of years and Duquesne Light can appropriately capitalize the costs. Instead of agreeing, Duquesne Light proposed additional language for the Commission to adopt which states as follows:

> Commencing with implementations subsequent to May 1, 2015, the Company shall be permitted to capitalize the development costs for cloud-based information systems. The Company will record the costs related to the development of cloud-based information systems as a regulatory asset at the time such costs are incurred. The Company shall begin amortization of the costs after the systems are placed in service. Amortization of the regulatory asset will be included in the Company's depreciation claim and the unamortized balance in the regulatory asset account will be included in rate base in the Company's current and future base rate proceedings.[101]

OCA disagreed because not all cloud-based software costs are appropriately capitalized and included in rate base. In the alternative, OCA suggested that if the Commission approved this language, the Commission should also include the following:

> In each rate case in which the Company proposes to recover costs of cloud-based information systems that were recorded in the regulatory asset, pursuant to paragraph 13 as a capital cost for ratemaking purposes, the Company will provide a listing of the cloud-based computing costs by year, as well as the expected useful life of each cost. This requirement applies to the costs of cloud-based information systems recorded in the regulatory asset that were not capitalized for GAAP purposes.[102]

OCA contended the purpose of this additional language is to ensure OCA is provided with a detailed description of the costs and useful life of each claimed item if Duquesne Light attempts to recover cloud-based costs in its next base rate. OCA avers it needs this information so it has adequate information to review the prudence and reasonableness of any claimed cost and whether such cost is properly capitalized.

---

101 DLC St. 2 at 6.

102 OCA St. 2SR at 3.

While the Company can attempt to recover any depreciation and remaining capital costs associated with cloud-based software in its future rate base proceedings, OCA contends it has explicitly retained its right to challenge the prudence and reasonableness of any of these costs included in the next general rate proceeding, and whether such costs are properly capitalized. Accordingly, OCA submits this provision is a reasonable compromise among the parties.

8. Western Union Fee Free Payment Program (Settlement at ¶ 47)

OCA avers it supports the implementation of fee free payments via Western Union and notes that, to date, all forms of payment except Western Union are embedded in Duquesne Light's base rates. In addition, OCA notes these Western Union payments comprise 11.3 percent (11.3%) of residential payments, which is the only way a customer can pay via a bank card. OCA contends it agrees with the statement by CAUSE-PA that low-income Customer Assistance Program (CAP) customers are significantly more likely to make payments via Western Union when compared to higher-income customers.[103] OCA avers it agrees that approval of this Settlement provision will ensure equity and uniformity among the various payment plans and OCA submits this provision should be approved without modification.

OCA notes Duquesne Light proposed to allow all residential customers to make a payment via Western Union (debit, credit, cash, or Automated Clearing House (ACH)) for up to five times in a 30-day window without being assessed a transaction fee.[104] To implement the program, Duquesne Light proposed to collect $1.1 million per year in expenses in order to cover Western Union's annual fees (assuming a 30 percent increase in fees paid by customers for the year). OCA notes the Settlement approves the program as requested by the Company.

[103] CAUSE-PA St. 1 at 24.

[104] DLC St. 7 at 17.

9. Woods Run Microgrid (Settlement at ¶ 48)

Duquesne Light initially proposed to develop a natural gas-fueled microgrid at its Woods Run Campus (Microgrid) and requested to include approximately $9.3 million worth of capital investment in rate base. In addition, Duquesne Light asserted it would only utilize the DER assets for emergency scenarios, i.e. power outages or load reductions, stating it currently anticipated using these generators only for the sole consumption of the Company.[105]

OCA identified a number of significant concerns and recommended disallowance of the entire project. OCA also contended the Commission should open a separate docket to investigate the prudence and reasonableness of whether the public interest would be served by the installation of the Woods Run Microgrid.[106] OCA notes BIE also recommended disallowance of the project, in part, because the Microgrid conflicts with policies that underlie the Electric Generation and Customer Choice and Competition Act.[107] However, in the Settlement, Duquesne Light agreed to withdraw its entire Microgrid proposal. Accordingly, this provision of the Settlement should be adopted without modification.

G. Revenue Allocation and Rate Design

1. Revenue Allocation (Settlement at ¶ 49, Appendix E)

In its filing, Duquesne Light proposed to increase revenues net of existing surcharges in the amount of $81.6 million for a system average distribution increase of 16.64 percent, and the Company proposed to allocate approximately $57.1 million of its proposed $81.6 million revenue increase request to residential customers.[108] The Company's proposed

105 DLC St. 4 at 26, 28.

106 OCA St. 4 at 71.

107 BIE St. 3 at 14-16.

108 DLC Exh. 1, Sch. DFR IV-A at 3.

allocation resulted in: a 20.2 percent increase to the Rate RS class on a distribution-only basis; a 20.8 percent increase for the Rate RH class; and a 20.4 percent increase for the Rate RA class.

OCA contested the Company's Cost of Service Study (COSS) and submitted its own COSS.[109] Through its witness, OCA recommended the residential class be allocated approximately $43.3 million of the Company's proposed increase with a proportional scale back should an increase of less than $81.6 million be authorized. OCA also recommended allocation of additional amounts to Rates RH and RA because those rate classes were paying below full cost of service.[110]

Specifically, OCA recommended the following: (1) the Rate RS class would receive a 17.16 percent distribution increase as compared to the Company's proposed 20.2 percent distribution rate increase; (2) the RH class would receive a 24.96 percent increase; and (3) the RA class would receive a 20.8 percent increase on a distribution-only basis.[111] Varying allocation recommendations were submitted by OSBA and DII. Having reviewed the cost of service studies presented as well as the varying revenue allocation proposals presented by other parties, OCA contends the Settlement is within the range of reasonable outcomes that would result from the full litigation of this case. Under the Settlement, Duquesne Light will be permitted an approximate 8.1 percent increase in distribution revenues. Specifically, Rate RS will receive an approximate 10.3 percent increase on a distribution basis, the RH class will receive a 12.0 percent increase, and the RA class will receive a 11.6 percent increase. OCA avers the Settlement should alleviate the impact of this rate increase on residential customers while ensuring gradualism applies in an effort to move the RH and RA class to full cost of service. OCA submits the revenue allocation is reasonable, and in the public interest, and should be approved.

---

109 OCA St. 4, Table 12.

110 OCA St. 4 at 38-41.

111 OCA St. 4 at 39.

2. Residential Rate Design (Settlement at ¶ 50)

In its filing, DLC proposed increasing the monthly customer charge for Rates RS, RH and RA from $10.00 to $16.25, which would be a $6.25 increase. OCA recommended the customer charge remain at $10.00.[112] OCA notes BIE recommended the customer charge for the residential class should increase to $13.50 per month.[113] Under the Settlement, Duquesne Light's monthly residential customer charge for rates RS, RH and RA will increase to $12.50, which is an increase of $2.50 as opposed to the $6.25 increase the Company requested. OCA submits this reduced increase is a reasonable compromise. In addition, OCA submits the residential rate design established in the Settlement is reasonable and consistent with sound ratemaking principles. These rate design changes result in a customer charge that is substantially below the charge originally proposed, but the charge is also within the range of the likely outcomes in the event of full litigation of the case. Additionally, by not unduly increasing the customer charge and reflecting costs in the commodity charge, customers have an increased incentive to conserve, which is a benefit that is not realized through high fixed customer charges.

H. Universal Service and Customer Service (Settlement at ¶¶ 51-59)

1. LIURP (Settlement at ¶ 54)

Under the Settlement, the Company agrees, among other things, to increase its LIURP budget by $140,740 annually to accommodate the increased cost to remediate electric heating customer usage. Moreover, the Company agrees to review the list of customers with high Customer Assistance Program (CAP) credits over $1,000 from the prior year and prioritize those customers for LIURP treatment when possible. OCA contends this provision addresses OCA's concerns regarding the effects the general rate increase will have on customer rates. For example, rate increases will require additional CAP credits, which are collected from customers through its universal service rider. Targeting customers with high CAP credits for LIURP,

112 OCA St. No. 4 at 44.

113 BIE St. No. 3 at 60.

however, will generate lower electricity prices for high CAP customers and in turn reduce overall CAP spending charged to nonparticipating ratepayers. This targeting is critical as OCA argues CAP customers currently enrolled, and on public assistance, are heavily underrepresented as a portion of LIURP recipients. OCA submits this provision is an appropriate step to further assist customers with their bills.

2. Budget Billing (Settlement at ¶ 57)

The Settlement addresses the concerns raised by OCA regarding budget billing, the benefits it provides to customers, and Duquesne Light's reduced penetration of budget billing as a billing alternative. Specifically, OCA contends its witness demonstrated budget billing participation from 2016 to present day has dropped significantly and leveled off at approximately 30 percent.[114] OCA argues budget billing reduces arrearages resulting from seasonal usage and results in higher participation rates in budget billing. OCA contends this trend is in the Company's interest benefits ratepayers.[115] Accordingly, OCA recommended Duquesne Light engage in targeted outreach to increase budget billing enrollment, offer budget billing plans that are fewer than 12-months, and use budget billing as the default payment plan after a customer completes an arrearage payment plan.[116]

OCA points out that Duquesne Light agreed under the Settlement to engage in discussions about budget billing with its Income Eligible Program Advisory Group (IEPAG) and to consider these proposals in its next base rate proceeding. OCA contends that if consensus is reached among the advisory group and the Company determines the proposal will have minimal revenue impact, Duquesne Light will implement the proposals as soon as practicable. OCA submits this provision is a reasonable resolution to this issue.

114 OCA St. 5 at 31-32.

115 OCA St. 5 at 32-33.

116 OCA St. 5 at 35-36.

3. Multi-Family Master Metering Collaborative (Settlement at ¶ 59)

OCA notes CAUSE-PA raised an issue regarding Duquesne Light's prohibition of master metering at multi-family residences. CAUSE-PA averred this prohibition on master metering at multi-family residences is unique among Electric Distribution Companies (EDCs). CAUSE-PA had averred this prohibition prevents real estate owners, such as ACTION-Housing, an affordable multi-family housing developer, owner, and manager, from paying one customer charge on all the meters located on the premises, and instead these organizations must pay a customer charge for each individual meter, which significantly raises costs.

OCA contends the Settlement states that Duquesne Light will convene a collaborative with interested stakeholders to discuss the possibility of permitting master metering of multi-family housing, among other specific considerations, within 180 days from the date these rates take effect. Duquesne Light also agreed to present a proposal regarding this issue as part of its next general rate proceeding. OCA avers it intends to participate in this collaborative to provide input regarding master metering at multi-family housing even though OCA recognizes that difficult and complex issues surround this proposal.

I. OSBA's Statement in Support

OSBA supports the proposed Settlement and respectfully requests the ALJ and the Commission approve the Settlement in its entirety and without modification. OSBA contends the Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines OSBA's specific reasons for concluding the Settlement is in the best interests of small business customers.

1. Distribution Revenue Requirement

OSBA notes Duquesne Light initially requested a distribution revenue increase of $81.6. million per year[117] but in the Settlement, Duquesne Light agreed to a revenue increase of

[117] DLC Statement No. 9 at 9.

only $40.5 million per year.[118] OSBA contends the significant reduction in the distribution revenue increase provided by the Settlement will benefit Duquesne Light's small business customers, especially at a time when all types of utility service are becoming more expensive.

2. Class Revenue Allocation

OSBA notes Duquesne Light proposed a revenue allocation that purportedly moved all classes closer to the cost of service, as measured by relative class rates of return indicators.[119] However, OSBA's witness contended movement in a class's rate of return toward (or closer to) the system average does not always provide an accurate indication of the degree of movement toward cost of service.[120] OSBA argued Duquesne Light's proposed revenue allocation was problematic because it caused Rates GS, GM<25kW, GMH and GLH to move away from cost service. [121]

During litigation herein, OSBA proposed an alternative allocation of Duquesne Light's requested distribution rate increase at the Company's full revenue requirement, in an effort to move all classes closer to cost. OSBA proposed adjusting the Company's proposed increases to Rates GS, GM<25kW, GMH and GLH to move these classes to or toward cost of service, while limiting any resulting increase to no more than 1.25 times the system average. Then OSBA reduced the Company's proposed increases to Rates GM>25kW and GL to ensure that OSBA's revenue allocation proposal was revenue neutral.[122]

Table 1 (below) compares the parties' adjusted proposed increases for Duquesne's small business classes to the small business increases provided by the Settlement.

---

118 Settlement at ¶ 30.

119 DLC Statement No. 15 at 7.

120 OSBA Statement No. 1 at 4

121 OSBA Statement No. 1 at 5.

122 OSBA Statement No. 1 at 6.

Table 1

Comparison of Parties' Proposed GS/GM Increases at
Settlement Revenue Level to Settlement Increases 1/
($000)

Class	*Per Settlement*	*DLC*	*OSBA*	*OCA*	*DII*
GS	$602	$705	$620	$625	$595
GM<25 kW	$2,218	$2,050	$2,384	$2,152	$2,564
GM≥25 kW	$4,274	$4,115	$3,579	$5,913	$3,266
GMH	$1,081	$951	$942	$859	$1,131
TOTAL	$8,175	$7,821	$7,525	$9,549	$7,556

Source: Settlement at Appendix B, page 1 and Schedule BK-1R.

1 Parties' positions shown in Sch. BK-1R scaled to reflect overall settlement increase of $40.5 million.

As shown in Table 1, the Settlement increases for the small business classes reflect a compromise among the parties, particularly with respect to the litigation positions of OSBA and OCA. Had the Commission given equal weight to those positions, the overall increase to the small business classes (assuming an overall increase of $40.5 million) would have been (the sum of $7.525 million plus $9.549 million, divided by 2 or) $8.537 million, which is $0.362 million or 4.4% greater than provided by the Settlement. As a result, OSBA concludes that the Settlement revenue allocation provides meaningful benefits to small business customers.

J. DII's Statement in Support

DII respectfully requests the Commission approve the Settlement because the Commission has a strong policy favoring settlement and the signatories to the Settlement all agree that approval of the Settlement is overwhelmingly in the best interest of the parties involved. DII notes it presented testimony primarily on Tariff Rider No. 16 issues (which were not included in the Settlement) and on revenue allocation.

DII notes that the Commission's regulations provide that the "Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring

the time, expense and uncertainty of litigation."[123] Consistent with that policy, the parties engaged in multiple negotiation sessions to resolve the issues raised by various parties. These ongoing discussions produced the Settlement.

DII also notes the signatories agree the Settlement is in the public interest for various reasons. The expenses incurred by the parties and the Commission to complete this proceeding will be less than they would have been if the proceeding had been fully litigated. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided. The Settlement produces an increase in base rates of $40.5 million, which amount is just under 50% of the Company's original request of $81.6 million.[124] The Settlement outlines a more just and reasonable means by which to allocate the resulting increase than initially proposed by the Company. The Settlement reflects compromises on all sides presented without prejudice to any position any party may have advanced. Similarly, the Settlement is presented without prejudice to any position any party may advance in future proceedings involving the Company.

DII contends the Settlement provides for a reasonable compromise concerning the rate increase and distribution of such increase among customer classes. Consistent with the Commonwealth Court's decision in *Lloyd v. Pa. Pub. Util. Comm'n,* 904 A.2d 1010 (Pa.Cmwlth. 2006) (Lloyd), the Settlement moves Duquesne Light's distribution rates closer to the cost of service.

DII also contends the Settlement produced substantial movement toward the cost of service for the High Voltage Power Service (HVPS) Rate Class. High Voltage Rate Service customers, referred to as the HVPS Rate Class customers, have a unique service configuration which includes only a meter and a service drop, with no use of the primary or secondary distribution facilities. The total class revenue requirement for HVPS is only $9,000 under

[123] 52 Pa.Code § 69.391; *see also* 52 Pa.Code § 5.231.

[124] Joint Petition, Appendix E.

Duquesne Light's cost of service study.[125] DII notes, however, that under the present rates HVPS provides a 5610% rate of return (ROR), as opposed to a system-wide ROR of only 5.27%.[126] DII agrees that under the initial proposal, the ROR for HVPS was reduced to 3003%, with a target revenue of $827,469.[127] Later in rebuttal, Duquesne Light proposed an High Voltage Power Service Rate of Return (ROR) of 1543%, which involved a target revenue of $415,195.[128]

DII argues more substantial movement was required to adhere to Lloyd's requirement to move toward cost of service for each rate class. A substantial decrease in base rates for HVPS customers was necessary to make significant movement toward cost of service for that class. As a ROR exceeding 1500% was still far above cost of service, the parties agreed at Settlement to further reduce base rates for HVPS customers. Accordingly, the Settlement results in a target revenue of $226,730.[129] DII further argues HVPS rates should be moved fully to cost of service in Duquesne Light's next base rate proceeding, which will likely require another substantial decrease to base rates.

DII agrees there has been notable movement toward cost of service for Rate Class L. Rate Class L customers have subsidized other rate classes. Under the present rates, Rate Class L's rate of return is 6.49%, compared with a system-wide ROR of 5.27%. This is a 1.23 relative ROR.[130] Duquesne Light initially proposed a target revenue of $22.1 million, which represents an 8.57% ROR at proposed revenue, compared with a system-wide ROR of 8.06%.[131] Later in rebuttal, Duquesne Light proposed a $22.0 million target revenue, which

---

125 DII Statement No. 1, p. 7; DII Exhibit No. JC-3.

126 DLC Exhibit No. 6-10.

127 DLC Exhibit No. 6-10.

128 DLC Exhibit No. 6-10-R; Joint Petition, Appendix E.

129 Joint Petition, Appendix E.

130 DLC Exhibit No. 6-10.

131 DLC Exhibit No. 6-10.

increased Rate Class L's proposed ROR based on the reduced total system-wide revenue requirement.[132]

DII contends more movement was needed in order to substantially move Rate Class L toward cost of service and comply with Lloyd. Accordingly, in the Settlement, the parties agreed to freeze rates for Rate Class L, which will result in a target revenue of $20.1 million.[133] This provision generates additional movement toward cost of service for Rate Class L. DII contends Rate Class L should be moved fully to cost of service in Duquesne Light's next rate case.

DII also contends some progress has been made toward cost of service Rate Class GL. DII notes that under present rates, Rate Class GL provides a 7.54% ROR, compared with a 5.27% system-wide ROR. This is a 1.43 relative ROR according to Company calculations.[134] As a result, Rate Class GL substantially subsidizes other classes. DLC initially proposed a target revenue of $68.2 million for Rate Class GL, which would have reduced the relative ROR to 1.08.[135] However, on rebuttal, DLC proposed a target revenue of $68.0 million for Rate Class GL, which was an increase in ROR to 9.05% due to the disproportionate reductions provided the other classes.[136]

DII argues more movement was needed to move GL meaningfully toward cost of service. Accordingly, in the Settlement, the parties agreed to a target revenue of $64.1 million.[137] This Settlement provides modest progress for Rate Class GL toward cost of service,

---

132 Joint Petition, Appendix E; DLC Exhibit No. 6-10-R.

133 Joint Petition, Appendix E.

134 DLC Exhibit No. 6-10.

135 DLC Exhibit No. 6-10; Joint Petition, Appendix E.

136 DLC Exhibit No. 6-10-R; Joint Petition, Appendix E.

137 Joint Petition, Appendix E.

but DII contends Rate Class GL should be moved fully to cost of service in Duquesne Light's next base rate proceeding.

Consistent with the facts stated herein, DII supports the Settlement as advancing the ultimate goal of eliminating interclass subsidies to arrive at distribution rates that fully reflect cost of service. DII argues distribution rates that are free of interclass subsidies are just and reasonable and in the public interest. In addition, the Settlement results in approval of Duquesne Light's proposal to transfer various accounts served at 69kV and 138kV voltage to Rate HVPS. This change is appropriate because the service configuration and characteristics for these accounts are similar to the existing HVPS customers. As a result, the Settlement approves the tariff language changes for HVPS to confirm this transfer.[138]

DII supports the Settlement because it is in the public interest; however, in the event that the Settlement is rejected by the ALJ or the Commission, DII will resume its litigation position, which may differ from the terms of the Settlement. As set forth above, DII submits that the Settlement is in the public interest and adheres to the Commission policies promoting negotiated settlements. The Settlement was achieved after numerous settlement discussions. While the parties invested time and resources in the negotiation of the Settlement, this process allowed the parties, and the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. DII contends the parties reached an amicable resolution as embodied in the Settlement and approval of the Settlement will permit the Commission and parties to avoid incurring the additional time, expense, and uncertainty of further litigation of issues in this proceeding.[139]

---

[138] *See* Joint Petition, Appendix A. Although not expressly addressed in the Joint Petition, the proposed Tariff language in Appendix A includes changes to the HVPS Rate Schedule that broaden eligibility for High Voltage Power Service.

[139] *See* 52 Pa.Code § 69.391.

K. Walmart's Statement in Support

Walmart avers it, along with the other parties in the case, engaged in numerous discussions, in keeping with the Commission's policy, as stated in 52 Pa.Code § 5.231. These negotiations ultimately produced the Settlement which the settling parties agree is in their best interests and in the best interests of the Pennsylvania public.

In addition to reducing litigation costs, Walmart contends it specifically supports the Settlement on the following grounds:

a. The $40.5 million net increase in distribution revenues approved by the Settlement provides Duquesne Light with a reasonable level of revenues and an earning opportunity going forward but also represents a significant decrease in the burden on ratepayers from the original requested increase of approximately $81.6 million.

b. The Settlement fully resolves the issues related to the TCJA by providing ratepayers with the benefit of a refund of approximately $24 million associated with 2018 federal income tax expense and 2018 Excess Deferred Income Taxes (EDIT).

c. Although the Settlement does not specify a Return on Equity for the Company, Walmart believes the overall reduced revenue requirement increase will result in a functional ROE that is generally in line with the recommendations of reasonable ROEs.

d. The Settlement incorporates a reasonable allocation of the overall revenue increase among the Company's various customer classes that is reasonable, properly moves classes toward their actual cost of service, and does not result in an unjustified impact on any single class.

Walmart contends the Settlement achieved by the parties is the result of amicable negotiations and compromise by numerous parties with diverse interests in the Company's base

rate filing. Accordingly, Walmart believes the Settlement produces a non-discriminatory result that is in the public interest and advances the Commission's policy favoring settlements.

L. KEEA's Statement in Support

KEEA admits its concerns and issues are not fully addressed in the manner it preferred, however, KEEA avers the Settlement does represent a reasonable compromise which balances the issues at hand and should be approved. KEEA explained its members implement energy efficiency improvements in buildings across the Commonwealth, including in Duquesne Light's service territory. As such, KEEA opposed Duquesne Light's proposals that would have impacted negatively the ability of customers to avail themselves of the energy efficiency improvements that KEEA's members offer. As part of Duquesne Light's proposal to recover its proposed $133.8 million increase in distribution rates, the Company proposed to raise customer fixed charges for most customer classes. For the residential (RS), residential heating (RH), and general service small customer classes (GS), Duquesne Light proposed to increase the customer fixed charge from $10.00 per month to $16.25 per month, which represents an increase of $6.25 or 62.5%.[140]

KEEA contested those increases because the increases were not cost-justified, would disproportionately harm low-income customers, would reduce the incentive to engage in energy efficiency, and as a rate design policy failed to align with other Pennsylvania policies enacted to promote energy efficiency and conservation.[141]

However, KEEA noted Duquesne Light agreed in the Settlement to fix the monthly customer charges for Rates RS, RH and GS at $12.50 per month.[142] KEEA contends this amount will give a residential customer more control over his or her own energy bill, and the Settlement provides a reasonable outcome even though the end result increases the customer

---

140 Supplement No. 174 to Tariff Electric – Pa. PUC No. 24 (Supplement No. 174).

141 KEEA St. No. 1 at 7-15, 17-29.

142 Settlement at ¶ 50.

charges from the present rates. The increase to the residential customer charges agreed upon in the Settlement reflects a compromise on a contentious issue.

KEAA notes Duquesne Light also agreed to convene a collaborative to discuss the feasibility of revising its tariff to permit master-metering of multi-family housing and to make a proposal regarding master-metering of multi-family housing buildings as part of its next general base rate case.[143] KEEA averred Duquesne Light's current prohibition on submetering impedes the development of energy efficiency projects for housing developers and increases costs imposed on low-income customers.[144] The collaborative process will allow the parties and interested stakeholders who are developers of multi-family housing to help shape an appropriate tariff provision that is appropriately tailored to protect low-income tenants and developers and owners of affordable multi-family developments. KEEA also contends the Settlement reflects Duquesne Light's intent to provide anonymized aggregate energy usage data for residential multi-family buildings that are 50,000 square feet or larger.[145] Providing whole-building data access will enable building owners and/or operators to obtain information to guide decisions about whether to invest in energy efficiency and other energy management tools.[146] The approach in the Settlement to establish a stakeholder process, combined with Duquesne Light's willingness to provide whole-building data access, is a reasonable compromise to resolve concerns raised regarding these issues in this rate case.

In conclusion, KEEA argues the Settlement represents a fair balancing and compromising of the issues raised. While the Settlement does not resolve all issues and concerns raised by KEEA, it was developed as the result of the parties working cooperatively to reach a reasonable compromise of all but one issue that was reserved for litigation. The Settlement reduces the administrative burden and costs to resolve the numerous issues raised in this

143 Settlement at ¶ 59.

144 KEEA St. No. 1 at 38-39.

145 Settlement at ¶ 53.

146 KEEA St. No. 1 at 40-41.

proceeding. For all these reasons, the Settlement is in the public interest and should be adopted. KEEA respectfully requests that the Settlement be approved without modification.

M. ChargePoint's Statement in Support

ChargePoint's Statement in Support discussed only the Settlement provisions concerning the Electric Vehicle ChargeUp Pilot (Pilot). ChargePoint requested the Commission approve the proposed Pilot without modification because it is in the public interest, creates widespread grid benefits for all ratepayers and is supported by the testimony and exhibits submitted in this proceeding.

N. NRG Pittsburgh's Statement in Support

NRG Pittsburgh's filing is entitled "Statement in Partial Support of Joint Petition for Settlement of Rate Investigation/Statement of Non-Opposition." In this filing, NRG Pittsburgh indicated it supports only one provision of the Settlement (set forth in Section E, Paragraph 60) that relates to a stipulation entered into between NRG Pittsburgh and Duquesne Light. In addition, NRG Pittsburgh agreed not to oppose the remainder of the Settlement Petition or further participate in the litigation of Rider No. 16.

NRG Pittsburgh seeks to promote distributed generation and Combined Heat and Power (CHP) projects, which pursuit is consistent with the recent policy statement of the Commission encouraging CHP development. NRG Pittsburgh explains that, in 2016, it filed an application with the Commission to expand its service territory for steam, hot water and chilled water service into the Uptown Corridor of Pittsburgh, which expansion Duquesne Light protested. As part of a settlement of its service territory expansion proceeding at Docket No. A-2016-2570927,[147] NRG Pittsburgh agreed to provide forty-five (45) days' notice to Duquesne Light before engaging in any construction activities related to an electric service project.[148] The

[147] A copy of the Stipulation was introduced into the evidentiary records as NRGP Exhibit No. CEB-1.

[148] See Surrebuttal testimony of Clifford E. Blashford at p. 2, ll. 2-10

stipulation in Section E, Paragraph 60 of the Settlement Petition is designed to provide NRG Pittsburgh with reciprocal notice from Duquesne Light with regard to Duquesne Light's projects for the generation or distribution of steam, hot water, or chilled water (except for self-service) within the service territory of NRG Pittsburgh.

NRG Pittsburgh acknowledges Duquesne Light is an EDC, but contends Duquesne Light is engaged in efforts to promote and develop CHP projects in NRG Pittsburgh's existing service territory, as well as areas in which NRG Pittsburgh could naturally grow its regulated steam, hot water, and chilled water services. If functional, these projects could take load off of NRG Pittsburgh's system. If these projects remove load from NRG Pittsburgh's system, NRGP's ability to provide adequate, reasonable, and reliable service to its remaining customers on a going-forward basis could be jeopardized. NRG Pittsburgh argues it is arguably more important that NRGP be apprised of threats to its load than it is for Duquesne Light to be apprised of threats to its load because of the relatively small size of NRG Pittsburgh customers compared to the large number of Duquesne Light customers. NRG Pittsburgh notes that Duquesne Light's Commission-approved Energy Efficiency & Conservation Plan (EE&C Plan) allows Duquesne Light to use ratepayer funds to help fund its CHP projects. Like Duquesne Light, NRG Pittsburgh is also a regulated public utility. NRG Pittsburgh contends, therefore, it deserves similar notice to know when Duquesne Light may encroach on NRG Pittsburgh's service territory through development of a CHP or distributed generation project.[149]

In short, it is in the public interest for NRG Pittsburgh to receive notice from Duquesne Light (as provided in Section E, Paragraph 60, of the Settlement Petition) of projects that may impact NRG Pittsburgh's continuing ability to provide safe, adequate, and reliable public utility service. The required notice is fair and appropriate because it is reciprocal in nature to the notice that NRG Pittsburgh previously committed to provide to Duquesne Light regarding electric projects.

[149] See Surrebuttal testimony of Clifford E. Blashford at p. 2 ll. 12-23.

O. CAAP's Statement in Support

CAAP asserts it is a not-for-profit Pennsylvania corporation and a statewide association which represents Pennsylvania's community action agencies. CAAP notes these agencies provide anti-poverty planning and community development activities for low-income communities as well as services to individuals and families. CAAP is directly involved in assuring that low-income persons' utility costs are contained through counseling, advice, payment assistance and energy conservation measures. CAAP intervened in this proceeding to address, on behalf of its clients, the adequacy and availability of the company's universal service programs.

CAAP, through its witness, addressed the level of funding for the low-income usage reduction program (LIURP) and Duquesne Light's proposal to increase its fixed monthly residential customer charge from $10.00 to $16.25.[150] CAAP contended the proposed funding level for LIURP was insufficient to meet the need for LIURP services of Duquesne Light's low-income customers. CAAP argued the proposed increase to the fixed monthly charge would discourage conservation efforts and the ability of low-income customers to reduce their bill through conservation.

CAAP notes that, in the Settlement, Duquesne Light agreed to increase its annual funding for LIURP by $140,740 and agreed to increase its fixed monthly charge to only $12.50, not to the originally proposed $16.25. CAAP believes the Settlement will provide a substantial benefit to low-income customers as it relates to the level of LIURP funding. CAAP also contends the Settlement will provide a substantial benefit to low-income customers by providing additional conservation measures that will result in lower energy use and utility costs for these vulnerable customers. CAAP also points out that the measures that promote conservation will benefit the public generally.

[150] CAAP Statement No. 1-R.

CAAP did not submit testimony relative to other issues presented and its statement in support did not address those issues. CAAP requested the Commission approve the Settlement.

P. NRDC's Statement in Support

NRDC supports the approval of the Settlement without modification as a carefully balanced compromise of the interests of all active parties in this proceeding. While the Settlement reflects a compromise of competing positions and does not reflect the full position of NRDC, as a Joint Petitioner NRDC agrees that the terms and conditions of the Settlement are reasonable. NRDC requests the Commission approve the Settlement, taken as a whole, without modification. NRDC contends the Settlement is the product of a collaborative effort to resolve the many interests of parties which were thoroughly considered in its development. For the reasons set forth, the Settlement as written is in the public interest and NRDC recommends its approval.

NRDC explains it is an environmental organization and not-for-profit corporation with more than 1.4 million members, including more than 16,000 in Pennsylvania and more than 1,600 in Duquesne's service area that works to protect the world's natural resources, public health, and the environment. NRDC's top institutional priority is building an equitable clean energy future through the increased use of energy efficiency, renewable energy, and renewables-based transportation electrification. NRDC's ultimate goal is to reduce air pollution from the combustion of fossil fuels. NRDC works in Pennsylvania to expand the use of energy efficiency, renewable energy, and transportation electrification. In addition, NRDC partners with Energy Efficiency for All in seeking to provide energy benefits to low-income persons who live in multi-family homes in Pennsylvania, as well as partner with the City Energy Project in seeking to create healthier and more prosperous American cities by improving the energy efficiency of buildings.

NRDC contends it opposed Duquesne Light's initial proposal to increase its distribution rates by $133.8 million, with a 62.5% increase to customer fixed charge rates.[151] NRDC's opposition was because the increase would reduce customer incentives to engage in energy efficiency measures and cause disproportionate harm to low-income customers.[152] NRDC asserts, however, that the significant reduction in Duquesne Light's proposal to $12.50 per month for Rates RS, RH and GS is a reasonable compromise.

NRDC expressly adopts the position of the Keystone Energy Efficiency Alliance (KEEA) concerning time-of-use rates[153] and master metering of multi-family housing.[154] NRDC agrees the collaborative process outlined in ¶ 52 of the Settlement is an important first step towards establishing a time-of-use program structure that encourages investments in energy efficiency and renewable energy, produces substantial peak demand reductions, and sends price signals to customers to conserve electricity and engage in energy efficiency measures, [155] which will enhance the potential benefits of vehicle electrification discussed below. NRDC argues the collaborative to address the feasibility of a tariff revision to permit master-metering of multi-family housing, as well as the commitment to present a proposal regarding master-metering of multi-family housing buildings as part of the next general base rate case, are meaningful steps to address the current impediments to energy efficiency projects that both improve housing affordability and reduce greenhouse gas emissions. NRDC supports Duquesne Light's provision of whole-building data[156] which will help guide building owners and operators in energy efficiency and energy management investments.[157]

---

151 Supplement No. 174 to Tariff Electric – Pa. PUC No. 24 ("Supplement No. 174").

152 KEEA St. No. 1 at 17-25.

153 Settlement at ¶ 52.

154 Settlement at ¶ 59.

155 KEEA St. No. 1 at 25-29.

156 Settlement at ¶ 53.

157 KEEA St. No. 1 at 40-41.

Q. CAUSE-PA's Statement in Support

CAUSE-PA sought to address primarily: whether the proposed rate increase would detrimentally impact the ability of Duquesne Light's low income customers to access service under reasonable terms and conditions; the financial harm of the rate increase on low income households; the disproportionate impact of the proposed increase in the residential (fixed) customer charge on low users and low income households and its impact on energy efficiency programming; and the need to offset the negative impacts of the proposed rate increase through the adoption of targeted changes to Duquesne's universal service programs.

CAUSE-PA also notes the Settlement provides for several critical changes to the universal service programs, including an increased prioritization of LIURP heating jobs, which necessitates a modest increase of $140,740 to the LIURP budget. (Joint Petition ¶ 54). Additionally, Duquesne Light agreed to: (1) several modifications to its Protection from Abuse (PFA) and Medical Certificate policies that will better protect vulnerable populations; (2) provide anonymized aggregate energy usage data for residential multi-family buildings that are 50,000 square feet or larger; and (3) a non-confidential collaborative to discuss the implementation of master meter billing within its service territory.

CAUSE-PA contends each of these settlement terms will strengthen the protections available to low income households or will increase the range of options available for vulnerable households. CAUSE-PA acknowledges not all of its positions were fully adopted but contends the Settlement was reached through good faith negotiation by all parties. CAUSE-PA further contends the Settlement is in the public interest in that it (1) addresses the ability of low income electric customers to access safe and affordable electric service, (2) balances the interests of the parties, and (3) fairly resolves important issues raised by CAUSE-PA and other parties. If the Settlement is approved, the parties will also avoid the considerable cost of further litigation and/or appeals.

CAUSE-PA argues, when determining whether or not a proposed rate increase is just and reasonable, special consideration must be given to the impact of the proposed rate

increase and the resultant rate structure on the ability of economically vulnerable households to pay for the costs of service. CAUSE-PA asserts this proposed Settlement takes rate affordability into account by using structural rate design to limit the disproportionate burdens on low income households and through enhancements to the universal service programs. These enhancements will better match needy households with available assistance and ensure better access to stable and affordable utility services over the long term. These terms, and the reasons each are in the public interest, are discussed in further depth below.

1. Revenue Requirement and Accounting

CAUSE-PA did not take a position in this proceeding on the revenue requirement, or the components thereof, except to explain the detrimental impact of any increase in the Company's revenue requirement on low income residential consumers generally. CAUSE-PA focused on the need to appropriately remediate any resultant increase in the Company's residential distribution rates through equitable rate design and the adoption of enhancements to available universal service programming. Rate design and universal service enhancements are discussed in Section C, below.

2. Fee Free Bank Card Payment Program

CAUSE-PA notes currently the cost of processing all forms of payments except Western Union payments are embedded in the base rate and Paragraph 47 of the Settlement incorporates Duquesne Light's proposal for fee free bankcard payment program. At present, paying the $2.50 fee to Western Union is the only way that a bankcard payment can be made on a Duquesne Light account. CAUSE-PA fully supports the proposal to socialize all payment processing costs, in part, because Duquesne Light's data demonstrates that 33.4% of their CAP customers made payments using Western Union as compared to 9.3% of the all other residential customers. Duquesne Light's low-income customers are three times more likely to pay through Western Union than their higher income counterparts.[158] If all payments were paid at the

[158] DLC St. 7 at 12:11-13, Chart 3.

minimum charge, the cost would total $174,016.50. If all payments were charged at the maximum charge ($2.50), the cost would be $290,027.50. Given the data presented about the month-in-and-month-out struggle of low income customers to afford basic services,[159] the elimination of customer fees for the processing of payments is in the public interest because it creates parity for all payment types by building into the base rates the reasonable cost of all payment processing. This change ensures the payment systems do not unfairly discriminate against low-income customers who are three times as likely to pay through third party vendors.

3. Residential Customer Charge

Currently, Duquesne Light's fixed monthly customer charge is $10 plus a fixed smart meter charge of $4.17 for a total customer charge of $14.17 per month. In the Settlement, the parties agreed the residential (fixed) customer charge will be increased from $10.00 to $12.50 per month. CAUSE-PA avers what is left unsaid in the Settlement, is that the fixed smart meter charge will be rolled into volumetric rates. The practical result of this provision is, while the fixed customer charge is increasing from $10 to $12.50 per month, the actual impact to customers will be a *reduction* in the customer charge from $14.17 per month to $12.50 or a decrease of $1.67 per month. This reduction is significant and is in the public interest. CAUSE-PA contends increases to the fixed charge are particularly harmful to low income customers because non-usage based rate increases undermine the ability of low income customers to lower their consumption and engage in practices that promote energy conservation which will, in turn, lower their energy bills.[160] Reduced consumption that does not impact a customer's bill provides a disincentive for customers to engage in energy conservation. With this change, Duquesne Light customers will see a reduction in that portion of their monthly bill that is fixed and, as a result, more of the monthly bill can be reduced through energy savings and conservation.

[159] CAUSE-PA St. No. 1 7-13.

[160] CAUSE-PA St. 1 at 19.

a. Universal Service

The Low Income Usage Reduction Program (LIURP) is specifically designed to reduce energy usage for low income households. CAUSE-PA notes Duquesne Light's LIURP produces average savings of approximately 8.1% for baseload jobs and 3.3% for electric heating jobs[161] but CAUSE- PA contends Duquesne Light's current LIURP budget was inadequately structured and designed to meet established need, particularly for electric heating customers.

Starting with its 2019 program year, Duquesne Light agreed in the Settlement to use its best efforts to ensure that 10% of its completed LIURP jobs are for electric heating customers and will provide reports on its progress toward reaching that goal to members of its Income Eligible Advisory Group. In response, Duquesne Light will increase its LIURP budget by $140,740 annually to accommodate for the increased cost to remediate electric heating customer usage. CAUSE-PA contends the modest increase in annual LIURP funding is squarely within the public interest. Low income electric heating households, who are currently being underserved by Duquesne's LIURP, will be better able to access usage reduction services to reduce their energy burden, thereby offsetting the negative impact of a rate increase on this particularly vulnerable population.

In addition to this targeting of electric heating customers, CAUSE-PA points out Duquesne Light agreed to prioritize its customers with high Customer Assistance Program (CAP) credits (over $1,000) for LIURP treatment when possible. If the list has been exhausted, Duquesne Light will use the high usage CAP customer list as well as eligible customers requesting weatherization. CAUSE-PA avers that, like the prioritization of heating customers, this targeting of high-use CAP credit customers is in the public interest because it will ensure CAP costs are reduced through energy efficiency and conservation and will assist those CAP customers with high CAP credits in remaining under the Company's established CAP credit maximums thereby ensuring these households remain enrolled in CAP with appropriate bill discounts.

[161] CAUSE-PA St.1 at 21.

b. Protection From Abuse Orders (PFAs)

CAUSE-PA points out Duquesne Light agreed to revise (within sixty days of the effective date of rates) its Protection From Abuse Order policy and accompanying procedures to accept PFAs or civil or criminal court orders with evidence of domestic violence toward an application for service, a current customer, or a member of the applicant's or customer's household, consistent with 66 Pa.C.S. § 1417 and 52 Pa.Code Ch. 56, subsections L-V. Duquesne Light also agreed to share its revised policy with the Income Eligible Program Advisory Group, and provide an opportunity for feedback and suggestions.

CAUSE- PA supports the proposed revisions to Duquesne Light's PFA policies. These clarifications are in the public interest because they seek to ensure that Duquesne Light complies with Chapter 14 by expanding its PFA protections to any household member. CAUSE-PA contends there are several instances of abuse where the customer or their child may not be the named plaintiff on a protective order.[162] A critical protection available to individuals with a PFA or other court order with clear evidence of domestic violence is that they cannot be held responsible for debt accrued in someone else's name. (CAUSE-PA St. 1 at 29). A victim of domestic violence may well be contacting Duquesne Light to stop termination on an account in a third party's name and/or request to establish service in their name without assuming the third party's debt. This scenario is common when a victim of domestic violence obtains a PFA, which prevents an abuser from returning to a shared residence, leaving the victim to assume the household bills.[163] CAUSE-PA contends Duquesne Light's policies will be up-to-date with current precedent after this Settlement provision is applied.

c. Multi-family Housing, Meter Data Access and Master Metering

CAUSE-PA notes Duquesne Light agrees to provide anonymized aggregate energy usage data for residential multi-family buildings that are 50,000 square feet or larger, and

[162] CAUSE-PA St. 1 at 29.

[163] CAUSE-PA St. 1 at 29-30.

will provide periodic updates to the IEPAG regarding the status of implementation. Duquesne Light further agrees to participate in any working group established by the City of Pittsburgh to address the issue of energy efficiency benchmarking for multi-family buildings.

CAUSE-PA supports this agreement to provide aggregate usage data for residential multi-family buildings and believes this provision is in the public interest. Since Duquesne Light's current tariff contains a prohibition on mastering metering, large developers and property owners are at an inherent disadvantage in energy efficiency and conservation. The ability to understand how much energy a building consumes every year is vital when planning for energy efficiently upgrades or monitoring current building systems for performance.[164] This information will allow multi-family housing providers to participate in benchmarking of their buildings, which is considered a best practice in energy efficiency, and providing the data anonymously ensures that customer information is protected in the process.

CAUSE-PA acknowledged several parties argued Duquesne Light should allow residential master-metering for multi-family buildings.[165] These parties believe master-metering would allow individual families in multi-family buildings to avoid customer charges and receive lower electric bills. CAUSE-PA asserted many issues required evaluation before providing master-metering to multi-family buildings. First, it is important to evaluate the impacts of master-metering on the Company's revenues and revenue allocation. It is important to evaluate whether tenants of multi-family buildings should be able to avoid paying customer charges and if so, how these costs should be recovered from other customers. Second, if tenants of multi-family buildings are not customers of Duquesne Light, they will not be eligible for low-income programs, budget billing, or competitive shopping opportunities and will not have smart meters.

Under Paragraph 59 of the Settlement, Duquesne Light committed to, within 180 days of the effective date of rates, convene a non-confidential collaborative with all parties to this proceeding, and all interested stakeholders who are developers of multi-family housing

164 CAUSE-PA St. 2 at 11-12.

165 CAUSE-PA St. No. 2 at 9; KEEA St. No. 1 at 39.

within its service territory, to discuss the feasibility of revising its tariff to permit master-metering of multi-family housing. CAUSE-PA contends the collaborative will allow interested stakeholders the opportunity to discuss and evaluate issues before any master-metering proposal is adopted. As such, the Settlement provisions regarding master-metering are an appropriate and reasonable compromise of parties' positions in this proceeding. Additionally, Duquesne Light agrees to present a proposal regarding master-metering of multi-family housing buildings as a part of its next general base rate case based on feedback from the collaborative meetings.

CAUSE-PA supports the collaborative because master-metering could serve the interests of low income households by residing in affordable housing that is master-metered with utilities included as a portion of the rent. CAUSE-PA argues it is in the public interest to explore whether it is possible to revise the Company's tariff to permit this housing arrangement while considering the factors outlined in paragraph 59 and ensure that low income households are protected from any unintended consequences of master-metering.

d. Proposed Tariff Changes

CAUSE-PA fully supports Duquesne Light's decision, in paragraph 51 of the Settlement, to withdraw its proposal to modify its tariff language. Duquesne Light initially sought to remove from its tariff the phrase: "for which service is requested" from its proposed retail tariff Rule 5a. CAUSE- PA fully supports the withdrawal and believes it is in the public interest because removal of that phrase would have created ambiguity about the balances Duquesne Light could assess on customers or applicants who reside in one property yet move to another property. Retaining the current language eliminates this ambiguity and ensures the Company's tariff remains compliant with the Public Utility Code.

4. CAUSE-PA's Conclusion

In conclusion, CAUSE-PA contends the Commission has set explicit policy guiding settlement of a major rate case, explaining in its codified statement of policy that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested

parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding."[166] Settlements are preferred because they "lessen the time and expense that Parties must expend litigating a case and, at the same time, conserve resources."[167] In reviewing whether to approve a proposed settlement, the Commission must determine whether the terms and conditions are in the interest of the public based on a preponderance of the evidence "showing a likelihood or probability of public benefits that need not be quantified or guaranteed."[168] Historically, the Commission has defined the public interest as inclusive of ratepayers, shareholders, and the regulated community at large.[169] Of course, proposed settlement terms must also be consistent with applicable law.[170]

CAUSE-PA submits the Settlement, which was achieved by the parties after an extensive investigation of Duquesne Light's filing, is in the public interest. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues at a substantial cost to the parties and Duquesne Light's customers. Accordingly, CAUSE-PA respectfully requests that ALJ Dunderdale and the Commission approve the Settlement without modification.

VI. DISCUSSION – HIGHLIGHTED ISSUES

A. Tariff Rider No. 21 - Generation Meter for Net Metered Facilities

Duquesne Light was the only party which spoke to whether the tariff should be altered to permit Duquesne Light to require new applicants for net metered facilities to install a

---

166 52 Pa.Code § 69.401.

167 *Commonwealth v. IDT Energy, Inc.*, Docket No. C-2014-2427657, at 35-37 (Tentative Order entered June 30, 2016).

168 *See Id. (*citing *Popowsky v. Pa. Pub. Util. Comm'n,* 594 Pa. 583, 937 A.2d 1040 (2007)).

169 *See Id*. (citing *Pa. Pub. Util. Comm'n v. Bell Atlantic Pennsylvania, Inc*., Docket No. R-00953409 (Order entered Sept. 29, 1995)).

170 *See Id.* (citing *Dauphin County Indus. Dev. Auth. v. Pa. Pub. Util. Comm'n*, 2015 Pa. Commw. LEXIS 381 (Sept. 9, 2015)).

second meter socket. Duquesne Light's intention is that Duquesne Light would install a generation meter in a separate meter socket. No other party contested this provision.

Duquesne Light contends this proposal supports distributed generation implementation by enabling Duquesne Light to collect more granular data regarding net metered facility generation output. Then the data could inform Duquesne Light's distribution system planning and operation and might be useful in the aggregate to distributed generation advocates or to the Commission. Duquesne Light noted no party opposed this proposal and argued the issue was preserved without modification in the Settlement.

Duquesne Light's Witness Karcher explained Duquesne Light would install an additional meter at new net metered facilities to measure the facility's total generation output (not net of customer load).[171] The customer would be responsible for installing the meter socket for the Generation Meter. Duquesne Light insisted this charge or responsibility would be the only change to the customer's existing responsibilities associated with net metered facility interconnection.[172] Existing net metered facilities and those applications in the interconnection queue before January 1, 2019 would be grandfathered, though Duquesne Light would reserve the right to retrofit such facilities with a Generation Meter at Duquesne Light's expense.[173]

Duquesne Light argues this proposal is consistent with 52 Pa.Code § 75.14 because it does not implicate the metering requirements established by that regulation. The Commission promulgated Section 75.14 through the *Final Rulemaking Re Net Metering for Customer-generators pursuant to Section 5 of the Alternative Energy Portfolio Standards Act, 73 P.S. § 1648.5,* L-00050174 (Final Rulemaking Order entered June 23, 2006). In relevant part, Section 75.14 provides:

171 DLC St. No. 5, p. 10, lines 22-23.

172 DLC St. No. 5, p. 12, line 13-16.

173 DLC St. No. 5, p. 12, lines 3-6.

> (a) A customer-generator facility used for net metering must be equipped with a single bidirectional meter that can measure and record the flow of electricity in both directions at the same rate. If the customer-generator agrees, a dual meter arrangement may be substituted for a single bidirectional meter.
>
> (b) If the customer-generator's existing electric metering equipment does not meet the requirements in subsection (a), the EDC shall install new metering equipment for the customer-generator at the EDC's expense. Any subsequent metering equipment change necessitated by the customer-generator shall be paid for by the customer-generator.

The *Final Rulemaking Order* explains that the bi-directional meter requirement was intended to "provide an immediate impact on the customer's bill while reducing administrative costs" in support of Act 129's intent "to encourage the increased use of alternative energy and provide an immediate positive feedback to the customer-generator."[174]

Duquesne Light insists the proposed change does not implicate Section 75.14's bidirectional meter requirement. It argues that under the proposed change it would continue to equip net metered facilities with a bi-directional net meter for all billing-related purposes, including measurement of customer-generators' net consumption and/or excess generation credits. Duquesne Light would continue to install such bidirectional meters at its expense, consistent with Section 75.14(a). Net-metered customers would experience no change in the manner, speed, or degree at which they realize the benefits of net metering. The Generation Meter would serve data-collection purposes only, and as such would not represent a "dual meter arrangement" (i.e., two single-directional meters that together measure net energy consumption) as contemplated by Section 75.14 and the *Final Rulemaking Order*.[175]

---

174 *Final Rulemaking Order* at 17.

175 *See Final Rulemaking Order* at 17.

Duquesne Light contends incremental costs associated with this change would be allocated consistent with existing practice. Duquesne Light would bear the costs of the Generation Meter, as with any Company-owned meter. The revenue impacts of these incremental costs are reflected in the negotiated black box revenue requirement. Customers would continue to bear the costs of customer-owned equipment. Duquesne Light estimates procuring and installing an additional meter socket would yield incremental customer cost of about $75 (Tr. 211), which would be incurred as part of the customer's overall costs of installing the net metered facility. This modest cost is reasonable in light of the benefits of the Generation Meter as explained above. To the extent this proposed change would require a waiver of Section 75.14, Duquesne Light requested such a waiver for the sole purpose of effectuating this provision of the settlement agreement.

1. Allowed Smart Meter Costs

At the hearing, the presiding officer asked whether the inclusion of smart meter costs complies with prior Commission Orders and whether the Commission has already given permission for that type of cost to be included. (Tr. 676). In this proceeding, Duquesne Light sought permission to roll its SMC into base rates. All SMC costs have been subject to audit as part of the reconcilable surcharge, and any costs that were previously included in the surcharge remain subject to audit pursuant to the Commission's rules and regulations. Any smart meter costs that have not previously been included in the SMC were included in the test years in this proceeding and were subject to review by the parties in this proceeding. The Public Utility Code, 66 Pa.C.S.A. § 2807(f)(7), expressly allows electric distribution companies (EDCs) to recover smart meter costs through an automatic adjustment clause or through base rates. For these reasons, Duquesne Light's proposal to roll its SMC into base rates and to recover remaining smart meter costs in base rates is appropriate.

Duquesne points out the Settlement reflects the roll-in of certain surcharges, including the DSIC and the SMC. The Company's smart meter installations will be completed by the end of 2019, which corresponds to the FPFTY in this case. The remaining smart meter investments in 2019 are reflected in the rate base in this case so it is appropriate to roll the smart

meter surcharge revenues and assets into base rates in this proceeding. The SMC will remain in place solely for purposes of reconciling over and under recovery of charges prior to January 1, 2019.[176] The Commission has previously approved the rolling smart meter charges into base rates.[177]

2. OCA's Position on Smart Meters

Duquesne Light sought to include costs currently recovered through its Smart Meter Charge (SMC) in base rates, reset the SMC to zero, and only recover incremental costs to install smart meters that exceed those costs that will be rolled into base rates. OCA contends a proposal of this type is consistent with the Public Utility Code and prior Commission Orders.[178] Accordingly, OCA recommends approval of the Company's proposal without modification.

B. Tax Cuts and Jobs Act of 2017 and Allocation of 2018 Tax Refund (Settlement ¶ 31)

1. Duquesne Light's Position on Tax Refunds

Duquesne Light notes Paragraph No. 31 of the Settlement provides for refunds related to collections from customers in 2018 to account for reductions in income taxes under the Tax Cuts and Jobs Act (TCJA). A total of $24 million in customer refunds has been allocated based on the relative distribution revenues of the classes. This allocation was calculated by determining the percentage of distribution revenues for each class for the FPFTY relative to total distribution revenues for the Company.[179] This allocation is equivalent to the procedures used by

176 DLC St. No. 15, pp. 27-28.

177 See *Pa. Pub. Util. Comm'n v. Duquesne Light Company*, Docket No. R-2013-2372129 (Order approving Settlement entered April 23, 2014), pp. 10-11.

178 See *Petition of West Penn Power Company for Approval of Smart Meter Deployment Plan*, Docket No. R-2014-2428742, 2015 Pa. PUC LEXIS 93 (Mar. 9, 2015) aff'd Order (Apr. 9, 2018) (approving a proposal to "subsume the current Smart Meter surcharge (SMT-C) into the base rate, 'zero out' the SMT-C from the monthly billing statements until deployment costs expended exceed $44.176 million and then establish a procedure to determine baseline costs as of April 30, 2016.").

179 See Appendix D to the Settlement.

the Commission for negative surcharges under its Temporary Rate Orders when the Commission determined a percentage reduction in rates for the TCJA and applied that percentage reduction to distribution charges on a go-forward basis. Effectively, the 2018 reduction in tax costs will be spread to customer classes on the basis of the distribution revenues of each class.[180]

Once the total tax reduction of $24 million was allocated to the rate classes based upon distribution revenues, the procedures for refunding to customers in each class was developed in conjunction with representatives of each class in this proceeding. As shown in Appendix D to the Settlement, the allocated portion of the refund to each class will be provided to customers in the classes in one of two manners. For classes with small customers (RS, RH, RA, GS, AL, SE, SH, PAL), a single fixed one-time bill credit for all members of the class will be applied to customer bills. For the remaining commercial and industrial rate schedules which have a greater range of usage, and the SM schedule, which has a range of customers with different numbers of street lights, individual customer credits will be determined based upon each customer's distribution revenue to total distribution revenue for the rate schedule. All customer credits will be provided on bills during the January 2019 bill cycle.

Duquesne Light points out this $24 million tax refund for 2018 reflects a compromise. Duquesne Light had proposed a refund of $10 million and argued it should not be required to refund the full amount of 2018 tax savings because Duquesne Light did not earn a fair return in 2018.[181] OCA initially proposed a $33.5 million refund in 2018 taxes to customers but reduced that amount to $28.4 million.[182] This amount included the 2018 reversal of protected Excess Deferred Income Taxes ("EDIT") and OCA's proposed accelerated amortization of unprotected EDIT.[183] OCA withdrew its claim for accelerated return of

---

180 Tax reductions for the period January 1, 2019, and thereafter were fully reflected in the Company's filing. (Duquesne Light St. No. 11-R, p. 4.) Also, *See e.g.*, Order of May 17, 2018 at R-2018-3000527, p. 5, providing for a negative surcharge.

181 DLC St. No. 11-R, pp. 2 and 6.

182 OCA St. No. 2, p. 22; OCA St. No. 2-SR, p. 17. Also, BIE adopted OCA's initial proposal in surrebuttal testimony. (BIE St. No. 1-SR, p. 32; OCA St. No. 2-SR, p. 17.)

183 DLC St. No. 11-R, p. 7.

unprotected EDIT in its surrebuttal testimony after Duquesne Light demonstrated the accelerated return would increase customer rates by $52 million over the next 25 years.[184] Duquesne Light also explained it was not appropriate to refund EDIT in 2018 because EDIT does not relate to current year collections from customers and the Commission has not required the return of these amounts in its temporary rate orders.[185]

Finally, Duquesne Light contends it demonstrated that making a refund of $20 million for 2018 tax reductions would result in the Company earning only an 8.61% return on equity in 2018.[186] OCA proposed the lowest ROE at 8.5% while BIE proposed an ROE of 9.21%.[187] While Duquesne Light disagrees these ROEs are adequate equity return rates, it is clear from these proposed return rates the settlement refund of $24 million will put the Company well below the level of a reasonable return rate for 2018.[188] In addition, Duquesne Light points out the Commission reset the DSIC ROE from 9.55% to 9.65% in the *Report on Quarterly Earnings for March 31, 2018*, Docket No. M-2018-3003513, Appendix F, Public Meeting of August 2, 2018.

For these reasons, Duquesne Light agreed to refund $24 million to customers for 2018 taxes in a one-time or two-time bill credit even though it contends this refund exceeds the effect of the tax rate change on Duquesne Light's annual current and deferred tax allowance for 2018 of $19.6 million, which amount would be consistent with amounts reflected in the Commission's temporary rate orders. (Duquesne Light St. No. 11-R, p. 7). Duquesne Light believes this provision is a reasonable compromise of Parties' positions.

---

184 DLC St. No. 9-R, pp. 70-76 and Ex. No. RLO-12-R; OCA St. No. 2-SR, pp. 10-11.

185 DLC St. No. 11-R, p. 9.

186 DLC St. No. 9-RJ, p. 11; Ex. No. RLO-13R.

187 OCA St. No. 3, p. 26 and BIE St. No. 2, p. 6.

188 The return rate after the refund is important because base rates cannot be revised retroactively for a change in a single item of cost if that cost reduction causes the utility to earn an inadequate return. *National Fuel Gas Distribution Corp. v. Pa. Pub. Util. Comm'n*, 464 A.2d 546 (Pa.Cmwlth. 1983); *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa.Cmwlth. 1996). The Settlement avoids this legal issue because it provides for a refund related to the tax changes that has been agreed to by the Company.

2. BIE's Position on Tax Refunds

In its Temporary Rates Order, entered May 17, 2018, the Commission stated tax savings associated with the Tax Cuts and Jobs Act (TCJA) in 2018 should be returned to ratepayers.[189] BIE recommended Duquesne Light flow back to ratepayers the 2018 tax savings as a result of the TCJA, with interest.[190] These tax savings would include deferred income taxes, gross-up of income taxes, and the protected and unprotected EDIT for 2018. I&E recommended a total of $33,042,492 be returned to ratepayers.[191] Duquesne Light proposed $10 million be returned to ratepayers.[192] The Settlement terms reflect a return of $24 million in tax savings to customers.

BIE acknowledges the settled amount is less than it recommended but asserts the Settlement represents a reasonable compromise of the parties' positions. Additionally, the Settlement serves the public interest by returning TCJA tax savings to ratepayers as directed by the Commission.[193] BIE contends it supports the Settlement terms returning $24 million to customers, including interest, as a one- or two-time bill credit on a distribution revenue basis beginning January 2019. BIE also points out this credit will be subject to audit to ensure the Company returns the full amount in the manner referenced in the Settlement. These terms resolve the parties' positions regarding the return of 2018 federal income tax expense savings and 2018 Excess Deferred Income Taxes (EDIT).

3. OCA's Position on Tax Refunds

OCA notes Duquesne Light, in its initial filing, calculated rates to account for the reduced corporate income tax rate so that its rates would be consistent with the TCJA on a going-

189 *Temporary Rates Order*, Docket No. M-2018-2641242, p. 15 (Order entered May 17, 2018).

190 BIE St. No. 1, pp. 31-38; BIE St. No. 1-SR, pp. 28-32.

191 BIE St. No. 1-SR, p. 30.

192 DLC St. No. 11-R, p. 8; DLC 20 St. No. 15-R, p. 17.

193 *Temporary Rates Order*, Docket No. M-2018-2641242, p. 15 (Order entered May 17, 2018).

forward basis, however, OCA noted the Company currently collects tax expense in its existing rates at the previous tax rate of 35 percent.[194] As a result, OCA recommended the Company return $33,042,492, which amount consists of $19,220,758 in 2018 tax expense savings calculated by the Company in response to I&E-RE-57 and $13,821,734 in Excess Deferred Income Taxes (EDIT).[195]

In the Settlement, Duquesne Light agreed to refund customers $24,000,000 with interest through a one-time bill credit on a distribution revenue basis and this amount will be subject to an audit to ensure the full amount is returned to customers appropriately.[196] Duquesne Light will refund the amount over a one-month billing credit providing ratepayers with a benefit to mitigate the rate increase. By way of example, a RS customer will receive a one-time bill credit of $25.61.[197] OCA submits this approach reasonably addresses the issues raised regarding the 2018 tax savings and expeditiously returns these savings to customers. The agreed-upon solution accomplishes the objective of returning savings in an expedient manner and is within the discretion provided by the Commission in the TCJA Order at 20-21.

4. Walmart's Position on Tax Refunds

Walmart notes the Settlement fully resolves the issues related to the TCJA by providing ratepayers with the benefit of a refund of approximately $24 million associated with 2018 federal income tax expense and 2018 EDIT.

194 OCA St. 2 at 17, 21.

195 OCA St. 2R at 4-5.

196 Settlement at ¶ 31.

197 Settlement, App. D.

C. Electric Vehicle Program Costs

1. Duquesne Light's Position on Electric Vehicle Program Costs

Duquesne Light initially proposed a pilot so Duquesne Light could obtain experience with providing electric distribution service for charging electric vehicles. Duquesne Light contended the future demand for electric vehicles could be significant and increased usage of the Company's facilities to charge vehicles would benefit customers by providing additional revenues to offset future costs of rebuilding the Company's electric distribution system.[198] Duquesne Light argued a significant component of future charging of electric vehicles owned by individuals is likely to occur overnight at homes, resulting in use of the existing distribution system during lower use periods. Personal vehicles and commercial vehicles also will require charging at other times and locations to make the use of such vehicles practical. Duquesne Light argued its pilot is designed to evaluate and address such options and Duquesne Light proposed the EV Pilot should contain the following components for Level 2 Stations, DC Fast Charging stations and Duquesne Light Workplace Charging stations: number of stations; ownership structure; customer rebates; operations and maintenance; pricing strategy; capital costs; and O&M costs.[199]

After discussions with various other parties, Duquesne Light changed the focus of the EV Pilot. Duquesne Light will provide make-ready infrastructure for and fund fast chargers owned by the Company which would be used for Duquesne Light's vehicles and the Port Authority's buses, and provide only make-ready infrastructure to provide service to public charging stations that will be purchased and owned by third parties.

Under the Settlement, Duquesne Light's recovery of the capital investment in the pilot will be reduced from $2.5 million to $1.15 million. The parties propose $500,000 for make-ready infrastructure and fast charging stations for Company vehicles and the electric bus

198 DLC St. No. 6, pp. 4-16.

199 DLC St. No. 6, pp. 19-20.

trial [DC Fast Charging Evaluation] with the remaining $650,000 for make-ready infrastructure for Level 2 chargers at public stations to be owned and operated by third parties.[200] The Settlement eliminates Duquesne Light's originally-proposed employee charging station at a capital cost of $200,000.

Under the Settlement, the capital costs for make-ready infrastructure for the Level 2 chargers relate primarily to costs to extend facilities and install meters for the charging stations and are typical investments made by the utility for costs in front of the meter.[201] The Settlement allows Duquesne Light to provide up to $650,000 in customer rebates for installation of equipment by owners of Level 2 charging stations between the meter and charging Level 2 stations, which rebates hopefully will encourage third parties to purchase and install public chargers. The rebates are not included in the rate increase but under the Settlement, the rebates may be recorded as a regulatory asset and claimed in a future rate case.

The proposed EV Pilot contained EV Education and Outreach expenses of $357,000,[202] which amount the Settlement reduces to $200,000. The scope of education is designed to engage customers on the benefits and values of electric vehicles as a new technology in the transportation market. This education would include noting the location and availability of the public stations and information about customer applications in personal residences.[203] The Company also proposed a one-time incentive of $60 per customer when vehicle owners register their electric vehicles with the Company. The registration allows Duquesne Light to track changes in electric usage and evaluate the effects of electric vehicle charging on the Company's

---

200 The revenue requirement on $1.15 million is approximately $140 thousand. This amount reflects an estimated return on equity of 9.65% (i.e. PUC published Distribution System Improvement Charge (DSIC) Return for the year ended March 31, 2018), and an overall rate of return of 7.30%; a gross revenue conversion factor of 1.515790 (source: Exhibit 2, Schedule D-18, page 3, column 3, line 11); and annual depreciation expense of roughly $29 thousand. The Company utilized these assumptions to demonstrate the approximate cost of the plant investment.

201 DLC St. No. 6, p. 22.

202 DLC St. No. 6, p. 28.

203 DLC St. No. 6, pp. 25-26.

distribution grid.[204] Monitoring these effects would provide valuable information for planning the building and replacement of future distribution infrastructure. The Settlement reduced the proposed annual registration incentive amount of $110,000 to $70,000, and any unused portion of the $70,000 per year will be addressed in the next base rate proceeding.

At the hearing, the presiding officer asked who gets the benefit of the EV Pilot rebates and asked about the allocation of EV Pilot costs to customers.[205] Duquesne Light contends the rebates will be available to customers who register their EV with the Company.[206] By registering EV vehicles within Duquesne Light's territory, Duquesne Light will be able to enter the EV into Duquesne Light's electrical model and evaluate the impacts on the system, which will assist in grid planning. However, Duquesne Light notes there is no specific allocation of pilot costs to customer classes because those costs are allocated across all classes.[207] The costs reflected in rates are relatively small, comprised of return on $1.15 million in rate base, the education cost of $200,000 and the costs of $70,000 for vehicle registration incentives.

At the hearing, the ALJ asked Duquesne Light to justify why consumers should pay the costs to install stations that will be owned by third parties. (Tr. 676). Duquesne Light argued several reasons justify this cost to consumers. First, these stations must be available to the general public and not for private use, which ensures the stations will be available to all people in Duquesne Light's service territory as opposed to a limited subset. Second, it also allows Duquesne Light to evaluate the effect of adding the Level 2 chargers to the distribution grid for grid planning purposes, which benefits all customers. Finally, it will increase usage of the distribution system, which again benefits all customers.

Duquesne Light avers the Settlement ensures the expenditures included in rates will produce benefits to customers with minimal effects on rates charged to customers. In

---

204 DLC St. No. 6, p. 27.

205 Tr. 676.

206 DLC St. No. 6, p. 17.

207 BIE St. No. 3, p. 10.

response to concerns raised, the Settlement focuses the EV Pilot on public benefits and limits the Company's expenditures. The EV Pilot settlement provisions are in the public interest because they streamline the EV Pilot and at the same time allow the Company an opportunity to incent EV usage in its service territory, which will increase usage of the distribution system and allow the Company to evaluate the impacts of EV usage on the grid.

2. BIE's Position on Electric Vehicle Program Costs

BIE provided extensive testimony on Duquesne Light's proposed Electric Vehicle ChargeUp Pilot (EV Pilot).[208] BIE recommended costs for the EV Pilot should not be recovered by rate base because benefits to rate base from this program are extremely limited or untested.[209] Instead, BIE recommended costs be charged to the customers who elect to install the equipment, much like costs associated with line extensions.[210] In the alternative, BIE recommended Duquesne Light defer cost recovery of the EV Pilot until its next base rate case where Duquesne Light would have the opportunity to support its position that the expenditures are in the public interest and should be charged to rate base.[211]

BIE supports these terms as a prudent scale-back of Duquesne Light's proposed EV Pilot program as in the public interest for several reasons. First, Duquesne Light scaled back the costs of its proposal, including reduction in costs for the DC Fast Charging Evaluation, customer education, and Customer Electric Vehicle Registration Incentives. Second, Duquesne Light limited the scope of the proposed DC Fast Charging Evaluation to stations owned by the Company to be used solely for the Company and the Port Authority of Allegheny County (PAAC) electric bus evaluation. In testimony, BIE expressed concern the EV Pilot, including the DC Fast Charging Evaluation, did not include adequate protections to ratepayers and that all

---

208 BIE St. No. 1, pp. 40-45; BIE St. No. 3, pp. 2-11; BIE St. No. 3-R; BIE St. No. 1-SR, pp. 34-37; BIE St. No. 3-SR, pp. 2-17.

209 BIE St. No. 3-SR, p. 12.

210 BIE St. No. 3-SR, p. 12.

211 BIE St. No. 3-SR, p. 17.

ratepayers would pay for a program providing negligible benefit to rate base where only 0.05% of vehicle registrations in Allegheny County were electric vehicles.[212] By limiting DC fast charging costs to Company use and costs for the PAAC electric bus evaluation, Duquesne Light narrowly tailored its expenditures to costs reasonably associated with a broader public benefit for ratepayers, as exemplified by public access to PAAC's electric bus service, instead of just costs incurred for the benefit of a very small consumer group.

Third, Duquesne Light agreed costs for behind-the-meter Level 2 infrastructure rebates will be recorded as a regulatory asset with determination of the appropriate method of cost recovery for these costs deferred to the Company's next base rate case. Unlike the DC Fast Charging Evaluation where Duquesne Light would own the "make ready" infrastructure and charging station, here Duquesne Light would own the "make ready" infrastructure, but the customer-site would own the charging station. Duquesne Light proposed to provide customer-sites a 50% rebate for the charging station.[213]

By deferring determination of whether rebates should be recovered from rate base, the Settlement acknowledges BIE's concern that rate base should not unreasonably subsidize individual customer projects without adequate demonstration of a broader benefit to rate base. This demonstration is especially important when ratepayers are asked to subsidize private ownership, rather than Duquesne Light retaining ownership of the plant. Duquesne Light agreed to own the "make ready" infrastructure, but customer rebates will not be recovered from rate base until the next rate case, provided there is adequate justification. The report to be provided in the next base rate proceeding will aid determination of the appropriate method of cost recovery by providing various analyses related to demonstration of ratepayer benefit.

Lastly, BIE contends the Settlement allows limited implementation of the EV Pilot, which BIE recognizes was endorsed by Duquesne Light and other intervenors as benefiting all electric customers. Duquesne Light and intervenors, including Natural Resources Defense

---

212 BIE St. No. 3, p. 7.

213 DLC St. No. 6, p. 22.

Council and ChargePoint, argued all ratepayers would receive benefits from the EV Pilot.[214] Although BIE did not agree regarding the ratepayer benefit at the outset of this case, BIE asserts these terms resolve the concerns by narrowly tailoring the EV Pilot in a manner to ensure the pilot benefits the public without imposing unwarranted costs. Accordingly, BIE opines these Settlement terms represent a reasonable compromise of the parties' positions and should be recommended by the ALJ for approval by the Commission.

3. OCA's Position on Electric Vehicle Program Costs

OCA notes Duquesne Light sought to implement a pilot program, referred to as the EV ChargeUp Pilot (Pilot), designed to participate in the electric vehicle (EV) market by installing, and owning a portion of, and a variety of, electric vehicle charging stations.[215] Duquesne Light requested an addition of $2.5 million to rate base and $0.642 million of annual Operations and Maintenance (O&M) expense, and the total annual jurisdictional revenue requirement associated with these costs was $0.913 million.[216] The program itself had multiple components and each component required its own level of capital investments and expenses. Those components were:

> A. Multi-port Commercial Level 2 (240 volt) chargers installed at businesses, apartment/condominium complexes, etc. in which Duquesne will provide a 50% rebate on the cost of the customer-owned chargers and provide the "make ready" investments required to provide service to approximately 65 charging stations;
>
> B. Direct current (Level 3 or "fast chargers") installed and owned by Duquesne for use by commercial customers in which the Company estimates approximately 15 DC charging stations;
>
> C. Duquesne employee Level 2 charging stations in which the Company will install, own, and operate approximately 10 dual-port chargers at Company-owned facilities for employee use;

---

214 DLC St. No. 6, p. 16-17; NRDC St. No. 1, pp. 7-9; ChargePoint St. No. 1, pp. 13-14.

215 DLC St. 6 at 3, 17-28.

216 OCA St. 4 at 45.

> D. Education and Outreach in which the Company will provide various educational programs including an electric vehicle webpage, sponsorship of community-based events, and general educational activities; and,
>
> E. Customer electric vehicle (EV) registration incentives in which the Company will offer a one-time $60 credit to those customers that register their EV purchased with DLC.[217]

OCA questioned whether Duquesne Light's captive electric distribution ratepayers should subsidize programs that only directly benefit a few commercial entities which engage in EV charging. OCA acknowledged State, Federal, and Local governments provide significant subsidies and incentives relating to the purchase and use of electric vehicles, but was concerned Duquesne Light now asks ratepayers to subsidize even more for charging equipment which benefits a few commercial customers and EV owners. OCA questioned the responsibility of electric distribution rates to be commingled with a separate business operation that is unregulated. Furthermore, the EV charger subsidy programs proposed by the Company would benefit only commercial customers.[218]

OCA contends the Settlement narrows and focuses the scope of the pilot. OCA addressed (1) Level 2 Charges Evaluations (Settlement at ¶ 45(b)); (2) DC Fast Charging Evaluations (Settlement at ¶ 45(a)); (3) Education and Outreach (Settlement at ¶ 45(c)); (4) Registration Incentives (Settlement at ¶ 45(e)); and (5) Reporting Requirements.

First, OCA initially opposed the Pilot because only commercial classes would benefit from the make-ready infrastructure as any additional rate revenue will be assigned to those classes, and OCA argues it was improper to require residential ratepayers to subsidize those costs. Also, OCA was concerned that any costs related to infrastructure 'behind the meter' would be charged to ratepayers. OCA notes, however, the Settlement addresses these concerns.

---

217 OCA St. 4 at 44-45.

218 OCA St. 4-SR at 15.

OCA points out the Settlement provides that any 'behind the meter' costs will be in the form of a rebate to the customer-site host and booked to a regulatory asset. The appropriate method of any recovery of such rebates will be determined in the next base rate proceeding. In addition, Duquesne Light agreed to specific reporting requirements to evaluate customer participation and feedback. These reporting requirements provide OCA and other interested parties with the opportunity to assess how the funds were used, from whom the charging station revenues were received, and to ensure the Company complies with the terms of the Settlement. Accordingly, OCA submits this provision is a reasonable compromise among the parties.

Second, OCA opposed the initial proposal because Duquesne Light proposed to own the DC Fast Charging stations. OCA contends that where the Company intends to own EV chargers, as any other third party, this ownership has the effect of allowing a regulated utility to enter an unregulated competitive market with all the risk being borne by captive ratepayers.[219] OCA points out this Settlement provision addressed OCA's concern. The scope of this component has been significantly narrowed as the amount of capital costs decreased by 50 percent to $500,000, and Duquesne Light agreed the charging stations it owns will be dedicated exclusively to use by the Company and the Port Authority of Allegheny County only. This provision prevents Duquesne Light from becoming a competitor in an unregulated market.

Third, OCA initially opposed any recovery of additional education costs associated with this component of the pilot program and argued Duquesne Light should be able to utilize its existing customer education and outreach practices, employees, and current budgeted levels of expense to perform these tasks. OCA notes this Settlement proposal allows Duquesne Light to incur annual expenses of $200,000 related to education and outreach concerning the EV pilot program. This reduced expense is $157,000 less in annual expense when compared to the Company's original proposal of $357,000. OCA understands the task involved to promote the EV Pilot program and avers $200,000 is an appropriate sum given the reduced scope of the pilot program and the outreach required to ensure that the pilot program provides useful information to the Company on EV electrification and load management.

---

[219] OCA St. 4 at 52.

Fourth, while OCA did not recommend disallowance of the entire expense associated with this component, OCA did question the original proposal of recovering $110,000 annually for provide for $60 billing credits to customers who register an electric vehicle. OCA argued there was an extremely low probability Duquesne Light would meet its projected $110,000 expense based on the low number of EV's currently registered in the service territory. OCA averred, based on Duquesne Light's responses to interrogatories, that there were only 184 new EVs (all electric plus hybrid) registered in 2015, 405 in 2016, and 375 during 2017 (which was an incomplete year). OCA contended those numbers revealed there was an extremely low probability Duquesne Light's customers will purchase anywhere near the number of electric vehicles included in Duquesne Light's expense estimate for this project.[220] Accordingly, OCA recommended a reduced allowance of $30,000 for this component, which equated to 500 new participants annually at $60 per participant.

OCA points out that, under the Settlement, Duquesne Light will be allowed to recover $70,000 in annual O&M expense for EV registration incentives. This amount provides the Company with some latitude in case the level of EV's registered in the program is beyond OCA's estimate. Any unused portion of the $70,000 will be addressed in the next base rate case in the event the level of registrations is below the estimates.

Fifth and finally, in addition to the concerns above, OCA's witness identified the variability of the Company's projections regarding EV charger installation costs.[221] OCA contends Duquesne Light did not provide any guidance or proposals regarding the type of data and information it would collect as part of the pilot program.

Despite the limitation, the Settlement provides additional reporting requirements on an annual basis including: information regarding charging infrastructure deployed over time, by location and date of activation; charging infrastructure installation costs by site type (broken out by capital and rebate costs); the usage rate by site type and charger type for all charging

220 OCA St. 4 at 58.

221 OCA St. 4 at 50-51, 53.

stations deployed through the EV Pilot; and estimated avoided air emissions resulting from the programs. Duquesne Light agreed to submit an EV load management program in its next general rate proceeding. OCA submits the information agreed upon in the Settlement will allow the Commission and interested parties to assess the impact of the EV pilot and ensure OCA has detailed reports to evaluate the pilot.

4. OSBA's Position on Electric Vehicle Program Costs

Initially, OSBA notes Duquesne Light's proposed EV Pilot included 1) an evaluation of EV charging infrastructure impacts; 2) an EV Education & Outreach Initiative; and 3) incentives for customers to register their EVs with Duquesne Light. The EV Pilot included the installation of: 1) sixty-five "Level 2" charging stations each year, at long dwell-time locations such as workplaces, multi-unit dwellings, fleet parking centers and shopping centers; 2) fifteen DC fast charging stations over the course of five years; and 3) a total of ten workplace Level 2 charging stations at Company-owned facilities for employee use.[222]

OSBA points out Duquesne Light proposed to own all DC fast charging stations and the Level 2 charging stations at Company-owned facilities. Customers would own the Level 2 charging stations installed at long dwell-time locations. However, said customer-owners would be eligible for EV Pilot rebates covering approximately 50% of the cost of the charging stations. The Year 1 budget for Duquesne Light's initial EV Pilot proposal was $3.142 million, and the associated costs were to be recovered entirely from ratepayers through base rates.[223] OSBA initially objected to the recovery of costs for the entire program through base rates.

OSBA contends the parties greatly reduced the overall scope of the EV Pilot and the recovery of costs through base rates through the Settlement. Duquesne Light's proposed DC Fast Charging Evaluation will be limited to make-ready infrastructure and fast charging stations owned by the Company to be used for Duquesne Light's vehicles as well as the Port Authority of

222 OSBA Statement No. 1 at 8.

223 OSBA Statement No. 1 at 8.

Allegheny County's electric buses. The cost associated with this portion of the EV Pilot to be recovered in rate base is limited to $500,000.[224]

OSBA points out the Settlement limits the base rate recovery of the Level 2 proposal to $650,000 for capital investment in front of the meter, and $650,000 of expense investment in the form of rebates to customers. Unlike the Company's capital investment costs, the cost of Level 2 rebates will not be recovered in base rates, but instead recorded as a regulatory asset. Determination of the appropriate method of cost recovery for Level 2 rebates shall be deferred to the Company's next base rate case.[225] OSBA avers the Settlement's reduction in the scope of the EV Pilot, coupled with the reduced recovery of pilot costs in base rates reasonably resolve OSBA's concerns about the EV Pilot, and will benefit Duquesne Light's small business customers.

5. NRDC's Position on Electric Vehicle Program Costs

NRDC notes it presented expert testimony on vehicle electrification and its benefits to ratepayers in support of Duquesne Light's initially proposed modest Electric Vehicle ChargeUp Pilot (EV Pilot).[226] While the EV Pilot has been significantly reduced in the Settlement based on parties' expressed positions in the multi-stakeholder settlement process, NRDC contends the Pilot as detailed in the Settlement will still benefit ratepayers and is a reasonable compromise. NRDC argues the benefits of the Pilot extend well beyond benefits to current drivers of electric vehicles.[227] The information gathered from this Pilot will support improved capacity utilization and other power sector objectives of the Commonwealth.[228] Approval of the Pilot is consistent with the Commission's Mission to "foster new technologies

224 Settlement at ¶ 45a.

225 Settlement at ¶ 45b.

226 Settlement at ¶ 45.

227 NRDC St. No. 2 at 3-4.

228 NRDC St. No. 3 at 7.

and competitive markets in an environmentally sound manner."[229] The findings of multiple studies cited in the record show that incremental load from electric transportation leads to greater electricity system asset utilization and lowers the average cost of electricity service.[230]

NRDC contends all ratepayers stand to benefit from the estimated reductions in utility customer bills from increased EV charging in Pennsylvania through 2050.[231] Bus electrification will also provide greater access to electric mobility for utility customers that do not drive personal vehicles and enable deeper reductions in harmful criteria pollutant emissions.[232] NRDC notes, however, barriers to transportation electrification exist, including: limited access to electricity as a transportation fuel: limited awareness of the benefits of vehicle electrification to the electricity system; and limited efforts to manage EV load.[233] The electric utility is well-positioned to overcome these barriers while facilitating the development of the EV charging services market and driving electricity system benefits, which is the premise for utility investments to support transportation electrification.[234] Without supportive policies and programs to encourage both transportation electrification and off-peak charging, Pennsylvania will be slow to achieve the potential benefits of reduced utility customer bills and/or forgo them altogether.[235] The EV Pilot as proposed is an important step toward realizing these benefits and encouraging development at a critical period for a vital new technology.

---

229 NRDC St. No. 3 at 7.

230 NRDC St. No. 3 at 4.

231 NRDC St. No. 1 at 8-9. Citing to a study finding up to $9.6 billion in reduced utility customer bills in Pennsylvania from increased EV charging through 2050.

232 NRDC St. No. 1 at 16.

233 NRDC St. No. 1 at 9-10.

234 NRRDC St. No. 1 at 13.

235 NRDC St. No. 3 at 6.

6. ChargePoint's Position on Electric Vehicle Program Costs

ChargePoint requests that the Commission approve the proposed EV ChargeUp Pilot presented in the Settlement without modification because it is in the public interest, creates widespread grid benefits for all ratepayers and is supported by the testimony and exhibits submitted in this proceeding. ChargePoint contends the Pilot was developed in response to 1) market trends indicating a significant transition towards electricity as a transportation fuel; 2) the need for the Company to evaluate, understand, and mitigate unexpected grid impacts due to transportation electrification; 3) customer support needs related to associated information; and 4) prior Commission guidance to explore policy and regulatory frameworks that support EVs and their required infrastructure.

ChargePoint notes that public utilities play an important role in transportation electrification. Utilities are ideally situated to ensure the associated new load is incorporated in a safe, reliable, and efficient manner. Duquesne Light's proposed Pilot provides a significant foundation to do so and will generate substantial information regarding customer experience and EV charging data. This information will be provided to the Commission annually for review and will be useful for future distribution planning and load management program development. ChargePoint partners with many utilities around the country in deploying utility-supported charging infrastructure and pilot programs. Given the rapidly evolving technology, the growing EV charging marketplace, and the customer-facing nature of the technology, the details of any utility charging program are critical to ensure that innovation continues to thrive. Plus, the resulting deployment of stations should complement, rather than duplicate or compete with, the existing EV charging market. ChargePoint commends Duquesne Light for creating a set of Guiding Principles within its filing that incorporate such considerations in a thoughtful and effective manner.

ChargePoint strongly supports the proposed EV ChargeUp Pilot as a unique example of a utility program that incorporates a set of Guiding Principles that governs the design and intent of the individual pilot program elements. ChargePoint contends these Guiding Principles will ensure the Pilot accomplishes these key objectives:

- Support state and local EV policies and goals;
- Support a competitive charging market while maintaining market neutrality;
- Maintain site host choice and control of equipment and network services;
- Ensure equipment is installed safely and maintained efficiently;
- Require detailed data from program participants; and
- Manage operations and costs.

ChargePoint argues these same Guiding Principles consider all major stakeholders impacted by the Pilot including customers, state and local entities, and solution providers. This approach to designing the Pilot is clearly in the public interest and will ensure that investments appropriately reduce market barriers, minimize costs and maximize benefits to ratepayers, and catalyze sustainable and scalable growth in the EV and EV charging markets.

7. CAUSE-PA's Position on Electric Vehicle Program Costs

CAUSE-PA notes the Settlement scales back Duquesne's EV Pilot from the original proposal. Specifically, the Settlement proposes to roll into its rates $500,000 in associated investment in make-ready electric vehicle charging infrastructure and fast charging stations owned by the Company to be used solely for the Company and the Port Authority of Allegheny County. CAUSE-PA supports the proposed electric vehicle pilot as modified by paragraph 45 of the Settlement. As originally proposed, the EV pilot required a ratepayer-funded investment of $3.1 million.[236] As modified by the Settlement, the cost of the pilot has been reduced to $2.07 million.[237] Additionally, the Settlement provides an opportunity to evaluate whether $$650,000 of the $2.07 million can be recovered from ratepayers in the Company's next base rate proceeding.[238]

---

236 DLC. St. 6 at 28.

237 Joint Petition at 13-14.

238 Joint Petition at ¶ 45b.

CAUSE-PA supports the prioritization of the electrification of mass transportation. CAUSE-PA took the position that if the EV Pilot is approved, Duquesne Light should "seed investment in the sector which shows the most promise for delivering results to economically disadvantaged communities." [239] Although Duquesne Light did not commit to engaging with stakeholders to determine what routes should be prioritized for public transit electrification, CAUSE-PA believes this limited pilot provides significant investment into the electrification of public transportation and has a tangible public benefit to low income customers who are more likely to use public transportation as compared to their higher income counterparts. For these reasons, CAUSE-PA contends the provision is in the public interest.

D. Time of Use Rates

1. Duquesne Light's Position on Time of Use Rates

At the hearing, the ALJ directed the parties to address the issue of whether Duquesne Light should make a TOU filing prior to its next default service rate filing. (Tr. 676). Duquesne Light does not believe that it should be required to make a TOU filing outside of its default service filings. It contends its TOU rates are appropriate for generation charges but not for distribution charges and issues regarding generation charges are addressed in default service proceedings. Duquesne Light notes that it filed its most recent Petition for Approval of a Default Service filing for the period June 1, 2017 through May 31, 2021 on May 2, 2016. (See Petition at Docket No. P-2016-2543140.) Duquesne Light solicited two TOU providers to provide TOU service to residential customers and Duquesne Light noted its plan to continue to facilitate EGS-supplied TOU service for customers. Duquesne Light contends it is appropriate to continue to rely on EGSs to provide TOU service.

Under Paragraph No. 52 of the Settlement, Duquesne Light agrees to hold a collaborative with interested stakeholders to discuss residential TOU rates. In addition, Duquesne Light agrees to make a proposal regarding TOU rates in its next default service rate

---

[239] CAUSE-PA St. No. 1 at 34.

filing, unless the Commission directs Duquesne Light to make a TOU filing prior to when it files its next default service rate. Duquesne Light contends a TOU proposal is better suited for generation charges and should be addressed in a default service proceeding. It argues the Settlement is appropriate and reasonable because it provides for a TOU collaborative and for Duquesne Light to file for approval of a TOU program in its next default service proceeding, unless directed by the Commission to file sooner.

Duquesne Light argues it is reasonable to hold the collaborative and consider proposals offered by parties prior to filing a new TOU program. The collaborative process will occur in 2019, and Duquesne Light will make its next default service filing in 2020. This timeframe is a reasonable one in which to consider TOU proposals and develop a new TOU program. For these reasons, Duquesne Light does not support filing a revised TOU program prior to its next default service filing.

2. BIE's Position on Time of Use Rates

BIE took no position regarding the Settlement term for time-of-use rates, other than to note it supports the ultimate outcome because these matters were essential elements to globally resolve this proceeding.

3. OCA's Position on Time of Use Rates

OCA noted that KEEA recommended Duquesne Light develop and implement time varying rates for residential and small general service customers with an optimal peak time rebate.[240] KEEA asserted TOU rates reduce the customer charge, reduce peak demand, and reflect proper price signals to ensure conservation and energy efficiency. OCA notes the Settlement provides there will be a collaborative between interested stakeholders to consider time of use rate issues and suggestions within 120 days of the Commission Order approving this Settlement. Duquesne Light further agrees to make a proposal regarding time of use rates in its

[240] KEEA St. 1 at 30.

next default service rate filing. OCA avers it understands the importance and complexity of the issues surrounding residential time of use rates and OCA intends to participate in this collaborative to work with the other parties to resolve and suggest solutions to these issues.

4. KEEA's Position on Time of Use Rates

KEEA notes the Settlement produces an agreement from Duquesne Light to establish a collaborative process on time-of-use rates.[241] Duquesne Light does not currently offer a time-of-use program, and the collaborative process is an important step to establishing a time-of-use program structure that encourages investments in energy efficiency and renewable energy, produces substantial peak demand reductions, and sends the proper price signal to customers to conserve electricity and engage in energy efficiency. KEEA contends properly designed time-of-use rates offer various potential benefits including lower customer bills, reduced wholesale market prices, avoided or deferred capacity investments, better integration of intermittent renewable energy resources, and improved environmental outcomes.[242] Duquesne Light agreed to consider in good faith the issues and suggestions raised and to make a proposal regarding time-of-use rates in its next default service rate filing.[243]

KEEA recognized the presiding officer's inquiry into whether Duquesne Light should be required to make a time-of-use filing prior to its next default service rate filing.[244] The Public Utility Code requires electric distribution companies ("EDCs") to offer optional time-of-use rates for all customers that have smart meter technology.[245] While some EDCs have made time-of-use rate filings in their individual default service proceedings, it is not required that a

241 Settlement at ¶ 52.

242 KEEA St. No. 1 at 34-35.

243 Settlement at ¶ 52.

244 August 17, 2018 Hearing Transcript at 679.

245 66 Pa.C.S.A. § 2807(f)(5).

time-of-use design be addressed in the context of a default service proceeding.[246] As Duquesne Light does not currently offer a time-of-use program, KEEA believes it is in the best interest of the public for stakeholders to have an opportunity to provide input on how the program should be designed. The collaborative process detailed in the Settlement will engage stakeholders in exploring time-of-use rate design options and will require Duquesne Light to make a time-of-use rate proposal in its next default service rate filing, unless directed to do so prior to then by the Commission.[247] KEEA submits that the Settlement is a reasonable step forward and supports the Settlement as a reasonable compromise of the issue raised by KEEA. To the extent the Commission elects to direct Duquesne Light to address this issue sooner, KEEA would support that result so long as such direction does not result in any party electing to withdraw from the settlement.

5. NRDC's Position on Time of Use Rates

NRDC expressly adopts the position of the Keystone Energy Efficiency Alliance (KEEA) concerning time-of-use rates.[248] NRDC agrees the collaborative process outlined in ¶ 52 of the Settlement is an important first step towards establishing a time-of-use program structure that encourages investments in energy efficiency and renewable energy, produces substantial peak demand reductions, and sends price signals to customers to conserve electricity and engage in energy efficiency measures, [249] which will enhance the potential benefits of vehicle electrification discussed below. NRDC argues the collaborative process is a meaningful step to address the current impediments to an energy efficiency project that reduces greenhouse gas emissions.

246 *Petition of PPL Electric Utilities Corporation for Approval of a New Pilot Time-of-Use Program,* Secretarial Letter at Docket Nos. P-2013-2389572 and M-2016-2578051 (Apr. 6, 2017).

247 Settlement at ¶ 52.

248 Settlement at ¶ 52.

249 KEEA St. No. 1 at 25-29.

E. Effect of Medical Certificate Program Changes for Ratepayers with Balances in Excess of $10,000

1. Duquesne Light's Position on Medical Certificate Program Changes

Duquesne Light points out that, in Paragraph No. 55, it agrees to revise its medical certificate policies to allow customers to continue to renew their medical certificates if they continue to pay their current bill or budget bill in full by the due date for the duration of their medical condition or emergency. Under the Settlement, Duquesne Light will be permitted to write off any outstanding balances that are overdue for more than one year for customers that have medical certificates for a period of one year or longer. This Settlement provision was adopted in response to CAUSE-PA's concerns that the Commission's regulations allow for unlimited medical certificates for customers with a medical condition who continue to pay their current charges or budget bill in full. (CAUSE-PA St. No. 1, p. 26.) Duquesne Light is not opposed to these medical certificate provisions but is concerned that customers could have large unpaid balances if they continue to obtain medical certificates for an extended period and do not pay their past due balances. The Settlement clarifies Duquesne Light will write off outstanding balances that are overdue for more than one year for customers that have medical certificates for one year or longer.

At the hearing, the ALJ asked whether this Settlement provision applies to consumers with balances that are greater than $10,000, and if it does apply, how will these be handled. (Tr. 677.) Duquesne Light clarifies that there is no limitation with respect to this Settlement provision and it would apply to balances over $10,000, if any. Duquesne Light notes that it will continue to follow all Commission regulations and orders with respect to balances that are greater than $10,000.

2. CAUSE-PA's Position on Medical Certificate Program Changes

CAUSE-PA notes Duquesne Light committed to revising its medical certificate policy. The current medical certificate policy fails to inform customers of their rights and

payment obligations with regard to medical certificate renewal requests, as outlined by the Commission in its Final Chapter 14 Implementation Order.[250] Specifically, Duquesne Light's policy does not allow medically-vulnerable consumers to obtain a fourth medical certificate if the consumer kept up with current or budget bill charges while under the protection of a medical certificate.

CAUSE-PA points out the parties agreed to modify the current medical certificate policies as outlined in paragraph 55 of the Settlement which will bring more clarity to the policy and ensure better outcomes for medically vulnerable households. Specifically, the Settlement calls for Duquesne Light to revise its medical certificate policy and accompanying procedures to accept medical certificate renewals if the customer's current bill or budget bill amount is paid in full by the due date while under the protection of a medical certificate. Customers will not be limited to two medical certificate renewals if the provisions of this paragraph are met. Furthermore, upon submission of an initial medical certificate, Duquesne Light will inform customers they can continue to renew their medical certificate and continue to receive medical certificate protection if they continue to pay their current bill or budget bill amount in full, by the due date, for the duration of their medical condition or emergency, and that they remain responsible for any outstanding balance.

CAUSE-PA supports the proposed changes to Duquesne Light's medical certificate policies. These changes are critical to ensuring Duquesne's policies are in line with the Commission's guidance in relation to 52 Pa.Code § 56.116, which outlines the obligations of customers while protected by a medical certificate. Additionally, Duquesne Light will be permitted to write off any outstanding balances overdue for more than one year for customers that have medical certificates for a period of one year or longer. (Joint Petition ¶ 55).

CAUSE-PA notes that, during the evidentiary hearing on August 17, 2018, ALJ Dunderdale asked if the proposal to allow Duquesne to write off any outstanding balances overdue for more than one year would apply for customers with balances of $10,000 or more. CAUSE-PA believes the provision, as proposed, would apply to all accounts where the

[250] CAUSE-PA St. 1 at 26.

household has been protected by a medical certificate for a year or longer regardless of the amount owed. The number of households to which this provision would apply is unlikely to be very many accounts because it is not easy to obtain a medical certificate and it is expected utilities will seek to work with the household for a more permanent resolution of the debt (such as enrollment into CAP or a payment agreement).

VII. DISCUSSION – LITIGATED ISSUE

As noted previously, the remaining issue for litigation concerns Duquesne Light's initial proposal to amend the provisions in Tariff Rider No. 16.

A. Duquesne Light's Position

Duquesne Light explains Rider No. 16 offers an optional rate for "back-up" service that can be elected by eligible customers that meet a portion of their load with their own generating facilities.[251] Although the Company initially proposed an increase in the Rider No. 16 rate, the Company withdrew its requested increase and, therefore, proposes to keep in place the existing rate of $2.50 per kW applied to the back-up contract demand of a customer with on-site generation that elects to be served on Rider No. 16.[252] All parties except DII, support or do not oppose the Company's proposal to leave the existing Rider No. 16 rate in place.[253] Certain members of DII rejected the consensus achieved among all other parties to this case and have elected to continue to advocate the position advanced by their witness, James L. Crist.

---

[251] DLC Initial Brief, p. 1 and n.3. Unlike the "back-up" rates of other major electric distribution companies in Pennsylvania, Rider No. 16 is *not* mandatory. Customer-generators in Duquesne Light's service area retain the valuable option to remain on their general service rate schedules without electing Rider No. 16. DLC Statement No. 16-R, pp. 7-10, 19-22; DLC Statement No. 16-RJ, pp. 10-14. *See* DLC Initial Brief, p. 1 n.3.

[252] These are the same fundamental terms and conditions embodied in the Company's Memorandum of Understanding with Duquesne University.

[253] Peoples Natural Gas Company, LLC ("Peoples") had opposed the Company's proposed increase to Rider No. 16 and had indicated that, unless the issues it raised with Rider No. 16 were resolved to its satisfaction, it would oppose the entire settlement. The Company's withdrawal of its proposed increase in Rider No. 16 resolved Peoples' issues pertaining to Rider No. 16 to its satisfaction, and Peoples now does not oppose any aspect of the proposed settlement nor does it oppose the Company's proposal to retain the existing Rider No. 16 rate. *See* DLC Initial Brief, pp. 10-13.

Duquesne Light acknowledges Mr. Crist's contention is that the Rider No. 16 rate should be reduced from the current level of $2.50 per kW as applied to an electing customer's back-up contract demand to approximately 36 cents per kW, to be applied only on an "as used" basis.[254] For so-called "maintenance" outages, the rate proposed by Mr. Crist would be even lower.

In summary, Duquesne Light argues DII's support of the steeply discounted rates proposed by Mr. Crist have been addressed and refuted in the Company's Initial Brief. Duquesne Light avers DII proposes customers with on-site generation should receive a discount of more than 95% even through DII's own witness conceded the Company must keep distribution system capacity available "24-7-365" to furnish back-up service sufficient to meet those customers' peak loads at any time – including on-peak periods. Duquesne Light contends DII's proposal is contrary to sound, well-accepted cost-of-service principles, and does not capture all of the fixed costs of distribution capacity that Duquesne Light must keep available on its system to furnish back-up service [255] and as a result, Mr. Crist's partial-requirements back-up rate would result in subsidized back-up service. [256]

In addition, Duquesne Light avers DII's position involves multiple errors of fact and law, namely:

1. DII does not acknowledge the record evidence that supports approval of Rider No. 16.

2. The methodology used by DII's witness is fundamentally flawed because it treats the costs of furnishing distribution service, which do not vary with a

---

254 Under the "as used" application advocated by Mr. Crist, a customer-generator would pay even Mr. Crist's steeply (95%) discounted rate only for the demand registered during a month when that customer used back-up distribution service because of the outage of its own generator. *See* DLC Initial Brief, p. 8.

255 OSBA Statement No. 1-R, p. 6.

256 *Id*.

customer's energy usage, the same as the costs of furnishing generation service, which does vary with energy usage.

3. DII attempts to manipulate facts to advance its contention that the current Rider No. 16 rate is not supported by substantial evidence.

4. DII misrepresented the findings and conclusion of the Brubaker/RAP study.

5. DII misrepresented the holdings of utility regulatory commission decisions from other states because those decisions do not support DII's position.

6. DII's reliance on the Federal Energy Regulatory Commission's regulations implementing the Public Utility Regulatory Policies Act is misplaced.

7. DII's contention Rider No. 16 should be rejected where DII seeks to revise the rate for Back-Up Distribution Service as applying only to "as used" demand.

8. There is no valid cost of service basis to charge a lower Back-Up Distribution Rate when a customer's generator is out of service for maintenance.

9. Back-Up Service does not constitute a separate rate class and should not be treated as such for Cost-Allocation purposes.

Duquesne Light argues every party in this case, except certain members of DII, either support or do not oppose its proposal to maintain the existing Tariff Rider No. 16 rate at $2.50 per kW, and this consensus is based on substantial record evidence. The Company contends the Commission should see DII's argument for what it is – a result-oriented approach that cherry-picks what DII likes from the Company's 2013 case while trying to substitute an entirely different figure (5%) and a totally different concept underlying that figure (a forced outage rate) for the figure (30%) and the concept (load factor) actually used in the 2013 case.

Duquesne Light argues the Commission should reject this transparent attempt to tailor the facts (and the interpretation of a prior case) to fit Mr. Crist's and DII's predetermined outcome.

Duquesne Light challenges DII's contention that: (1) the Company "did not examine the historic usage patterns of the Rider No. 16 customer" it currently serves; and (2) there is no evidence in the record of that customer's "usage patterns" to justify the current rate of $2.50 per kW.[257] Duquesne Light argues DII knew – or clearly should have known – that Company witness Gorman presented for the record extensive, actual operating data for the customer that is currently receiving service on Rider No. 16.[258] Significantly, those actual operating data show the Company must stand ready to meet a customer's maximum need for back-up service at the time of *both* the applicable customer-class peak and the Company's system peak. In other words, the current back-up customer has imposed peak demands that are coincident with both the peak demand of its customer class and the peak demand of the Company's entire distribution system.[259] As a consequence, that customer imposed demands that are no different from those imposed by full-requirements distribution customers. DII's contentions to the contrary are, therefore, contradicted by the record evidence and are demonstrably incorrect.

Duquesne Light criticizes DII's reliance on findings and recommendations of a study prepared by Brubaker & Associates, Inc. and the Regulatory Assistance Project for the Oak Ridge National Laboratory[260] to try to support its position that the fully-allocated costs of furnishing distribution service should be multiplied by a "forced outage rate" (which DII

---

257 DII Initial Brief, p. 42 and n.144.

258 DLC Statement No. 14-R, pp. 28-31.

259 DLC Statement No. 14-R, p. 30.

260 James Selecky, Iverson K., Al-Jabir A., *Standby Rates for Combined Heat and Power Systems – Economic Analysis and Recommendations for Five States* (Feb. 20-14) ("Brubaker/RAP Study"). The Brubaker/RAP Study was submitted by Peoples' witness Jamie W. Scripps as Peoples Exhibit No. JWS-6.

erroneous equates with a "load factor"[261]) to determine an appropriate back-up distribution rate.[262] However, the Brubaker/RAP Study explicitly provides that applying a "forced outage rate" to the cost of full requirements service is proper *only* to develop a "generation reservation charge": "Specifically, the standby *generation reservation charge* would be calculated as the product of the FOR [forced outage rate] and the demand-related *generation* costs underlying the applicable full-requirements electricity rate."[263] Moreover, the Brubaker/RAP Study also recognizes that in states (like Pennsylvania) where generation has been "unbundled," customer-generators' ability to purchase "back-up power at prevailing market prices" is a complete substitute for any form of generation reservation charge.[264] Contrary to DII's erroneous contention,[265] Duquesne Light argues the Brubaker/RAP Study clearly does *not* endorse (or even suggest) using a "force outage rate" (or "load factor") to discount the fully-allocated costs of distribution service to determine a cost-based back-up distribution service rate.

The Company contends the Commission itself has expressly found that the premise underlying DII's position is erroneous. Of particular significance, the Commission has determined that the costs of furnishing distribution service do *not* vary with customers' energy usage or the frequency or timing of their usage. Thus, in discussing the concept of "straight fixed/variable pricing," the Commission concluded that it is not appropriate to treat fixed costs as if they were "variable" (i.e., a function of usage) because doing so not only contravenes the principle of cost-causality, it sends entirely the wrong "price signals."[266] The Commission determined that it is particularly important to adhere to this principle when pricing distribution service "because the costs of the distribution system, in the short run, are fixed and do not vary

---

261 *See* Section III.C., *infra*.

262 DII Initial Brief, pp. 36-38.

263 Brubaker/RAP Study, p. 13 (emphasis added).

264 *Id*. at 5, 6 and 11. In fact, the Brubaker/RAP Study prefers and strongly recommends that those states that have not yet "unbundled" generation should do so at least for the purpose of allowing "standby" customers to purchase market-priced generation service as a substitute for a "generation reservation" charge of any kind. *Id*. As noted above, this is already the case in Pennsylvania. *See also* DLC Initial Brief, p. 32 n.125.

265 *See* DII Initial Brief, p. 37.

266 Alternative Ratemaking Policy Statement, p. 16.

by day or by month."[267] The Commission further found: More significantly, while the supply costs of energy . . . vary as their consumption varies, distribution service costs do not vary, in the short run between rate cases, in proportion to a consumer's daily or monthly levels of consumption.[268]

Similarly, the CHP Policy Statement does not support – indeed, refutes – DII's attempt to justify its steeply discounted back-up service rate based on claims that the proliferation of CHP will "reduce" the "peak loads" of electric distribution companies and, therefore, "reduce the need for additional investment" in transmission and distribution ("T&D") facilities.[269] The Commission determined DII's contentions are unfounded and acknowledged that such "savings/avoided costs" may or may not exist and could "take years to realize:"[270]

> We acknowledge PECO's assertions that transmission & distribution savings/avoided costs may or may not exist because of CHP installation. We note that avoided costs may be difficult to quantify, that we currently lack information to confirm the impact of CHP on the electric system, and that it may take years to realize the benefits of any future avoided costs.[271]

Duquesne Light contends DII's proposal – to establish a rate for back-up service that is less than 5% of the fully allocated cost of providing distribution service – is not supported by the evidence. The Company insists DII's proposed rates would create improper intra-class and inter-class subsidies that ultimately would be borne by all distribution customers and would provide erroneous price signals that could lead to the installation of uneconomic customer-owned generation and higher costs for all customers.

---

267 *Id*.

268 *Id*.

269 DII Initial Brief, p. 13 n.33 and accompanying text.

270 CHP Policy Statement, p. 18.

271 *Id*.

Duquesne Light argues it and all other major Pennsylvania electric distribution companies do *not* treat back-up service as a separate customer class because those customers are members of a general service customer class determined by reference to their overall peak loads. Duquesne Light asserts making reference to the overall peak loads is the theoretically correct way to assign a customer to a class.[272] The Company insists any misalignment between the cost of back-up distribution service and the rates for back-up distribution service produces subsidies that remain in, and are paid by, the members of those general-service classes and are not spread across the entire customer base. Treating back-up service customers as a separate class, however, would shift the revenue-requirement not recovered from back-up service customers to all other customer classes, including residential and small commercial customers which is another reason that weighs against treating back-up service customers as a separate class.

Duquesne Light criticizes DII's citation to an unpublished decision of the Rhode Island Public Utilities Commission[273] accepting a settlement providing the Distribution Charge per kW for Retail Delivery Service would be "$5.22 per kW, multiplied by a factor of 10%, representing the likelihood that, on average, an outage of an individual customer's generator will occur coincident with the Company's distribution system peak demand approximately 10% of the time." Duquesne Light points out this decision accepted a settlement and also notes the 10% multiplier reflected an "*estimated* coincidence factor."[274] The Order cited committed National Grid to "examine the accuracy of this assumption and propose a tariff revision if in fact it determined this assumption was not entirely accurate."[275] Additionally, the Company points out the Rhodes Island Order provides that, if National Grid determined that the assumed "coincidence factor" was inaccurate, it could recover "any lost revenue resulting from the inaccuracy . . . through the revenue decoupling mechanism" that was already in place for National Grid.[276] In short, Duquesne Light argues the assumed 10% coincidence factor was a

---

272 DLC Statement No. 14-R, pp. 31-32.

273 *Narragansett Electric Company d/b/a National Grid's Petition for Review of the Use of Back-Up Rates*, Docket No. 4232 (July 12, 2013) ("*National Grid*"). See DII Initial Brief, pp. 37-38 and n.122.

274 *National Grid*, slip op., p. 6 (emphasis added).

275 *National Grid*, slip. op., p. 8.

276 *Id*.

placeholder, and National Grid was permitted to reconcile the revenues recovered in its back-up rates with the actual performance of its standby customers' generators.[277] Clearly, the *National Grid* decision was subject to conditions and qualifications that do not make it the kind of clear delineation of standby rate design that DII claims it is.

Duquesne Light points out that DII criticizes Rider No. 16 for not distinguishing between "maintenance" outages, which DII claims can always be "planned," and "unplanned" (or "forced") outages.[278] Duquesne Light asserts DII's arguments are wrong because it ignores the fundamental difference between generation service and distribution service. DII's error is highlighted by the Brubaker/RAP Study, which DII has relied upon as an authoritative source. The Brubaker/RAP Study concluded that in states where generation has been "unbundled" and customers can purchase generation at market-based prices, there is no valid basis for charging different rates for distribution service provided during "back-up" and "maintenance" outages:

> Under Schedule OAD-SBS, the customer purchases maintenance power not from Ohio Power Company [the incumbent electric distribution company] but through a third-party supplier. This largely eliminates the utility cost savings that could be realized by scheduling maintenance power during off-peak periods. For this reason, the study assumes that the charges for back-up and maintenance distribution service would be identical under this schedule.[279]

The Company argues all of the benefit that DII claims would accrue from scheduling maintenance outages during "off-peak" periods are generation-related and do not impact the cost of providing distribution service. Duquesne Light asserts as the EDC it must meet a back-up service customer's peak demand whenever it occurs and irrespective of whether it is caused by planned or unplanned outages of the customer's generator. There is no difference in the cost to the public utility if some of the customer's generator outages occur off-peak. The

---

277 *Id*.

278 DII Initial Brief, pp. 47-48.

279 Brubaker/RAP Study, p. 34.

electric utility must reserve sufficient distribution system capacity to meet the customer's peak demand whenever it occurs. Unplanned outages of customers' generators can – and do – occur during on-peak periods, and the customer's peak demand during unplanned outages establishes the level of distribution capacity that must be reserved for back-up distribution service. The fact that "maintenance" outages may be "planned" for off-peak periods does not reduce the level of distribution capacity that must be reserved to meet unplanned, randomly-occurring demands the customer will experience when its generator has a "forced" outage (including during on-peak periods). The Company must, therefore, have distribution capacity available at all times to furnish back-up distribution service whenever outages occur, whether they are planned or unplanned.

Duquesne Light argues the extensive evidentiary record in this case fully supports leaving the current Tariff Rider No. 16 rate in place, as the Company has proposed and as all parties other than certain members of DII either support or do not oppose. The record evidence shows that the current Tariff Rider No. 16, together with the valuable option Duquesne Light provides for customer-generators to remain on their general service rate schedule without electing Rider No. 16, provides significant savings to customers with on-site generation.[280] Accordingly, Duquesne Light requests the Commission approve the existing rate and reject DII's proposal to exempt customers on Tariff Rider No. 16 from paying over 95% of the fully allocated cost of the distribution.

B. DII's Position

DII requests the Commission order DLC to: (1) establish a Rider No. 16 back-up rate based on a 5% load factor, at approximately $0.352 cents per kW; (2) establish a distinct Maintenance Rate for planned outages at $0.235 cents per kW; and (3) ensure that Rider No. 16 costs are determined based on an accurate analysis of distributed generation characteristics of non-coincidental outages in future rate proceedings. DII points out that DLC is asking the Commission to: (1) approve the existing rate of $2.50 per kW for back-up service *and* not

[280] DLC Initial Brief, pp. 14-15.

differentiate unplanned outages from planned outages requiring maintenance service; and (2) maintain all terms and conditions in Rider No. 16's current language.

DII avers it demonstrated DLC's proposal to keep the Rider No. 16 rate at $2.50 per KW is not based on the true cost to serve Rider No. 16 customers. The existing Rider No. 16 fails to account for the broad benefits to ratepayers of distributed generation and overstates the rate for back-up service. Additionally, DLC fails to address evidence supporting a distinct rate for Maintenance Service, one of the key components of DII's proposal.

DII argues DLC provided no evidence or legal arguments to demonstrate why a $2.50 per kW back-up rate should be approved and failed to demonstrate its rate proposal of $2.50 per kW is just and reasonable. DII claims the Company failed to present any evidence or legal arguments supporting a rate of $2.50 per kW and that "very little ink is spilled actually defending the $2.50 per kW rate."

DII points out DLC appears to rely on Peoples' witness James Daniel's recommendation to support its position but then DLC fails to mention that Mr. Daniel's testimony firmly embraced the use of a 30% load factor.[281] DII also points out, based on his 30% load factor, Mr. Daniel then calculates a lower rate of $2.41 per kW for Rider No. 16. When adjusted to reflect the lowered revenue requirement settlement, the rate is $2.11 per kW.[282] In fact, DII notes Mr. Daniel actually recommended a seasonally differentiated back-up rate, coupled with a new Maintenance Power rate.[283] DLC's attempt to "appropriate" Mr. Daniel's calculation does not provide support for DLC's $2.50 rate. Instead, Mr. Daniel's testimony supports a load factor which DLC does not endorse in any manner.[284] DLC also states the DSIC

---

281 Peoples Statement No. 2-SR, p. 15:9-10 (Daniel). See Tr. at 663.

282 DII calculated this based on the information in DII Cross Exhibit 3, showing an adjusted DLC litigation position of $7.04 per kW times 30%.

283 Peoples Statement No. 2, pp. 21-22, 24-25 (Daniel); Exhibit No. JWD-5.

284 *See* DLC Initial Brief, p. 6.

"roll-in" would have added to Mr. Daniel's figure;[285] however, DSIC does not apply to Rider No. 16.[286] DII also points out Mr. Daniel supported Mr. Crist's proposed load factor of 5% upon examination of the evidence presented regarding the actual load factor of the one existing Rider No. 16 customer.[287]

DII then contends DLC also attempts to rely on Neil Fisher's "comparability" analysis regarding other Pennsylvania utilities. However, Mr. Fisher's analysis is not sufficient to carry the burden of proof regarding DLC's appropriate rates for back-up service, nor is it specific enough to enable the Commission to determine a just and reasonable rate. The Commission does not establish DLC's distribution rate for residential service by examining PPL Electric Utilities Corporation's residential rate or PECO's residential rate. Distribution rates are set for each individual utility based on that utility's costs. In addition, the CHP Policy Statement recognizes that back-up rates for *all* utilities may be obstacles to CHP development. Those obstacles will not be removed by setting comparable, but unnecessarily inflated, back-up rates. The rates must be determined based on each utility's costs, as Mr. Crist has done for DLC.

DII argues that factual evidence in support of Rider No. 16 is lacking and DLC presented no legal arguments to support $2.50 per kW as the Rider No. 16 back-up rate. DLC explained its reasons for withdrawing its proposal to more than triple its back-up rates; however, it did not provide any legal defense of $2.50 per kW as the appropriate rate.[288] DII is astounded DLC's Initial Brief did not mention the phrase "burden of proof," nor attempt to explain how the burden of proof has established the justness and reasonableness for the $2.50 per kW back-up service rate proposal. DLC did not explained why a 30% load factor is acceptable but 5% is not. DLC presented no case law or overriding justification for a $2.50 per kW rate or a 30% load

---

285 On page 6 of its Initial Brief, DLC states that the DISC "would have added 12.5 cents per kW to Mr. Daniel's figure." However, DSIC does not apply to Rider No. 16.

286 *See* DLC Tariff, Rider No. 16 (Peoples Cross-Examination Exhibit No. 1); *see also* DLC Tariff, Rider No. 22.

287 Peoples Statement No. 2, p. 15:5-8 (Daniel).

288 DLC mentioned Act 58 and the CHP workgroup as reasons for withdrawing its proposal to change back-up service rates to $8.00 per kW. DLC Initial Brief, pp. 10-11.

factor. In fact, DLC remains conceptually committed to its position that no load factor should be included in the calculation of back-up service rates.[289]

DII asserts and explains in its Brief that the burden of proof rests with DLC to justify its proposal.[290] DII avers it presented credible and persuasive evidence that the existing rate of $2.50 per kW is unjust, unreasonable, and excessive. DII notes, in contrast, DLC presented no responsive evidence or legal argument to rebut DII's claims, except its misguided assertions that distributed generation customers should pay a rate based on a 100% load factor. DII argues DLC's positions must be rejected.

DII argues the base rate proceeding is the appropriate time and context for the Commission to address back-up rates, contrary to DLC which cited to the upcoming CHP working group session as a reason to withdraw its proposal for an $8.00 per kW back-up service rate.[291] However, the Commission has said issues connected to back-up rates should be addressed in base rate cases.[292] The working group should not be used as a reason to delay a decision on back-up rate design when its primary function is informational.[293] DII contends this base rate proceeding is an ideal opportunity for the Commission to address critical questions raised during the Commission's recent CHP proceeding. Real CHP projects may hang in the balance, not to mention general guidance for other utilities across Pennsylvania.[294]

DII contends any delay in adjudication wastes Commission and party resources especially since a complete record already exists in this proceeding and the CHP Policy Statement is in effect. Nowhere did the Commission indicate that utilities should wait until the

---

289 *See, e.g.,* DLC Initial Brief, p. 21.

290 DII Brief, pp. 28-33.

291 DLC Initial Brief, pp. 10-11.

292 CHP Policy Statement Order, p. 9.

293 CHP Policy Statement Order, pp. 9-10 (authorizing the CHP working group).

294 *See* DII Statement No. 2-S, p. 6 (Heller).

conclusion of the working group before proposing rates or implementing procedures consistent with the CHP Policy Statement. Nor did it indicate that other interested parties would be forced to wait for adjudication of these issues. DII respectfully requests the Commission evaluate the voluminous evidence in this proceeding and render a decision accordingly.

DII notes its members and others contemplating distributed generation projects will be adversely impacted by maintaining the "status quo." DII disagrees with DLC's implications that the University of Pittsburgh and the Allegheny County Airport Authority are not concerned by DLC's present back-up rates.[295] DII points out the University of Pittsburgh has never undertaken a project with a payback period as long as is projected under current DLC rates[296] and it is very possible, if not likely, that the university will not proceed with its CHP project under current rates. Since 2013, when DLC decreased the Rider No. 16 rate, there has been no new CHP project development at the $2.50 per kW rate.[297] The Commission's Policy Statement goal of CHP development will not be achieved if the status quo is maintained.

To further throw cold water on CHP prospects, entities like the university and the airport authority, Robert Morris University, and others are now aware DLC may attempt to triple its back-up rates in a future proceeding.[298] This attempt seems particularly likely in light of DLC's continuing defense of its litigation position in this proceeding.[299] DII questions why any customer would make a significant investment into CHP when it is clear DLC will try again to dramatically increase back-up rates in the next rate case.

DII also points out that DLC materially misstates the terms of its Memorandum of Understanding (MOU) with Duquesne University, the only existing Rider No. 16 customer. DLC gives the misleading impression Duquesne University is no longer supporting lower

---

295 DLC Initial Brief, Appendix A, p. 6.

296 DII Statement No. 2-S, p. 6 (Heller).

297 Tr. at 664:1-11 (Daniel).

298 Public Input Hearing Transcript (June 14, 2018), p. 103:12-17.

299 *See, e.g.,* DLC Initial Brief, p. 21.

rates.[300] However, the MOU explicitly acknowledges Duquesne University will continue litigation as a member of DII and will be able to benefit if the litigation result is a rate below $2.50 per kW.[301]

In contrast, DII contends its proposed Rider No. 16 rate absolutely will create a more conducive economic climate for CHP development. Without a definitive decision by the Commission in this proceeding, investment in DLC's territory will almost certainly be chilled, as potential Rider No. 16 customers are aware that they could face severe rate hikes in the future. The Commission must forcefully reject DLC's assertions that back-up rates should reflect a 100% load factor and adopt DII's properly calculated back-up rate.

DII argues DLC is wrong to assume all self-generating customers should be charged for back-up service as if they are using the distribution system 100% of the hours of the year.[302] DLC argues "the customer's use of on-site generation to meet a portion of its load does not reduce the utility's cost to furnish distribution service to that customer, as long as the utility has the obligation to serve the customer's peak demand at any time it may occur."[303] DII counters, however, these assertions are misleading and not reflective of the reality of how peak loads are calculated by DLC and almost all electric distribution utilities. As Mr. Gorman admitted, developing rates based on non-coincident peaks is almost universal in utility ratemaking.[304] Despite its own witness' testimony, DLC repeatedly frames its evaluation of costs for Rider No. 16 on an individual customer basis, as if an individual customer's peak is the appropriate basis of calculating rates. DII argues DLC's approach is flawed and the problems with its approach are addressed below.

---

300 DLC Initial Brief, pp. 11-12 (stating that "the MOU is now congruent with the position of the Company and all other parties, except certain DII members, regarding Rider No. 16," and "the one customer electing to receive service under Rider No. 16 [Duquesne University] … support[s] the current rate").

301 DLC Statement No. 1-R, Exhibit CJD-1-R (Memorandum of Understanding) (Davis).

302 DLC Initial Brief, p. 19.

303 DLC Initial Brief, pp. 15, 20 (quoting DLC Statement No. 16-R, pp. 17-18 (Fisher)).

304 Tr. at 333:2-5.

DLC proposes a very distinct cost allocation and rate methodology for one particular customer type, and this approach is unduly discriminatory. Mr. Gorman stated "peak demand, and therefore the capacity of the equipment installed, drives costs; the frequency with which the system is used has almost nothing to do with costs for those customers."[305] However, this treatment is not consistent with how most costs are allocated in the cost of service study. As Mr. Gorman explained, virtually all ratemakers, including Pennsylvania ratemakers, allocate distribution costs using non-coincident peaks (NCP).[306] This approach inherently involves evaluation not only the mere total of every customer's peak, but also includes looking at the class peak.

DII argues this approach ensures each class gets the benefits of load diversity, which Mr. Gorman described as follows:

> Within a class, not all customers will have the same peak. So if we add up the peaks for all the customers in the class, then that would be X. But if we looked at the instant where the class as a whole was drawing the greatest demand on the system, that would be less than X, because while some customers might be hitting their peak at that time and probably a good portion of them are, not all of them will. So the NCP will always be less than the sum of the class peaks.[307]

DII claims DLC, by advocating for the 100% model, is supporting a Sum of the Class Peaks (SCP) methodology used in New York, which sums the individual customer peaks and does not account for diversity in the class.[308] DII argues the NCP methodology, not the SCP methodology, is standard in Pennsylvania.[309] Further, DLC's argument that distribution costs are "fixed" applies to all customers in all classes – not just to those with distributed generation, yet,

---

305 DLC Statement No. 14-R, p. 27:6-8 (Gorman).

306 Tr. at 333:2-5.

307 Tr. at 342:4-11 (emphasis added).

308 Tr. at 333-34.

309 Tr. at 333-34.

DLC now proposes a very distinct cost allocation and rate methodology for just this particular customer class. For those without distributed generation, DLC calculates charges based on each customer's actual monthly peak.[310] For Rider No. 16 customers, however, DLC seeks to calculate costs on their highest *possible* peak for the year.[311] This approach is unduly discriminatory, in violation of Section 1304 of the Public Utility Code.[312]

DII argues the Pennsylvania Code provides clear language directing the cost allocation for back-up rates and mandates that such back-up rate customers not be charged as though they used back-up power consistently throughout the month; instead, it directs that the "fixed costs shall be prorated over the actual days in a billing period during which back-up power is consumed by the qualifying facility."[313] Mr. Crist does exactly this proration when applying the load factor of 5% to the amount determined in Mr. Gorman's allocated cost of service study. DLC's proposal is flawed because it assumes distributed generation facilities use service at their maximum possible demand daily and throughout the month. Self-generators do NOT use all the distribution system daily and can share the distribution system among a group of self-generators. Even though any one self-generator "could" go down at any time, all self-generators will not go down at the same time and rates should not be designed and calculated as if they would. The costs should be allocated accordingly using the 5% load factor proposed by Mr. Crist.

DII argues that, although Mr. Crist accepted Mr. Gorman's exhibit as the starting point for the development of his proposal, he clearly maintained the need for a load factor or diversity adjustment to reflect the cost to serve distributed generation customers. DII claims DLC's argument is "ludicrous" when it tries to show that Mr. Crist's use of Mr. Gorman's cost of service study demonstrates Mr. Crist agrees the $8.00 per kW rate is the true cost of service.[314]

---

310 Tr. at 332:15-19 (Gorman).

311 *See* DLC Tariff, Rider No. 16 (Peoples Cross-Examination Exhibit No. 1); *see also* DLC Statement No. 14-R, pp. 27-30 (Gorman).

312 66 Pa.C.S. § 1304.

313 52 Pa.Code § 57.35(c).

314 DLC Initial Brief, pp. 17, 25-27; DLC Findings of Fact, ¶ 8.

Mr. Crist explained he accepted the study and exhibit as a "starting point,"[315] but then incorporated an appropriate load factor adjustment based on the actual performance of Rider No. 16 customers. Mr. Crist clearly stated on cross-examination that Mr. Gorman's "classes don't properly allocate the costs to cogenerators or CHP customers."[316] The record is clear regarding DII's position on the "true" and accurate cost of service for back-up rates.

Equally ludicrous to DII is Duquesne Light's claims Mr. Crist has changed positions, first arguing that customer-generators have high availability, then that they were not so reliable after all.[317] These claims are not-so-clever wordsmithing to DII. DII argues DLC cannot point to a real contradiction. Mr. Crist steadfastly maintained the availability analysis presented in written testimony and supported at hearing. Mr. Crist's statement referring to the Peoples Gas case as "absolutely not a realistic case" was referring to the zero-outage projection during peak hours – *not* to the 95% overall availability, which he has consistently defended.[318] The so-called zero-outage assumption is unrealistic because unexpected outages can occur at any time, by definition. Mr. Crist's testimony has been consistent.

DII also contends there is no contradiction between a distributed generation system that is reliable yet one that needs to rely on the distribution system on occasion and at unpredictable times. DLC attempts to debate whether a Rider No. 16 customer who uses the distribution system 2.5% of the time should pay the same as a customer that uses the distribution system 100% of the time. Furthermore, DLC's reliance on Mr. Gorman's rebuttal table does not support its misplaced belief that the existing Rider No. 16 customer experienced annual and monthly peaks equivalent to the loss of its entire back-up generation services of 5 MW that were coincident with the Rate GL class.[319]

---

315 Tr. at 595.

316 Tr. at 607.

317 DLC Initial Brief, pp. 17, 26-27; DLC Findings of Fact, ¶ 83; *see also* DLC Initial Brief, p. 28 (stating that "Mr. Crist abandoned his earlier theory" regarding reliability).

318 DLC Initial Brief, p. 21 (citing Tr. at 619:8-9).

319 *See* DLC Initial Brief, p. 22.

DLC attempts to use the table on page 29 of Mr. Gorman's Rebuttal Testimony to support its proposal. This table, which is confidential, lists the NCP for the GL customer class for each month in 2016. It also lists the usage and time of the Rider No. 16 customer peak for each month, and the Rate GL load coincident with the Rider No. 16 peak. DLC claims this table shows the existing Rider No. 16 customer has used back-up service "near" the Class GL peaks.[320]

DII counters the entire analysis is invalid because the table makes no distinction between unplanned back-up and planned maintenance. Thus, it is unknown why the generator may have been unavailable.[321] If DLC's Rider No. 16 differentiated between back-up service and Maintenance Service – as it should – a customer like Duquesne University would negotiate its downtimes for maintenance to ensure they were not during anticipated peaks.

DLC argues that the Rider No. 16 customer must pay a monthly reservation charge for the system to be available at all times because the customer may use Rider No. 16 backup service near the time that the rate schedule peaks. However, cost allocations look at the class coincident peak, not "close to" the coincident peak.[322] To apply a "close to" approach to one customer is unduly discriminatory when the remainder of the customers are evaluated based on their monthly peak usage, regardless of whether it occurs coincident with the class peak. As shown on the table, the current Rider No. 16 customer is far below its annual peak in most months when the Rate GL class peaks. There was only one month where the Rider No. 16 customer peak occurred coincident with the Rate GL peak, and *eleven* months where it did not. There are simply too many flaws and inconsistencies in the table for it to form persuasive

---

320 DLC Statement No. 14-R, pp. 29:4 – 30:20 (Gorman).

321 DII Statement No. 1-S, pp. 12-13 ("Since the existing Rider No. 16 does not differentiate between the need for back-up service in situations where there is a self-generation system failure and maintenance service, which can be scheduled at the Company's convenience in off-peak periods, there was no reason for the customer to be concerned about the availability or non-availability of their generation system. This is a problem with the current and proposed Rider No. 16 . . . and can be remedied by clearly defining back-up service and maintenance service, and by establishing different rates for each.").

322 Tr. at 332:15-19 (Gorman).

evidence supporting the $2.50 per kW rate. DLC should not evaluate Rider No. 16 costs in a different or discriminatory manner from other customers.

DII also argues the terms of Rider No. 16 itself prevent the customer's reliance on the distribution system 100% of the time. DII contends if one sets aside the availability history of DLC's Rider No. 16 one and only customer, *Rider No. 16 itself* is built with a 15% back-up limitation that prevents Rider No. 16 rates from applying more than 15% hours of the year.[323] DLC repeatedly says the Rider No. 16 customers must pay to reserve the system 100% of the hours in the year, however, given this restriction, it is inappropriate for DLC to charge Rider No. 16 customers for 100% of system use.

DII also notes it was DLC that inserted the "load factor" term to define the adjustment in the 2013 case. DLC attempts to confuse the Commission regarding the description of Mr. Crist's adjustment as a "load factor."[324] Mr. Crist explained repeatedly during cross-examination that "[w]hen we talk about these load factors or capacity factors or allocation factors of how we're going to look at the $8.00 per kW and determine what's appropriate for a cogenerator, I'm using load factor because that's the percentage of the time that they're actually on the system."[325] In fact, DLC's witness in 2013 introduced the term "load factor."[326] DLC endorsed the concept it is now attempting to reject – namely, that partial use customers, who only use the distribution system a small fraction of the time, should not pay as if they relied on the distribution system 100% of the time.[327] Mr. Crist has been crystal clear in his explanations of this topic. DLC's attempt to deflect attention from its woefully inadequate evidentiary presentation to support its original proposal, or its revised $2.50 per kW, should be rejected.

---

323 Tr. at 433:7 – 444:23 (Fisher).

324 DLC Initial Brief, p. 7.

325 Tr. at 598:10-14; *see also* Tr. at 597:19-20 ("Load factor would be the kilowatt-hours divided by the kilowatt peak times the hours in the month.").

326 Tr. at 597:6-7 ("[applying the concept of a load factor to a generator] is the same concept Bill Frommer (ph.) applied in 2013") (Crist); *see also* Exhibit No. JC-6 (Pfrommer 2013 Testimony), p. 19:30 – 20:2.

327 DII Exhibit No. JC-6 (Pfrommer 2013 Testimony).

DII points out Mr. Crist's calculation of the back-up rate is well-established and supported by substantial record evidence. DLC attempts to manufacture internal inconsistencies in Mr. Crist's testimony; however, Mr. Crist's testimony has been consistent. DLC makes the remarkable claim that there is "no valid basis" for Mr. Crist's proposed back-up service rate, when, in fact, voluminous evidence has been presented in this proceeding to justify that rate.[328]

In addition, DII claims that billing Rider No. 16 customers for back-up service on an as-used basis is appropriate and consistent with current practice. There is no double benefit or double mistake of Mr. Crist's position by both rejecting a contract demand and applying a load factor in the rate calculation, as DLC claims.[329] The current Rider No. 16 customer was billed based on "as used" back-up rate, rather than as a monthly reservation charge.[330] DLC's non-Rider No. 16 customers with a demand charge are also charged on an as-used basis each month, subject to certain minimum bill provisions.[331] As-used charges encourage Rider No. 16 customers to maintain their generation to avoid needing back-up during each month.[332] Viewed as a group, self-generating customers will have a completely different need for, and use of, the distribution system than comparable customers that do not self-generate. As-used rates that also account for the class's actual use of the system (load factor) are entirely appropriate.

DII contends the factors used by Mr. Crist to develop a 5% load factor are reasonable and sound while DLC expressed it is "difficult to discern what Mr. Crist's 5% factor actually represents."[333] DII avers this statement from DLC is odd coming from an entity charged with developing rates and suggests perhaps DLC is confused because its witnesses believe the

---

328 DLC Initial Brief, p. 25.

329 DLC Initial Brief, p. 8 (stating that Mr. Crist "compounded his error by adjusting for the frequency of use *twice"*).

330 DII Brief, p. 48 (stating "DII has conclusively established that the charge for back-up service should apply to "as used" service rather than as a monthly reservation charge").

331 Rate HVPS customers are charged a fixed monthly rate because of the unique service configuration which includes only a meter and a service drop, with no use of the primary or secondary distribution facilities.

332 DII Brief, p. 49.

333 DLC Initial Brief, p. 25.

30% load factor used by the Company in the last rate case was just adopted to produce an end resulting rate.[334]

DII insists Mr. Crist utilizes substantial amounts of data to develop the 5% load factor. Primarily, he relies on (1) historic availability of the Rider No. 16 customer (Duquesne University), (2) projections of availability of a potential future Rider No. 16 customer (Pitt),[335] and (3) industry norms.[336] Proceedings in other states support Mr. Crist's approach as reasonable. As highlighted on brief by DII, the use of a load factor is common in other states.[337] In these cases, the apparent question was not *if* a load factor should be applied, but *what* the load factor should be. Historical availability and other factors were relied on by the state utility commissions in these proceedings. DLC criticizes Mr. Crist's analysis as confusing but offers no alternative, yet in contrast, Mr. Crist's approach is reasonable, consistent, and thorough.

DII denies Mr. Crist's proposal is a "discount" and insists his proposal is a proper cost-based rate, and the characterization is improper.[338] DII contends DLC's argument that Rider No. 16 customers should not pay less for "essentially the same level of distribution service the Company furnishes full-requirements distribution service customers,"[339] exposes DLC's

---

334 Tr. at 411:25 – 412:2 (Ogden).

335 DII Exhibit No. RH-1S. The generator manufacturer for Peoples' planned CHP system has similar availability projections. *See* Tr. at 634:12-13 (Nehr).

336 *See e.g.,* Peoples Statement No. 4, Exhibit JRK-1 (Appendix B: 5 Lakes Energy Standby Rate Analysis) (Kefer).

337 Order No. 21097, *Re Narragansett Electric Company dba National Grid*, Docket No. 4232 (Jul. 12, 2013), *available at* http://www.ripuc.org/eventsactions/docket/4232-NGrid-Ord21097_7-12-13.pdf; Order, *In the Matter of the Application of DTE Electric Company For Authority to Increase Its Rates*, Michigan Public Service Commission Docket No. U-18255, 2018 Mich. PSC LEXIS 122 (Order dated April 18, 2018); Order, *In the Matter of the Application of Consumers Energy Company For Authority to Increase its Rates*, Michigan Public Service Commission Docket No. U-18322, 2018 Mich. PSC LEXIS 70 (Order dated March 29, 2018); Order Approving Solar PV Demand Credit Rider With Modifications and Standby Service Rider, *In the Matter of a Commission Inquiry Into Standby Service Tariffs*, Docket No. E-999/CI-15-115, 2018 Minn. PUC LEXIS 139 (Minnesota PUC April 20, 2018); Reply Comments of Midwest Cogeneration Association and Fresh Energy, *In the Matter of a Commission Inquiry Into Standby Service Tariffs*, Minnesota PUC Docket No. E-999/CI-15-115 (Dec. 21, 2017).

338 DLC Initial Brief, pp. 17, 25.

339 DLC Initial Brief, p. 17.

fundamental error. DLC takes a myopic view by looking at one customer at a time and assigns an *individual* peak to Rider No. 16 customers, rather than viewing their *actual* contribution to the system peak and usage of the distribution system.[340] As addressed above, this view and method are not how distribution rates are established for all other customers. DII points out that, as clearly established by Mr. Gorman, rates are not developed by adding every user's individual peak, but by evaluating the non-coincident peak of a class.[341] It is self-evident that a class of CHP systems, averaging 5% downtime each, will have a dramatically lower class peak than if that same load relied on the distribution system 100% of the time. Mr. Crist's calculation is a proper cost-based rate for back-up service, and DLC's protestation to the contrary are misguided and should be summarily dismissed.

DII avers back-up service has unique characteristics that warrant evaluation as a separate class, and DLC's argument that back-up service does not constitute a separate rate class and should not be treated as such for cost-allocation purposes is unjustified.[342] The practice of other utilities does not support DLC's refusal to study Rider No. 16 customers as a class. The fact that back-up rates can be a barrier to the development of distributed generation was recognized in the CHP Policy Statement Order.[343] This Order implies there is something wrong with many existing back-up rates or rate structures in Pennsylvania and, in light of the expansion of distributed generation, utilities and consumers must revisit back-up rate provisions to ensure cost-of-service principles are upheld. DII's analysis established appropriate, just, and reasonable back-up rates for DLC. After this proceeding, other utilities may be required to revise their calculation methodologies to be consistent with this result.

DII contends "total peak demand" is not the sole factor determining customer classifications. DII points out that DLC opined, "Customers are placed into appropriate general

340 DLC Initial Brief, pp. 20-21, 23.

341 Tr. at 332:15-19; 370:24-25.

342 DLC Initial Brief, p. 34.

343 CHP Policy Statement Order, p. 3.

service customer classes based on their 'total peak demand.'"[344] However, DII conjectures DLC must presumably mean that customers are placed into general service customer classes based on individual peak demand, because a class peak cannot be totaled until the class is first categorized or defined. Regardless, DII finds DLC's statement to be incomplete. Mr. Gorman indicated he could create a separate class for Rider No. 16 customers, if requested.[345] In lieu of this, Mr. Crist's methodology should apply to back-up service rates.

DII agrees with DLC's stated goal of reaching cost of service – which is exactly why DII recommends that Rider No. 16 customers be studied as a class. DII finds DLC's use of this quote to be ironic: "dividing the customer base into separate classes based on whether a customer does, or does not, receive back-up service would produce anomalous results because it ignores the most fundamental element of sound cost-allocation, namely, cost-causation."[346] DII is requesting a *cost of service study* treating Rider No. 16 participants as a class precisely for the purpose of determining cost-causation. DII cites to cross-examination of Mr. Crist who said:

> Then there won't be any subsidization. If you do the right cost of service study, so we're looking at what are the costs that get allocated among cogenerators or distributed generators, and assign the appropriate amount of cost to that group, and then allocate it out to that group, you're not going to have cross-class subsidies. Right now, we've got the distributed generation customers under the Rider No. 16 that's proposed, if they pay that amount, they're going to be subsidizing all the GL or Rate L customers, because those costs are much more of a system allocation than that distributed generation customer group actually should be allocated.[347]

Utilities place customers in classes based on different types, needs, and usage profiles. DII is simply proposing, as a critical mass of Rider No. 16 customers develops, they should be studied as a class. They should bear the appropriate costs of the distribution system

---

344 DLC Initial Brief, p. 34.

345 Tr. at 356.

346 DLC Initial Brief, p. 35 (referencing DLC Statement No. 14).

347 Tr. at 613:6-21.

based on the results of such a study that appropriately reflects the non-coincident nature of the individual customers' reliance on back-up service.

DII disagrees with DLC that unbundling has eliminated the authority of the Public Utilities Regulatory Policies Act (PURPA)[348] over distribution rates. DLC contends the rate design criteria in PURPA regulations, cited by Mr. Crist, do not apply to electric distribution service,[349] because the "unbundling" process rendered PURPA meaningless in the design of back-up distribution rates.[350] However, DII claims DLC's arguments are inconsistent with its own tariff, with PURPA regulations, and with PUC regulations.

DII claims Rider No. 16 – a distribution service – expressly applies to PURPA Qualifying Facilities. Rider No. 16 language expressly states that Rider No. 16 is applicable to (but not limited to) Qualifying Facilities under PURPA. Rider No. 16 "applies to non-utility generating facilities including, but not limited to cogeneration and small power production facilities that are qualified in accord with Part 292 of Chapter I, Title 18, Code of Federal Regulations (qualifying facility)."[351] DII finds this connection to PURPA is instructive. Although unbundling occurred many years ago for Pennsylvania utilities, DLC and the Commission have never removed this explicit connection between Rider No. 16 and PURPA. If DLC was not required to provide PURPA-compliant distribution service to Qualifying Facilities, it would not need to retain this language.

DII claims the term "capacity" is used for transmission and distribution service in PUC regulations, PURPA regulations, DLC's Rider No. 16, and even DLC's own brief. The

---

348 16 U.S.C. § 2601, et. seq.

349 DLC argues Mr. Crist improperly relies on FERC regulations implementing PURPA. Mr. Crist has been clear in testimony that PURPA applies only to Qualified Facilities; however, he has suggested that the rate design criteria in PURPA are well-suited to non-Qualifying Facilities as well.

350 DLC Initial Brief, p. 32, fn. 125.

351 Peoples Cross-Examination Exhibit No. 1 (DLC Tariff, Rider No. 16). If DLC was concerned about differentiating between Qualifying Facilities and non-Qualifying Facilities, it could have proposed a version of Rider No. 16 for each. Contrary to DLC's statements, new projects by Pitt and ACAA may seek to qualify for Qualifying Facility status.

Pennsylvania regulation implementing PURPA, found at 52 Pa.Code § 57.35, associates "capacity" with "demand." Subsection (d) states: "A utility's rate for sales of firm maintenance power to qualifying facilities shall include energy costs and a *demand or capacity charge* required to recover the appropriate transmission plant and full distribution plant costs."[352] The "appropriate" plant costs are, of course, calculated based on the assumption that the maintenance will be prescheduled and occur at a non-peak time.[353] PURPA regulations use the term "capacity" to refer to both generation capacity and distribution capacity.[354] At the time PURPA was passed, rates were not unbundled, so "energy" meant the fuel cost (coal, nuke, natural gas) and any variable cost, and "capacity" was both the generation and delivery capacity. Now that generation has been separated from delivery, the same concepts of PURPA still apply to delivery rates.[355] In addition, DLC's Rider No. 16 defines "Contract Demand" as "the maximum electrical capacity in kilowatts that the Company shall be required by the contract to *deliver* to the customer for Back-Up Power."[356] Supplementary Power and Back-Up Power are defined as "energy and capacity." In other words, "energy and capacity" describe the distribution service. Finally, even in DLC's own brief, the term "capacity" is used to refer to distribution service.[357] In light of how the term "capacity" is used, the phrase "energy and capacity" incorporates distribution service. Accordingly, DII asserts 18 CFR § 292.305 remains applicable to Rider No. 16.

DII argues that, even if "interconnection costs" included ongoing distribution rates, those rates must be established on a nondiscriminatory basis. DLC's argument that PURPA addresses distribution rates through "interconnection costs" is without basis.

---

352 52 Pa.Code § 57.35(d) (emphasis added).

353 *Id.*

354 *See, e.g.,* 18 CFR § 292.305.

355 DII Statement No 1., pp. 16-22; *see also* Peoples Statement No. 2, p. 19 (Daniel).

356 Peoples Cross-Examination, Exhibit No. 1 (DLC Tariff, Rider No. 16).

357 *See* DLC Initial Brief, p. 20. DLC also attempts to muddy the waters regarding PURPA terminology, arguing that the term "Power" in PURPA does not include distribution service. However, even Rider No. 16, which is a distribution service, discusses Supplementary "Power" and Back-Up "Power" in the context of distribution service.

"Interconnection costs" include system configuration changes to connect a generation facility to the distribution system. It does not include ongoing distribution rates.[358] Even if "interconnection costs" did include ongoing distribution rates, those rates must be established on a "nondiscriminatory basis with respect to other customers with similar load characteristics."[359] This discrimination is not limited to Qualifying Facilities verses non-Qualifying Facilities. Here, DLC's proposal is discriminatory because it makes Rider No. 16 customers pay to "reserve" capacity for 100% of the time, when similar customers without generation do not pay a fixed monthly reservation fee based on their possible maximum demand on the distribution system.

DII contends FERC's approach to Qualifying Facilities produces a just and reasonable rate for all distributed generation facilities and DLC mischaracterizes DII's argument as saying that the "Commission should simply follow FERC's lead."[360] DII avers that PURPA's approach is instructive and helpful as to non-Qualifying Facilities, and mandatory as to Qualifying Facilities. In short, PURPA's guidance produces a just and reasonable rate for all distributed generation. Recognizing that non-Qualifying Facilities are not governed by PURPA, DII is arguing that PURPA provides helpful guidance on how to best approach back-up service rates. Because DLC has not developed separate riders for non-Qualifying Facilities and Qualifying Facilities, DII expects that DLC will abide by PURPA's regulations for all Rider No. 16 customers.

DLC fails to address DII's proposal for Maintenance Service, distinct from DLC's back-up service. Throughout this proceeding, DII has maintained the need for a Maintenance Service rate distinct from the Company's back-up service rate.[361] DII explained the important function of planned maintenance rates which: (a) provide a clear view of distributed generation

---

358 *See* definition in DLC's Rider No. 16; it does not involve ongoing distribution rates. Peoples Cross-Examination, Exhibit No. 1 (DLC Tariff, Rider No. 16).

359 *See* DLC Initial Brief, pp. 32-33 (quoting 18 CFR § 292.306(a)).

360 DLC Initial Brief, p. 31.

361 DII Statement No. 1, p. 26 (Crist); DII Brief, pp. 1, 50, 55.

system reliability, (b) encourage appropriate maintenance and therefore support reliability, and (c) generally do not affect distribution system peaks due to being planned for off-peak periods.[362] Under Pennsylvania regulations, Maintenance Service for Qualifying Facilities must be at an appropriate rate to cover costs.[363] The regulations clearly indicate Maintenance Service should be less than the standard rate for distribution service, while requiring "full charge" for Maintenance Service that gets scheduled during a utility's peak hours.[364] In other words, the regulations recognize the value and reduced cost of Maintenance Service. DLC's Rider No. 16 fails to comply with both Federal regulation (18 CFR § 292.305) and the Pennsylvania Code (52 Pa.Code § 57.35). Both regulations have the same requirement that maintenance power be offered and that such rates take into account the extent to which scheduled outages can be usefully coordinated with the utility or its non-peak periods.[365]

DII points out that the CHP Policy Statement recognizes the central role of back-up rates and encourages parties to address those issues in rate cases. DII contends DLC's attempt to explain its reasons for withdrawing its proposal for a 220% increase in back-up rates were hollow reasons.[366] Mainly, DLC cites to the emergence of the working group established by the Commission in conjunction with the CHP Policy Statement and the passage of Act 58 of 2018 on Alternative Ratemaking.[367] However, DII points out that: (1) DLC ignored the existing guidance from the CHP Policy Statement throughout this case; and (2) neither the working group

---

362 DII Statement No. 1-S, pp. 12-13 (Crist); DII Statement No. 1, p. 26 (Crist); 52 Pa.Code § 57.35(d).

363 52 Pa.Code § 57.35(d).

364 52 Pa.Code § 57.35(d) states:

> A utility's rate for sales of firm maintenance power to qualifying facilities shall include energy costs and a demand or capacity charge required to recover the appropriate transmission plant and full distribution plant costs. When the scheduled outages of a qualifying facility cannot be scheduled during other than utility peak periods, the demand or capacity charge shall be the full charge stated in the utility's filed tariff under which the qualifying facility receives this service.

365 18 CFR § 292.305.

366 DLC Initial Brief, pp. 10-13.

367 DLC Initial Brief, pp. 10-11; *Id.*, Appendix A.

nor Act 58 are likely to change DLC's opinion that it must charge Rider No. 16 customers as if they use the capacity "reserved" for back-up service 100% of the time.

First, DII claims DLC ignored the existing guidance from the CHP Policy Statement which was published early in this proceeding but long before the deadline for Rebuttal or Surrebuttal Testimony. Witnesses for DII and Peoples included extensive discussions of the CHP Policy Statement in prepared Direct Testimony, which was distributed in late June 2018.[368] DLC had an opportunity to incorporate the CHP Policy Statement into its position in Rebuttal Testimony but did not. DII points to a portion of cross-examination of a DLC witness who was asked if the Company considered the Policy Statement in developing its proposal.

> Q. Were there any strategic discussions regarding how Duquesne Light should react to the policy statement with respect to the back-up rate?
> A. Not that I was involved in.
>
> Q. Were you aware of any?
> A. I was not.
>
> Q. Is it fair to say that in developing the back-up rate, you did not take the Commission's concern about standby rates into consideration?
> A. No. For one, the policy statement, I believe, came out after we had filed our initial case.[369]

DII asserts that, even though the Company filed its rate case before the CHP Policy Statement was published, the Company was aware of the Commission's concerns about back-up rates in advance of the release of the CHP Policy Statement[370] because DLC filed

---

368 DII Statement No. 1, p. 24 (Crist); Peoples Statement No. 2, pp. 7, 15-17 (Daniel).

369 Tr. at 418:10-20.

370 Mr. Ogden was not personally aware of the Tentative CHP Policy Statement. Tr. at 418:24 – 419:1. However, Mr. Davis was asked about the Company's awareness of the Commission's concerns about back-up rates:

> Q. And the company was aware at the time that the Commission was in the process of issuing a policy statement and that as part of that policy-making process, that the Commission had expressed concerns about backup rates?
>
> A. Yes, I am aware of that.

comments in the same proceeding. However, DLC failed to meaningfully incorporate the Commission's policy into its rate case at any juncture, even when given the opportunity. Its belated concern for the CHP Policy Statement should be viewed skeptically.

Second, DII points out neither the working group nor Act 58 are likely to change DLC's opinion that it must charge Rider No. 16 customers as if they use the capacity "reserved" for back-up service 100% of the time. While high back-up rates have already been raised as a concern in the working group, the working group's initial designated role was to develop a transparent process and gather information as mandated by the Commission's new biennial reporting requirement for EDCs.[371] The working group has turned its attention to standby rates and will issue a report to the PUC; however, there is no definitive anticipation that the report will result in an order for EDCs to immediately comply. DLC's brief in this proceeding clearly demonstrates the Company's intention to revert to its litigation position, arguing for the imposition of higher back-up rates during the working group and in subsequent cases.
In the CHP Policy Statement and elsewhere, the Commission has recognized the central role of back-up rates.[372] The Commission encouraged parties to address issues related to back-up rates in rate cases.[373] This case is the opportune time for the Commission to rule on a substantial question of utility ratemaking – a question that is likely to impact numerous potential projects in the Pittsburgh region. These projects would help defend against rising threats to the grid, supporting DLC in its mandate to provide safe, reliable service.[374] They would support manufacturing in southwestern Pennsylvania, reduce environmental impact, and help maintain order and calm in a grid emergency.[375] Entities considering this kind of investment deserve to

---

371 CHP Policy Statement Order, pp. 9-10; Meeting Summary (July 16, 2018), *CHP Working Group*, available at http://www.puc.state.pa.us/Electric/pdf/CHPWG/CHPWG_Meeting-Summary_071618.pdf (last visited Sept. 14, 2018).

372 CHP Policy Statement Order, p. 3; Proposed Policy Statement Order, *Fixed Utility Distribution Rates Policy Statement*, Docket No. M-2015-2518893 (Order entered May 23, 2018), pp. 19, 27.

373 CHP Policy Statement Order, p. 9.

374 52 Pa.Code § 69.3201(b); DII Brief, p. 1; CHP Policy Statement Order, p. 1.

375 *Id.*

understand how the Commission views back-up rate design. DLC's goal of delaying a Commission determination on back-up ratemaking is without merit.

In conclusion, DII requests the Commission order Duquesne Light Company to: (1) establish a Rider No. 16 back-up rate based on a 5% load factor, at $0.352 cents per kW; (2) establish a distinct Maintenance Rate for planned outages at $0.235 cents per kW; and (3) ensure that Rider No. 16 costs are determined based on an accurate analysis of distributed generation characteristics of non-coincidental outages in future rate proceedings.

In its Final Policy Statement on Combined Heat and Power, the Commission recognized excessive Back-up rates for distributed generation facilities can hamper the development of Combined Heat and Power ("CHP") facilities in Pennsylvania. DLC's Rider No. 16 presents this exact scenario. Back-up service rates must be calculated using a load factor or diversity adjustment (as embraced by DLC in its last rate case). The correct load factor based on the record evidence is 5%, which reflects actual historic and projected use of DLC's distribution system.

DII Exhibit No. JC-8 incorporated all of the language changes necessary to bring Rider No. 16 into compliance with regulations by (1) defining a distinct back-up service rate for unplanned outages and a distinct Maintenance Service rate for scheduled outages; and (2) using the actual measured billing demand as the billing determinate for Supplementary, Back-up, and Maintenance Service charges. The DII-revised Rider No. 16 should be accepted as the replacement for DLC's current tariff.

VIII. FINDINGS OF FACT

1. Duquesne Light Company provides electric distribution and transmission services to approximately 596,000 customers in Allegheny and Beaver Counties, Pennsylvania.

2. Duquesne Light is a "public utility" and an "electric distribution company" as defined under the Public Utility Code, *see* 66 Pa. C.S. §§ 102 and 2803, serving

customers within its certificated service territory and subject to the regulatory jurisdiction of this Commission.

3. Duquesne Light provides default service to customers that are not being served by an electric generation supplier (EGS).

4. The Company has undertaken considerable efforts to control costs, improve customer service and continue to provide highly reliable service to customers since the last base rate proceeding in 2013. (Duquesne Light St. No. 1, pp. 5-8).

5. The Company's costs of providing electric distribution service have increased in many areas due, in part, to increased investment in facilities to maintain high levels of service and reliability, increased operation and maintenance (O&M) expenses, and a sharp reduction in sales due to energy efficiency measures. (Duquesne Light St. No. 1, pp. 9-10).

6. Absent rate relief, Duquesne Light projected an overall return on rate base of approximately 5.27% for the fully projected future test year (FPFTY) which translates into a return on equity for the FPFTY of 5.83%. (See Duquesne Light St. No. 1, p. 13).

7. Absent rate relief, the Company would earn a return on equity (ROE) substantially lower than the latest ROE set forth by the Commission in its Quarterly Earnings Report for electric company distribution system improvement charges (DSIC) of 9.65%. (Duquesne Light St. No. 17, p. 1; *Report on Quarterly Earnings for March 31, 2018*, Docket No. M-2018-3003513, Appendix F, Public Meeting of August 2, 2018).

8. The Company's smart meter installations will be completed by the end of the FPFTY and the smart meter charge (SMC) revenues and assets will be rolled into the base rate. The SMC will remain in place solely for purposes of reconciling over and under recovery of charges prior to January 1, 2019. (Duquesne Light St. No. 15, pp. 27-28).

9. The tax rate change on Duquesne Light's annual current and deferred tax allowance for 2018 totals $19.6 million. (Duquesne Light St. No. 11-R, p. 7).

10. The Electrical Model is a comprehensive computerized layout of the electric distribution system, which will be housed in the Company's existing Geographic Information System (GIS), and which will represent the data on a geo-spatially correct digital map. The Electric Model will illustrate connectivity from substation circuit breaker to the transformer to the customer meter, including all switchable devices. The model will also enhance Duquesne Light's ability to analyze the distribution grid for present and future conditions. (Duquesne Light St. No. 5, p. 2).

11. Cloud-based information systems provide benefits to customers over extended periods of time. (Duquesne Light St. No. 2, pp. 4-6).

12. Reference to "make ready infrastructure" includes: the electric distribution service drop; transformer (including transformer pad) or transformer upgrades, as necessary to serve the new EV charging station load; separate utility service meter (one for the entire "bank" of EV charging stations); new electric service panel; and all the associated conduit and conductor necessary to connect the EV charging stations at the electrical "stub." (Duquesne Light St. No. 6, pp. 21-22).

13. Distributed Generation refers to customer owned or controlled generation at or near the end user that serves all or a portion of the customer's electrical load, that is located behind the meter that is connected to a utility's distribution system and that may operate in parallel with the utility's system. (DII Statement No. 1, p. 14 (Crist); Peoples Statement No. 2, p. 5 lines 23-26 (Daniel)).

14. Combined Heat and Power (CHP) is a type of Distributed Generation that produces thermal energy (e.g. heat) and electricity from a single fuel source used by the customer and which can be used for process heating, space heating or cooling, and other

purposes. (DII Statement No. 1, p. 10, 12 (Crist); Peoples Statement No. 2, p. 5 lines 26-28 (Daniel); Peoples Statement No. 4, p. 4 (Kefer)).

15. CHP technology, in use since the 1960's, captures heat normally lost in the generation process and uses it to heat or cool. (DII Statement No. 1, p. 10, 11 (Crist)).

16. The "prime mover" in a CHP is a device that causes the generator to produce electricity and typically is a reciprocating engine or a gas turbine. DII Statement No. 1, p. 12 (Crist).

17. CHP systems include heat recovery boilers or heat steam recovery generators (HRSG) that use the heat produced by the prime mover. DII Statement No. 1, p. 12 (Crist).

18. Utility scale generation wastes thermal energy by exhausting steam through stacks or cooling towers and have an efficiency of 30% to 35%. DII Statement No. 1, p. 13 (Crist).

19. Newer CHP packaged systems are available with smaller sizes and are more than 50% efficient because they convert recovered waste heat into useful thermal energy, such as steam or hot water. DII Statement No. 1, p. 12 (Crist).

20. Typically, CHP generation projects are sized based on the account's thermal load requirements, not the electrical load requirements. DII Statement No. 1, pp. 15-16 (Crist).

21. Producing generation on-site reduces the risks associated with power interruptions. DII Statement No. 1, p. 13 (Crist).

22. Packaged CHP systems are attractive for businesses such as hospitals, hotels and nursing homes, but self-generation investments are long-term capital investments that

typically require a 7 to 10-year financial recovery period. (DII Statement No. 1, p. 13 (Crist); DII Statement No. 1-S, p. 24 (Crist); Peoples Statement No. 4, p. 9 (Kefer)).

23. Duquesne Light's customers that install on-site generation (e.g., CHP) can maintain electric service during catastrophic events. (Tr. at 247, lines 9-16 (Davis); Peoples Statement No. 4, p. 4 (Kefer)).

24. Distributed Generation, including CHP, can increase electric system resilience, reduce energy costs, avoid capital costs, lower transmission and distribution system losses, generate environmental benefits and give resilience to the grid. (Peoples Statement No. 2, p. 27, 29 (Daniel); Peoples Statement No. 4, p.4 (Kefer)).

25. Lower energy costs can lead to increased business investments into new technologies, the hiring of additional employees and stimulate the economy. (Peoples Statement No. 4, p. 4 (Kefer)).

26. CHP reduces transmission and distribution losses, reduces peak loads experienced by EDCs, increases grid reliability even during extreme weather events and reduces the need for additional investment in generation and transmission facilities, which tends to reduce costs for all energy consumers. (Peoples Statement No. 4, p. 4 (Kefer)).

27. CHP reduces greenhouse gases and reduces negative climate change. (Peoples Statement No. 4, p. 5 (Kefer)).

28. CHP can more than double the fuel efficiency of a conventional generation plant. (Peoples Statement No. 4, p. 4 (Kefer)).

29. As of December 31, 2016, there were 5 MW of CHP generation installed at commercial sites in DLC's territory and 74 MW installed at industrial or other sites. Peoples Statement No. 4, p. 6 (Kefer).

30. Duquesne Light lists three current CHP systems within its service territory. (Tr. at 250, lines 14-21 (Davis)).

31. The general industry trend is for customers to explore distributed generation due, in part, to its cost-effectiveness and increased reliability. (Tr. at 489 (DeMatteo)).

32. As of December 31, 2016, the U.S. Department of Energy calculated technical potential for an additional 242 MW of commercial CHP and 333 MW of industrial (or other) CHP in Duquesne Light's service territory. (Peoples Statement No. 4, p. 6 (Kefer)).

33. DLC's business customer representatives are aware of prospective distributed generation and/or CHP projects in the service territory but DLC's forecasting department does not forecast that any additional CHP units will come on line through December 31, 2019. DLC did not take into account general statistics regarding the utilization rate of CHP facilities when it developed its now-withdrawn Rider No. 16 proposal. (Tr. at 416, 417 (Ogden). Tr. at 490 (DeMatteo)).

34. Confidential Exhibit JWD-8 identifies twelve customers that have had discussions with DLC since 2009 regarding distributed generation. (Tr. at 490 (DeMatteo); Exhibit JWD-8).

35. There are at least three distributed generation projects under current consideration in DLC's service territory – a university, a utility customer and a transportation sector entity. (Tr. at 490 line 25 to 491 line 13 (DeMatteo)).

36. The majority of the CHP potential in Duquesne Light's service territory are accounts for customers involved in the primary metal industry, chemical manufacturing, hospitals and universities. (Peoples Statement No. 4, p. 6 (Kefer)).

37. Duquesne University's CHP unit is 5MW, was completed in 1997 and contains many components, including a natural gas turbine, a waste heat boiler, compressors, control system, chillers, pumps and cooling tower cells. (DII Statement No. 1, p. 3; Exhibit JC-7, pp. 4-7 of 21 (Crist).

38. The University of Pittsburgh (UPitt) is a founding member of the Pittsburgh 2030 initiative, which is designed to reduce 50% of energy use, water use and transportation emissions by the year 2030 by enhancing environmental goals and increasing the competitiveness of the business environment and owners' returns on investment. (DII Statement No. 2, p. 4 (Heller)).

39. UPitt has six substations that connect to the Duquesne Light system and has redundant transformers in five of the six substations in order to enhance service reliability. (DII Statement No. 2, p. 5 (Heller); Exhibit RH-1, p. 1 & 4).

40. UPitt's distribution system feeds hospitals, a police station and critical research facilities with two steam plants and two chilled water plants located on UPitt's Oakland campus to heat and cool. (DII Statement No. 2, p. 5 (Heller); DII Statement No. 2-S, p. 3 (Heller)).

41. UPitt's comprehensive Sustainability Plan works towards a 50% reduction below the national average in energy use intensity by 2030. (DII Statement No. 2, p. 6 (Heller); Exhibit No. RH-3).

42. UPitt has converted the Bellefield Steam Plant from coal to natural gas, constructed the Carillo Steam Plant with ultra-low NOx boilers and state of the art emissions controls, added rooftop solar and made many construction and operations improvements. (DII Statement No. 2, p. 6 (Heller)).

43. UPitt has a goal to produce or procure 50% of its electricity from renewable sources and to reduce greenhouse gas emissions by 50% by 2030 from a 2008 baseline. (DII Statement No. 2, p. 6 (Heller)).

44. Due in part to the constraints on Duquesne Light's system and its multiple requests for UPitt to curtail usage, UPitt actively is considering many options for on-site generation to reach the energy reduction goals and reduce its electricity needs by 50% using renewable sources. (DII Statement No. 2, p. 10 (Heller); DII Statement No. 2-S, p. 5 (Heller)).

45. Multiple times Duquesne Light asked UPitt to restrict its electric usage at the Oakland campus because Duquesne Light's distribution system is constrained in the Oakland area. (DII Statement No. 2-S, p. 4 (Heller)).

46. Pitt's Energy Plan study includes two potential generators because of the thermal (steam) needs and because UPitt can use the steam, installing CHP is a technically viable strategy. Tr. at 571, lines 22-23 (Heller); DII Statement No. 2, p. 10 (Heller)).

47. UPitt's CHP analysis contemplates constructing two 4.6 MW generators which would feed into two different substations – Posvar and Panther and would operate independent of each other. (Tr. at 571, 572 (Heller)).

48. The capital costs of UPitt's potential CHP projects exceed $40 million and, with a back-up rate of $2.50 per kW, the pay-back period for UPitt's potential CHP project is 15.7 years. (DII Statement 2-S, p. 6 (Heller); Exhibit RH-2S).

49. The 15.7-year payback period for a potential CHP project at the existing Rider No. 16 back-up rate is the "far fringes" of what would be an acceptable and viable project for UPitt and, in the last 16 years at least, UPitt has not approved any energy conservation project with a payback of 15.7 years or longer. (Tr. at 566, 567 (Heller)).

50. The Allegheny County Airport Authority (ACAA) operates the Allegheny County Airport and Pittsburgh International Airport, which sits on 8,800 acres and includes a fire station, fire training academy, police station, five business parks, cargo facilities, a fixed-base and charter aircraft facility (FBO), a hotel, a rental car facility, natural gas wells and three military bases. (DII Statement No. 3, pp. 4, 5 (Sprys)).

51. Pittsburgh International Airport serves nearly 9 million passengers annually on 17 carriers, using 1.8 MW of diesel fired generators for back-up power inorder to reduce negative impacts on passenger transportation and comfort and permits security lighting and fire safety functions during a DLC service interruption. (DII Statement No. 3, pp. 5, 6, 8 (Sprys)).

52. ACAA is in the process of conducting a Request for Development Proposal (RFDP) to construct distributed generation at two substations – Hangar and Midfield and is seeking a developer to build, own and operate CHPO and solar distributed generation from which ACAA will purchase power. (DII Statement No. 3, p. 7 (Sprys)).

53. ACAA's goal in pursing the project is to improve the economics of purchasing for the Airport. DII Statement No. 3, p. 7 (Sprys).

54. ACAA's baseload is approximately 5 MW, which occurs during off-peak hours. (DII Statement No. 3, p. 7 (Sprys)).

55. ACAA's potential on-site generation project will enhance safety, provide regional benefits and will help to maintain order and passenger safety for short or extended outages. (DII Statement No. 3, p. 8 (Sprys)).

56. ACAA does not use taxpayer money for operation funding and must make prudent economic decisions to keep user fees at reasonable levels for tenants, airlines and passengers. DII Statement No. 3, p. 10 (Sprys).

57. Robert Morris University (RMU) is considering the construction of CHP on its campus to increase energy efficiency and provide a more reliable and resilient energy supply. (Tr at 102-103 (Potts)).

58. Several members of the National Association of Industrial Office Parks are in various stages of developing co-generation projects in Duquesne Light's service territory. (Tr. at 110 (White)).

59. Over the course of the last three years, the existing Rider No. 16 customer did not exceed the 15% limitation on back-up usage. (Tr. at 442, lines 1-4 (Ogden)).

60. Rates generally are developed based on class averages using billing determinants such as customer charges and volumetric charges. (Tr. at 540, lines 20-22 (Fisher)).

61. Duquesne Light did not instruct its expert (Mr. Gorman), who conducted the cost of service study (COSS) for the base rate, to analyze Rider No. 16 as a separate class in the cost of service study and Duquesne Light's cost of service study does not contain a separate class for Rider No. 16. (Tr. at 342, 356 (Gorman)).

62. Distributed Generation customers have some flexibility as to when their system is unavailable in order that maintenance can be performed but if these customers can schedule the maintenance during off-peak periods, then systemwide peaks can be reduced. (Peoples Statement No. 2, p. 22 (Daniel)).

63. The Duquesne University CHP system has been available 97.5% of the time. (DII Statement No. 1, p. 25 (Crist); Exhibit JC-7, p. 15 of 21).

64. The current Rider No. 16 customer was billed by Duquesne Light for back-up service based on actual usage rather than a contract demand and actual data

demonstrates the customer, Duquesne University, used Duquesne Light's system for back-up service 2.5% of the time. (Tr. at 454, 455 (Ogden)).

65. People's CHP generator, planned for the Etna Field Shop, is projected to be available 95% of the time. (Tr. at 634, lines 12-13 (Nehr)).

66. Distributed Generation customers do not impose the same costs on the distribution system as full-requirements customers. (Peoples Statement No. 4-SR, p. 3 (Kefer)).

67. Rider No. 16 customers have different load factors and usage characteristics compared to customers on Rates GL or L without on-site generation. (Tr. at 585, lines 4-8 (Crist)).

68. DLC did not examine the historic usage patterns of the Rider No. 16 customer in developing its Rider No. 16 proposal originally submitted in this proceeding. (Tr. at 413 line 24 to 414 line 7 (Ogden)).

69. The 30% load factor used in 2013 is excessive based on the actual experience of outage hours of the Duquesne University CHP system, however, no party contested DLC's use of the 30% load factor in the 2013 rate case or in this case. (Tr. at 607 line 24 (Crist); DII Statement No. 1, p. 25 (Crist)).

70. Other utilities and regulatory commissions that recognize demand diversity, will discount the distribution charge for full requirements customers up to 95% when determining the distribution charge for Distributed Generation (DG) back-up service. (Peoples Statement No. 2, p. 7, lines 15-17 (Daniel)).

IX. ADMINISTRATIVE LAW JUDGE'S RECOMMENDATIONS

This proceeding involved a high degree of litigation activity, arising primarily from the proposed changes to Tariff Rider No. 16. The parties engaged in vigorous discovery

activities with each other which eventually proved to be fruitful. On August 15, 2018, Duquesne Light advised the presiding officer an agreement in principle had been reached between all active parties except Peoples and the formal complainants. In addition, Duquesne Light advised the presiding officer the settlement in principle included all issues in the base rate case except Tariff Rider No. 16.

Because Tariff Rider No. 16 remained an unresolved issue, the evidentiary hearing proceeded on the Tariff Rider No. 16 issue and consisted of cross-examination of various witnesses. After two days of extensive cross-examination, Duquesne Light advised the presiding officer that Duquesne Light intended to withdraw its request to make changes to Tariff Rider No. 16. Duquesne Light averred it intended to continue to apply the previously-approved tariff rate of $2.50 per KW under Tariff Rider No. 16. On the same date (August 17, 2018), Peoples indicated it no longer objected to the proposed settlement in principle.

However, DII indicated on August 17, 2018 it had continuing objections to Tariff Rider No. 16 resulting from testimony obtained in written statements and on cross-examination at the evidentiary hearing. DII requested the presiding officer provide an opportunity for DII to brief the issue because DII asserted the evidence presented showed the previously-approved tariff rate was no longer just or reasonable.

Accordingly, the hearing on the third day (August 17, 2018) proceeded with the final witnesses and, after the hearing, the parties were given the opportunity to file a Main Brief and a Reply Brief. Both Duquesne Light and DII submitted Main Briefs and Reply Briefs. Further, before adjourning the evidentiary hearing, the presiding officer advised the parties, especially Duquesne Light, that various issues needed to be addressed in Statements in Support because of questions which arose from the initial filing itself. Duquesne Light in particular was advised to explain how the items addressed in the initial filing were just and reasonable items to include in the base rate calculations and in Duquesne Light's tariff.

Appearing below are the recommendations of the Administrative Law Judge concerning: (1) the proposed Settlement; (2) the issues the presiding officer highlighted from the

initial filing; and (3) the litigated issue. After these recommendations, the Recommended Decision will spell out the Conclusions of Law and the Ordering Paragraphs.

A. The Joint Petition for Approval of Settlement Stipulation

The Settlement constitutes a significant reduction in the revenue increase originally requested by Duquesne Light. The agreed-upon revenue requirement is less than half of the amount Duquesne Light initially requested. This revenue requirement was reached without the added expense of litigating the issue and without consuming the Commission's resources. This revenue increase will allow Duquesne Light the opportunity to earn a reasonably adequate return for its efforts and fund some pilot projects which may lead to future savings for customers through conservation efforts and universal service programs.

The parties engaged in vigorous and extensive discovery on the elements in the Settlement. Many opposing views were expressed initially and vociferously but the parties were able to reach an agreement upon a majority of the issues after conceding there is no agreement on the method to be used to calculate the base rate. All signatories agree, or do not object, that the Settlement represents an outcome that is within the realm of possibility if the matter had proceeded to be fully litigated.

In addition, the parties agreed to a monthly customer charge which is actually lower than the current total of charges. Currently, Duquesne Light's customers pay $14.17 monthly in fixed customer charges, which charges are comprised of the flat charge of $10 plus the smart meter and DSIC charges which total $4.17 together. However, the parties agreed to a fixed monthly charge of $12.50, which is $1.67 less than the customers currently pay.

Furthermore, Duquesne Light agreed to refund $24 million to customers related to collections in 2018 in order to account for the reductions in income taxes under the Tax Cuts and Jobs Act of 2018 (TCJA), beginning January 2019 through a one- or two-time bill credit on a distribution revenue basis. (Settlement ¶ 31). All Excess Deferred Income Tax (EDIT) related to plant will be returned under the ARAM procedure and unamortized balances will be deducted

from rate base in future base rate proceedings.[376] Initially, Duquesne Light proposed to return only $10 million because it averred its rates of return and equity were below the benchmarks established by the Commission.[377] Duquesne Light also objected to refunding the higher amounts advocated by the statutory parties (which ranged as high as $33 million) because it averred it would only receive $19.2 million in tax benefits under the TCJA.

Under the Settlement, the parties agreed Duquesne Light's jurisdictional separation study of distribution and transmission costs and assets should be approved. (Settlement ¶ 39). The Jurisdictional Separation Study separates the total revenue requirement, after first eliminating revenues and costs to provide supply service, between the portion subject to the jurisdiction of the Federal Energy Regulatory Commission (*i.e.* transmission revenue requirement) and the portion subject to the jurisdiction of the Pennsylvania Public Utility Commission (*i.e.* the distribution revenue requirement).[378]

Under the Settlement, Duquesne Light agreed to update the unbundled costs currently recovered in default service rates the Commission previously approved as part of the Petition of Duquesne Light Company for Approval of a Default Service Plan for the Period June 1, 2017 to May 31, 2021 at Docket No. P-2016-2543140.[379] These updated unbundling costs will be fixed and reconciled only for differences between projected and actual consumption and Duquesne Light will reflect the updated unbundled costs in rates effective June 1, 2019, which is the first effective default service supply rate change for all classes after new distribution rates become effective January 1, 2019.[380]

---

376 (OCA St. No. 2, pp. 19-20; Duquesne Light St. No. 9-R, pp. 70-76, Duquesne Light Ex. No. RLO-12-R; Duquesne Light St. No. 11-R, pp. 9-16).

377 It should be noted the signatories agreed the residential rate classes generally provide returns below the system average at present rates while the industrial classes generally provide returns above the system average. (Duquesne Light Exhibit No. 6-10-R; OCA St. No. 4, p. 38).

378 Duquesne Light St. No. 14, p. 3.

379 Duquesne Light Exhibit DBO-5; Settlement ¶ 44

380 Duquesne Light St. No. 15, pp. 24-25

Duquesne Light also agreed to revise the Light Emitting Diode (LED) Street Light Program,[381] as explained in and as set forth in Rate SM of the Company's Tariff. Duquesne Light proposes to expand the number of LED fixture types offered in its Tariff accounts and proposes to install or convert up to 3,000 LED street lights per year. This change would allow Duquesne Light and its customers to benefit from the use of LED versus High Pressure Sodium (HPS) street lights based upon information and requests communicated by municipalities participating in the previously approved LED Pilot Program.[382]

Upon consideration of the terms and conditions of the Settlement, and the statements of the parties in support thereof, it is my opinion the Settlement is an equitable, fair, and reasonable resolution of this consolidated proceeding. I recommend the Commission approve the Settlement submitted in this matter, except as impacted by the issues highlighted by the presiding officer, which appear below, and by the discussion on the litigated issue, which appears below. Accordingly, a consistent Ordering Paragraph will be provided below.

1. The Issues Highlighted by the Presiding Officer

The issues which the presiding officer highlighted at the conclusion of the evidentiary hearing and on which Duquesne Light, among others, were required to comment, consisted of the following items, as noted on the Transcript at pages 675 to 678: (a) Tariff Rider No. 21; (b) Allowed Smart Meter Costs; (c) Allocation of 2018 Tax Refund; (d) the Electric Vehicle Program Costs; (e) Electric Vehicle Stations Owned by Third Parties; (f) the next Time of Use Filing; and (g) the Medical Certificate Program for Ratepayers with Balances in Excess of $10,000.

381 Duquesne Light Statement No. 6; Settlement ¶ 46; Duquesne Light Exhibit No. DBO-1.

382 Duquesne Light St. No. 6, p. 32

2. Burden of Proof

A public utility has the burden to establish the justness and reasonableness of every element of its rate increase in all proceedings conducted under Section 1308(d) of the Public Utility Code, 66 Pa. C.S.A. § 1308(d), and the standard of proof, which a public utility must meet, is set forth in Section 315(a) of the Public Utility Code (Code), 66 Pa.C.S.A. § 315(a), which specifies that, "[i]n any proceeding upon the motion of the Commission, involving any proposed or existing rate of any public utility, or in any proceeding upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility." Pennsylvania's Commonwealth Court has applied this standard of proof [383] in base rate proceedings, even when the question concerning an element of the base rate increase request was raised by a party instead of the public utility.[384]

In this proceeding, the burden of proof lies squarely with Duquesne Light because it seeks permission to increase its base rate and to implement and/or alter programs in its Tariff. The burden to prove that every component of its rate request is just and reasonable does not shift to a statutory party or individual party which or who may have challenged the requested rate increase. Instead, Duquesne Light's burden is an affirmative one and remains with the public utility throughout the course of the rate proceeding.[385]

Under the Public Utility Code, rates charged by public utilities must be just and reasonable and cannot result in unreasonable rate discrimination.[386] A public utility seeking a

---

383 *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 48 Pa. Commw. 222, 226-227, 409 A.2d 505, 507 (1980). See also, *Brockway Glass v. Pa. Pub. Util. Comm'n*, 63 Pa. Commw. 238, 437 A.2d 1067 (1981).

384 See *Pa. Pub. Util. Comm'n v. National Fuel Gas Distribution Corp.*, 1994 Pa. PUC LEXIS 134 *5 (1994); *Pa. Pub. Util. Comm'n v. Breezewood Telephone Company*, 74 Pa. PUC 431 (1991); and *Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 57 Pa. PUC 423, 471 (1983).

385 See also, 66 Pa.C.S.A. § 1501, requiring a utility to have reasonable rules governing service. There is no similar burden placed on parties which challenge a proposed rate component. See, *Berner v. Pa. Pub. Util. Comm'n*, 382 Pa. 622, 631, 116 A.2d 738, 744 (1955).

386 66 Pa.C.S.A. §§ 1301 and 1304.

general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request.[387] In addition, the public utility is burdened with the responsibility to demonstrate the rates sought are just and reasonable and justifying a public utility's rates includes every individual charge the public utility demands for any service offered, rendered, or furnished by the public utility, whether received directly or indirectly.[388]

B. ALJ's Recommendation Concerning Rider No. 21

At the hearing, the ALJ asked Duquesne Light's witness how the proposal complies with the Commission's regulations including 52 Pa.Code § 75.13(k) and § 75.14. The presiding officer asked the parties, especially Duquesne Light, to identify how this proposal, including the allocation of associated incremental costs, complies with the Commission's regulations at 52 Pa.Code § 75.14 and what costs will be borne by the Company versus the customer-generation facility. (Tr. 675-676). No party contested this proposal in the Settlement and the proposed change was not discussed in the Settlement.

Duquesne Light proposes to amend Tariff Rider No. 21 – Net Metering Service (Rider No. 21) to require installation of a Generation Meter at new net metered facilities.[389] Specifically, the Company sought to amend Rider No. 21 and require the installation of an additional meter (referred to as a generation meter) with meter socket at each net metered generation facility (also referred to as a customer-generation facility) for the purpose of measuring the total generating output of the customer-generation facility.

Currently, the customer-generator facilities are served using a bidirectional meter which measures the net energy usage but does not measure total generation output.[390] Duquesne

---

387 66 Pa.C.S.A. § 315(a); *Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 236 PUC 4th 218, 2004 Pa. PUC LEXIS 39 (August 5, 2004).

388 *Metropolitan Edison Co. v. Pa. Pub. Util. Comm'n*, 22 A.3d 353, (Pa. Cmwlth. 2011).

389 Duquesne Light St. No. 5, pp. 10-12.

390 Duquesne Light St. No. 5, p. 10.

Light proposed to install a second meter for the purpose of measuring total generation output. Duquesne Light contends it needs this second meter installed because it contends the bidirectional meter yields an incomplete picture of the impact the customer-generator has on the distribution system and what requirements the customer-generator puts on the distribution system.[391]

Duquesne Light indicated it has experienced a rapid rise in the number of customers seeking service under Rider No. 21, and it avers generation meters will help by measuring the actual generation output, energy consumption and peak load from the customer-generators which information will allow the Company to engage in more comprehensive system planning based upon actual load and generation capability.[392]

The Company specifically proposes to install generation meters at all net metered facilities for which applications were submitted after December 29, 2018.[393] Duquesne Light avers this change would not apply to those net metered facilities currently interconnected or for which Level 1 applications are submitted prior to December 29, 2018. With these currently interconnected net metered facilities, Duquesne Light will pay to install both the generation meter and the meter socket at the service address. However, Duquesne Light would require all new customer-generators to pay the costs of installing the new meter socket which would accommodate the second meter.[394] Duquesne Light would own and bear the costs of installing these generation meters while the new net metered facilities would have to pay to install the meter socket.

---

391 Duquesne Light St. No. 5, p. 10.

392 Duquesne Light St. No. 5, p. 11.

393 Duquesne Light avers in its Statement in Support that the new charge would apply for applications submitted after December 31, 2018 but the charge would not be applied for current customer-generators or applicants for customer-generator facilities if the application is filed prior to December 29, 2018. To remain consistent with these requirements and with the effective date of the base rates (December 29, 2018) it is presumed the correct date is December 29, 2018, not December 31, 2018.

394 Duquesne Light St. No. 5, p. 12.

Pursuant to 52 Pa.Code § 75.13(k), an Electric Distribution Company (EDC) or Default Service Provider (DSP) "may not charge a customer-generator a fee or other type of charge unless the fee or charge would apply to other customers that are not customer-generators, or is specifically authorized under this chapter or by order of the Commission. The EDC and DSP may not require additional equipment or insurance or impose any other requirement unless the additional equipment, insurance or other requirement is specifically authorized under this chapter or by order of the Commission."

Pursuant to 52 Pa.Code §§ 75.14(a) and (b), a customer-generator facility[395] must have a single bidirectional meter capable of measuring and recording the electricity that flows from the EDC to the customer, as well as measuring and recording the electricity that flows from the customer-generator facility to the EDC. The EDC is permitted to substitute a dual meter arrangement for a single bidirectional meter if the customer-generator agrees. If the customer-generator's existing electric metering equipment is unable to measure and record the flow of electricity in both directions, then the EDC is responsible to install and pay for the new metering equipment.

Duquesne Light's proposal to amend Rider No. 21 is contrary to the language of Section 75.13(k) which precludes Duquesne Light from charging a fee or other type of charge to a net metered customer-generator if that fee or charge is not applied to other Duquesne Light customers who are not customer-generators. The same regulation states Duquesne Light, as an EDC and default service provider, is not permitted to require "additional equipment" unless the regulation or the Commission specifically authorizes the additional equipment. Furthermore, Section 75.14 provides that if the current equipment does not record the necessary information at the service address, then Duquesne Light, as the EDC or DSP, must pay to install the necessary metering equipment.

Duquesne Light has not justified why it is just or reasonable to impose a new fee on customer-generators who may apply for service after December 29, 2018 when all other

[395] Customer-Generator Facility is defined at 52 Pa.Code § 75.12 as, "equipment used by a customer-generator to generate, manage, monitor and deliver electricity to the EDC."

customers (who are not customer-generators) do not have to pay for the same equipment. The Company has not shown why a new customer-generator should be treated differently than those customers who are not customer-generators. While collecting information to assist with future planning is a legitimate exercise, the need for more data of this type is insufficient to justify requiring new customer-generators to expend an additional cost (approximately $75) in order to take advantage of alternative energy sources. This new fee or charge – to require the ratepayer to pay for the installation of a second meter socket at the service address – will add to the cost a customer must pay before the customer can install and benefit from a new generator facility at the service address. This provision at Rider No. 21 will have a chilling effect on the installation of new generating facilities which means there will be a diminution of conservation efforts in the Commonwealth. The Commonwealth and the Commission clearly have made conservation of energy an important goal and the proposed change to Rider No. 21 is contrary to that goal.

Accordingly, I recommend the Commission deny the request of Duquesne Light to amend Rider No. 21 to reflect a new requirement that ratepayers who are customer-generators must install a generation meter socket at all new net metered facilities after December 29, 2018.

C. ALJ's Recommendation Concerning Smart Meter Costs

At the conclusion of the evidentiary hearings, the presiding officer asked Duquesne Light to explain if the smart meter costs which the parties propose to include in the revenue requirement, are fully compliant with all past Commission Orders concerning Duquesne Light's Smart Meter Plan, and specifically with the Commission's Final Order in the Petition of Duquesne Light Company for Approval to Modify its Smart Meter Procurement and Installation Plan at Docket No. P-2015-2497367. Of concern was whether the Settlement would permit Duquesne Light to include in base rates any costs for elements of its Smart Meter Plan for which the Commission may not have previously granted approval.

I recommend the Commission accept the assertions of Duquesne Light and the active parties who assert the smart meter costs included in the base rate in this proceeding do not include any previously-denied smart meter costs. In addition, I note Duquesne Light avers the

smart meter costs that are included in base rates are subject to audit. Accordingly, I recommend this provision of the Settlement should be approved.

D. ALJ's Recommendation Concerning the TCJA of 2018

On December 22, 2017, President Donald Trump signed into law the Tax Cuts and Jobs Act (TCJA or the Act), which reduced the federal tax rate for corporate income from 35 percent to 21 percent.[396]

On February 12, 2018, the Commission initiated an investigation into the impact of the TCJA on Commission-regulated utilities to determine whether current customer rates should be adjusted to reflect the reduced annual state and federal income tax expense of public utilities, the appropriate methodology, and whether such adjustment should be retroactive to January 1, 2018.[397] In its Temporary Rates Order entered May 17, 2018, the Commission determined the 2018 tax savings associated with TCJA should be returned to ratepayers[398] and directed utilities with pending 1308(d) rates case proceedings, such as Duquesne Light, to address the effect of the federal tax rate reduction.[399]

Consistent with this determination, the Commission instructed utilities currently in a pending base rate case (such as Duquesne Light), as follows:

> [I]n lieu of any immediate action, we shall consolidate their temporary rates tariff filing with the pending Section 1308(d) proceeding for hearing and disposition. In this fashion, the parties will be able to address the issues identified by the Commission

396 Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017).

397 By way of Secretarial Letter dated February 12, 2018, the Commission initiated the proceeding at Docket No. M-2018-2641242. Tax Cuts and Jobs Act of 2017, Docket No. M-2018-2641242, Secretarial Letter (Feb. 12, 2018).

398 *Temporary Rates Order*, Docket No. M-2018-2641242, p. 15 (Order entered May 17, 2018).

399 *Temporary Rates Order*, Docket No. M-2018-2641242, pp. 20-21 (Order entered May 17, 2018).

> regarding the TCJA in the context of an overall review of the utilities' rates and rate structure.[400]
>
> In addition, the Commission instructed as follows:
>
> [T]he Commission expects the public utility and the parties in each such proceeding to address the effect of the federal tax rate reduction on the justness and reasonableness of the consumer rates charged during the term of the suspension period, and, in particular, whether a retroactive surcharge or other measure is necessary to account for the tax rate changes that became effective on January 1, 2018.[401]

Accordingly, Duquesne Light was required to account for the impact of the federal corporate income tax rate change on customer rates within the context of this base rate proceeding.

The parties and Duquesne Light varied greatly in what amount each party calculated was the appropriate total amount to refund to Duquesne Light's customers. BIE and OCA argued Duquesne Light should refund over $33 million which amount included deferred income taxes, gross-up of income taxes and the protected and unprotected EDIT for 2018. Duquesne Light countered it should only refund $10 million. Duquesne Light argued a refund over $20 million would result in Duquesne Light refunding more money than it saved as a result of TCJA. The Company insisted it would only realize $19.6 million in savings as a result of TCJA and its Return on Equity (ROE) would result in the utility earning only 8.61% in 2018.

The parties discussed and negotiated this matter and agreed an appropriate amount for Duquesne Light to refund to its customers was $24 million and Duquesne Light should not have to refund Excess Deferred Income Taxes in 2018. The parties lay out in Appendix D to the Settlement the proposed tax refunds by rate class. For example, the average residential (RS) customer will receive a one-time bill credit totaling $25.61 in January or February 2019. The parties do not provide an estimate for any of the 8 Medium and Large

---

400 Tax Cuts and Jobs Act of 2017, Docket No. M-2018-2641242, Order at 20 (May 17, 2018).

401 Tax Cuts and Jobs Act of 2017, Docket No. M-2018-2641242, Order at 20, 21 (May 17, 2018).

Commercial and Industrial classes[402], or for Rate SM.[403] A footnote indicates each customer will have their refund calculated individually based on the percentage of actual base distribution revenue for that customer from December 1, 2017 through November 30, 2018. There are approximately 32,455 total customers in those 9 rate classes.[404] The parties do not explain why an estimate cannot be provided for the classes with a single customer or a small number of customers.

The parties do not flesh out Appendix D to the Settlement by providing some detail or even guidance as to how Duquesne Light will calculate the monies to be refunded to the Commercial and Industrial classes. The parties state the total refund amount agreed-upon was the product of extensive negotiation and is an amount less than the advocates initially requested but significantly higher than the amount Duquesne Light initially suggested. However, it is not appropriate for the parties or Duquesne Light to refuse to illustrate how the refund will be allocated by class. From the information provided by the parties, it is impossible to determine how the $24 million refund will be disbursed.

Under the terms and conditions of the Settlement, Duquesne Light will provide a refund to customers of $24 million, which includes interest, through a one or two-time bill credit on a distribution revenue basis. Tax expense savings for 2018 calculated by the Company amount to $19.2 million, inclusive of the effect of deferred income taxes and a gross-up of income taxes. The Settlement amount of $24 million resolves the parties' positions regarding the return of 2018 federal income tax expense savings and 2018 protected and unprotected Excess Deferred Income Taxes. The Settlement includes the provision that this credit will be subject to audit to ensure that the Company has returned the full amount of the credit to customers in the manner referenced in the Settlement.[405]

---

402 Those rate classes are GM<25, GM>25, GMH<25, GMH>25, GL, GLH, L and L>138KV/HVPS. See Settlement, App. D.

403 Rate SM is for Street light Municipal customers.

404 See Settlement, App. D.

405 The proposed tax refund by class is attached to the Settlement as App. D.

Accordingly, Duquesne Light will be ordered in an Ordering Paragraph below to file with the Commission's Bureau of Technical Utility Services (TUS) a list or calculation of how the $24 million will be refunded to the various classes. The list shall be submitted to TUS at Docket No. R-2018-3000829 on or before January 29, 2019 and shall detail by rate class how much (in dollars) will be refunded to each class.

In all other regards, I recommend the Commission find the amount of $24 million is the appropriate amount to be refunded to the customers in the first one or two pay periods of 2019, after the approval of the general base rates goes into effect, subject to audit. This amount more than doubles the refund amount initially suggested by Duquesne Light and benefits the public interest by getting the refunds back to Duquesne Light's customers in a timely manner without expending money in litigation costs. Accordingly, I find this provision is in the public interest.

E. ALJ's Recommendation Concerning the Electric Vehicle Program

1. Cost by Rate Class

Duquesne Light pointed out there is no specific allocation of pilot costs to customer classes because these costs are allocated across all classes. In addition, Duquesne Light avers the costs that are reflected in base rates are small and are comprised of $1.15 million in rate base, the education cost of $200,000 and the costs for vehicle registration incentives ($70,000).

I agree with the parties' arguments that the Commission should approve these costs as just and reasonable without any class allocation noted. The impact on the Settlement will be relatively small and, because these costs relate to a pilot, some expenditures are needed before the parties and the Commission can determine if EV incentives and provisions will create a larger public benefit. I agree that Duquesne Light should have time to use the pilot as an opportunity to collect information which can lead to more pinpointed benefits in future proceedings. Accordingly, I recommend the Commission approve this portion of the Settlement.

2. Charging Stations Owned by Third Parties

The Settlement permits Duquesne Light to provide up to $650,000 in the form of customer rebates which would be paid out to customers who own Level 2 charging stations. The goal is to use rebates to encourage third parties to purchase and install public charging stations. The rebates do not contribute to the rate base increase and Duquesne Light will be entitled to record the rebate as a regulatory asset that can be claimed in a future rate case. These rebates will be available to any customer of Duquesne Light who registers an Electric Vehicle with the Company. Another benefit, in addition to the rebate itself, is that Duquesne Light will be able to include the registered EVs and the EV charging stations in its electrical model, which will assist the Company in evaluating the impact of EVs on the system.

In addition to these benefits, the parties aver the cost to consumers is justified because these Level 2 charging stations must be available to the public for public use and the availability should increase usage of the distribution system which benefits all customers. The parties contend these costs will have a minimal effect on base rates but benefit the public interest by streamlining the EV Pilot, giving the Company an opportunity to provide incentives for EV use within its service territory, increasing usage of the distribution system and allowing the Company to collect data in order to evaluate the impacts of EV use on the grid.

I agree with the parties' arguments in favor of the EV program changes. The Settlement reduces the impact on the base rates substantially while providing incentives for third parties to pay to install Level 2 charging stations for public use. Part of the pilot provides for Duquesne Light and others to evaluate the pilot and at a future base rate proceeding Duquesne Light will need to expand or reduce the EV program after there has been an evaluation of the data gained through this pilot. While the use of EVs within the service territory is statistically small, the benefits of a population that drives EVs cannot be realized if public charging stations are not easily available. Accordingly, I recommend the Commission approve this portion of the Settlement.

F. ALJ's Recommendation Concerning the Time of Use Rate

Pursuant to 66 Pa.C.S.A. § 2807(f)(5), EDCs such as Duquesne Light are to provide TOU rates as an option for those customers which have smart meter technology. TOU design does not have to be addressed in a default service proceeding but it can be. I agree with Duquesne Light and the other parties that there is no need at this time to require Duquesne Light to make a TOU filing prior to the next default service rate filing. The current default service rate filing (at Docket No. P-2016-2543140) covers the period from June 1, 2017 through May 31, 2021. Currently, Electric Generation Suppliers (EGS) are capable of supplying TOU rates and, at this time, a TOU proposal is best handled as a supply or generation charge. As a generation charge, the default service plan proceeding is best able to handle this issue. However, TOU rates could reduce customer charges, reduce peak demands and can better reflect proper price signals which encourage conservation and energy efficiency. These goals would be most helpful to consider for the residential and small general service customers but complexity abounds especially when crafting a reasonable and prudent residential program. As a result, Duquesne Light agreed to establish a collaborative process wherein the parties can work on a proposal that can be included in Duquesne Light's next default service rate filing. Accordingly, I recommend the Commission approve this portion of the Settlement.

G. ALJ's Recommendation Concerning the Medical Certificate Program for Ratepayers with Balance in Excess of $10,000

In the Settlement, Duquesne Light agreed with the parties to allow customers to continue to renew medical certifications for as long as the medical condition or emergency persists if the customers pay the current bill or budget bill in full by the due date. In exchange, Duquesne Light will be permitted to write off any outstanding balances overdue for more than one year for customers with medical certifications lasting one year or longer. The presiding officer asked Duquesne Light at the evidentiary hearings if the provision applied to consumers with balances in excess of $10,000 and, if yes, how the provision would affect those customers with large balances. Duquesne Light, OCA and CAUSE-PA clarified there is no limitation under the Settlement provision that prevents the Settlement provision from applying to customers with balances in excess of $10,000.

The Commission has long been concerned about utility customers with large unpaid account balances. As a result, public utilities are required to inform the Commission when the account balance for a customer exceeds $10,000, pursuant to 66 Pa.C.S.A. § 1410.1(3). Pursuant to 52 Pa.Code § 56.111 et seq., public utilities are not permitted to terminate service if the customer or a member of the customer's household has a medical condition that will be aggravated by termination of service. Medical certifications must be signed by a physician or nurse practitioner and service may not be terminated during the time period specified. If no time period is specified by the physician or nurse practitioner, then service cannot be terminated for at least 30 days. Certifications may be renewed provided the customer has met the obligation to pay undisputed bills or budget bill amounts. If needed, a public utility can petition the Commission under 52 Pa.Code § 56.118 and request the Commission issue a waiver of these certification procedures for one of three specified purposes. If so requested, the Commission will issue an informal written decision after it reviews the facts of the petition.

This Settlement provision would permit a customer to receive multiple medical certifications and, if the certifications exceed one year in length, then Duquesne Light may write off the outstanding unpaid balance. Duquesne Light insists that, despite the provision in the Settlement, it will continue to follow all Commission regulations and orders with respect to balances in excess of $10,000. Accordingly, with this assurance from Duquesne Light, I recommend the Commission approve this portion of the Settlement.

H. ALJ's Recommendation Concerning Tariff Rider No. 16

1. Burden of Proof

The public utility has the burden to establish the justness and reasonableness of every element of its rate increase in all proceedings conducted under Section 1308(d) of the Public Utility Code. The standard of proof, which a public utility must meet, is to show that the

rate involved is just and reasonable.[406] Pennsylvania's Commonwealth Court has upheld this standard of proof[407] and has applied it in base rate proceedings, even when the question concerning an element of the base rate increase request was raised by a party instead of the public utility.[408]

The burden of proof lies squarely with Duquesne Light as the public utility seeking permission to justify its base rate in general and the Rider No. 16 tariff rate specifically. The burden of proof did not shift to DII which challenges not only the requested rate increase but also contests the justness and reasonableness of the Rider No. 16 tariff rate, which Duquesne Light proposes to keep at the previously-approved rate ($2.50 per kW). Under the Public Utility Code, rates charged by public utilities must be just and reasonable and cannot result in unreasonable rate discrimination.[409] A public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request. A public utility's rates include every individual charge that a utility demands for any service offered, rendered, or furnished by the utility, whether received directly or indirectly.[410]

While it is true that the public utility proposing the rates – as opposed to a party challenging the implementation of those rates - must demonstrate the rates sought are just and reasonable,[411] it is also true a public utility cannot be called upon to account for every action absent prior notice that such action is to be challenged."[412] Therefore, while the ultimate burden

---

406 66 Pa.C.S.A. §315(a); *Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 2004 Pa. PUC LEXIS 39 (August 5, 2004).

407 *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 48 Pa. Commw. 222, 226-227, 409 A.2d 505, 507 (1980). See also, *Brockway Glass v. Pa. Pub. Util. Comm'n*, 63 Pa. Commw. 238, 437 A.2d 1067 (1981).

408 See *Pa. Pub. Util. Comm'n v. National Fuel Gas Distribution Corp.*, 1994 Pa. PUC LEXIS 134 *5 (1994); *Pa. Pub. Util. Comm'n v. Breezewood Telephone Company*, 74 Pa. PUC 431 (1991); and *Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 57 Pa. PUC 423, 471 (1983).

409 See 66 Pa.C.S.A. §§ 1301 and 1304.

410 *Metropolitan Edison Co. v. Pa. Pub. Util. Comm'n,* 22 A.3d 353 (Pa. Cmwlth. 2011).

411 *See* 66 Pa.C.S.A. § 315(a); see also, *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 48 Pa. Commw. 222, 226-27, 409 A.2d 505, 507 (1980); *Brockway Glass v. Pa. Pub. Util. Comm'n*, 63 Pa. Commw. 238, 437 A.2d 1067 (1981).

412 *Allegheny Center Assocs. v. Pa. Pub. Util. Comm'n*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990).

of proof does not shift from the utility, a party proposing an adjustment to a ratemaking claim bears the burden of presenting some evidence or analysis. However, in this proceeding, Duquesne Light was served with notice at the evidentiary hearing the rate charged under Tariff Rider No. 16 continued to be at issue despite Duquesne Light's withdrawal of its request to amend Tariff Rider No. 16.

2. Analysis

Combined Heat and Power (CHP) systems are a sub-type of distributed generation in which thermal energy and electricity from a single fuel source is used by the customer-generator to heat, cool and for other purposes which require energy. Typically, CHP systems capture heat that normally might be lost and converts the heat into a source of heating or cooling. This diversion of energy into a useful product (to heat and/or to cool) can be quite efficient in addition to lowering the load on the EDCs system. In addition, as a form of distributed generation, CHP not only reduces energy costs but it also can increase the resilience of the EDCs distribution system specifically and the grid generally while typically providing an environmental benefit through the diversion of thermal energy which would otherwise have been dispersed into the atmosphere. As a result, CHPs can be an integral part of protecting an EDC from the negative impacts of natural disasters and man-made attacks.

Through the *Final Policy Statement on Combined Heat and Power*, Docket No. M-2016-2530484 (Order entered April 5, 2018) and 52 Pa.Code § 3201(b), the Commission has signaled an intention to encourage CHP projects. Initially, the issue here was whether the proposed increase to the Tariff Rider No. 16 rate from $2.50 per kW to $8.00 per kW would create an effective barrier or deterrent to current and/or future CHP projects. However, once Duquesne Light altered its filing to indicate it no longer wished to change or amend its Tariff Rider No. 16, the issue became whether the current rate of $2.50 per kW was just and reasonable in light of the testimony provided in this proceeding, or whether the $2.50 per kW rate was arbitrary, excessive and/or discriminatory.

Initially, Peoples championed the chorus against the proposed increase to the Tariff Rider No. 16 rate but Peoples no longer objected to the Settlement or any proposed changes once Duquesne Light withdrew its request to amend the rider. However, at that point, DII picked up the gauntlet and pursued its contention that the evidence presented by the parties showed the current rate ($2.50 per kW) was arbitrary, excessive and discriminatory against CHP customers who might elect to receive service under Tariff Rider No. 16.

DII argues the Commission should order Duquesne Light to use a rate that reflects the cost of service for this rate class which, DII alleges, is $0.352 per kW. For reasons that follow, I agree with DII and will recommend Duquesne Light be required to amend Tariff Rider No. 16 to reflect a rate of $0.352 per kW.

DII also argued the Commission should order Duquesne Light to have two rates reflected under Tariff Rider No. 16: stand-by rate and maintenance rate. For reasons that follow, I disagree with DII that the rider rate should be separated between rates for stand-by and maintenance.

Duquesne Light persists in its original contention that it must stand at the ready to provide service "24/7/365"[413] to each and every CHP customer who elects to receive service under Tariff Rider No. 16. I agree with DII that this contention is unreasonable and contrary to the facts. The evidence shows there has been only one customer availing itself of Tariff Rider No. 16 for an unknown extended period of time. That customer's CHP system has been available 97.5 percent of the time over at least the last few years.

Duquesne Light is unreasonable to insist that it must calculate its rate for this class based on an assumption that it will provide service constantly during the entire time period. This assumption is especially unreasonable given that the rate class is intended for a customer that is using its own generator because, if Duquesne Light must provide service constantly, then

[413] Note this nomenclature refers to providing service for 24 hours per day, 7 days per week, 365 days per year.

the customer clearly does not have a generation project operating. In that circumstance, that type of CHP customer should not be receiving service under Tariff Rider No. 16. In addition, the evidence shows that Duquesne Light assumed a load factor of 30% for this rate class in the last base rate proceeding.[414] Using a load factor of 30% means Duquesne Light proved in the last base rate proceeding that CHP customers' generators were available at least 70% of the time. If Duquesne Light wanted to pursue a greater load factor, then Duquesne Light should have provided the evidence to support its contention. In this proceeding, the evidentiary record is replete with evidence that the one and only customer had a load factor of only 2.5% and there's a complete lack of evidence that the load factor was anything greater than 2.5%.

Duquesne Light's back-up service was unbundled into Distribution, Competitive Transition Charge, Transmission Charge and Generation Charge components effective January 1, 1999[415] but it converted the billing structure for back-up service in its 2013 rate case from a structure based solely on Contract Demand to a structure that allows the billing determinant to adjust with actual monthly usage.[416]

I recommend the Commission accept DII's proposed back-up rate for Rider No. 16 as an accurate cost-allocated rate.[417] DII's witness performed a back-up rate analysis as a reasonable substitution for a fully allocated cost of service study that treats Rider No. 16 customers as a distinct class.[418] I agree with DII that its back-up rate analysis resolves any alleged "subsidization" concerns from Duquesne Light by providing a cost-based back-up rate

---

414 Duquesne Light's witness, Mr. Gorman, who did not propose a load factor adjustment of 30% for Rider No. 16 in the 2013 rate case (Tr. at 323, lines 17-22 (Gorman)), and Duquesne Light's witness, Mr. Ogden, could not identify the reason why the 30% load factor was applied in the 2013 rate case other than to suggest the 30% load factor might have been a customer-specific proposal or a percentage to get Duquesne Light to an end result. (Tr. at 411 line 25 to 412 line 2 (Ogden)).

415 Peoples Cross-Examination Exhibit No. 1, Attachment No. 5, page 2 of 7.

416 DII Statement No. 1, p. 18 (Crist); Exhibit No. JC-6.

417 Tr. at 584, lines 14-15 (Crist).

418 Tr. at 585, lines 13-15 (Crist).

which is based on the expected availability of the generation owned by Rider No. 16 customers as shown through historical data.[419]

DII argued strenuously that maintenance power should be a daily charge and the daily rate for maintenance power should be established by dividing Mr. Gorman's calculation in Exhibit 6-4H by 30 (that is, by the days of the month).[420] DII pointed out that Duquesne Light's Rider No. 16 contained Maintenance Power as a rate through 2006 and contends Maintenance Service and Standby Service are very different and should have separate rates.[421] However, DII noted Duquesne Light's current Rider No. 16 definition of back-up power does not distinguish between unplanned outages and planned outages for maintenance.[422] It should be noted Duquesne Light did not perform an allocated cost of service for Rider No. 16 in this proceeding.[423]

I agree with DII that developing a separate Rider No. 16 rate class for cost allocation is a preferred method for determining those costs that are attributable to providing back-up service to customers.[424] I also note Duquesne Light's Rider No. 16 rate calculation methodology in the last rate case in 2013 did not include allocating costs to the Rider No. 16 rate class.[425] If Duquesne Light had conducted a cost of service study separately for Rider No. 16 customers, it could have ensured different load factor characteristics for back-up customers were reflected which would have benefitted both customer-generators receiving service under Tariff Rider No. 16 as well as Duquesne Light's other customers.[426]

---

419 Tr. at 585, lines 15-24 (Crist).

420 DII Statement No. 1, pp. 25, 26 (Crist).

421 Peoples Statement No. 2, p. 25, lines 17-19 (Daniel); Compare Peoples Cross-Examination Exhibit No. 1, Attachment No. 2, p. 14 to Attachment No. 1.

422 DII Statement No. 1, p. 19 (Crist).

423 Peoples Statement No. 2, p. 7, lines 8-9 (Daniel).

424 Peoples Statement No. 2, p. 19, lines 13-17 (Daniel).

425 Peoples Statement No. 2, p. 20, lines 14-17 (Daniel).

426 Tr. at 585, lines 4-12 (Crist).

For these reasons, I conclude DII is correct that Duquesne Light did not use the correct load factor for this rate class under Tariff Rider No. 16. The question then became that, if $2.50 per kW was not an appropriate and reasonable rate, then what rate would be an appropriate and reasonable rate?

I agree with DII. The evidence DII presented showed the rate should be $0.352 per kW for customers who elect to receive service under Tariff Rider No. 16.

This litigated issue is decided in large part based on the burden of proof – and the presence or paucity of evidence from DII and Duquesne Light on what should be the appropriate rate to charge customers under Tariff Rider No. 16. Duquesne Light provided almost no evidence to support the current rate charged. DII, in contrast, provided an expert who conducted a Cost of Service Study (COSS) for this rate class, using data from Duquesne Light. That expert, Mr. Crist, elected to use 5% as the load factor[427] in his COSS because it was a conservative number based on the only evidence available about the historical load factor of 2.5%. Mr. Crist calculated that the COSS for this rate class is $0.352 and I agree with his calculations. His testimony was credible and believable. In addition, Mr. Crist used more historical data than Duquesne Light used. In fact, it is unclear to me if Duquesne Light used any historical data when calculating the rate for Tariff Rider No. 16.

The Commission is empowered to determine what is a fair, right and reasonable amount that all ratepayers must pay for energy, and to structure the rates. In this proceeding, the testimony presented – through written statements, cross-examination and exhibits – clearly shows that the current Rider No. 16 rate in Duquesne Light's current tariff is unjust and unreasonable. Duquesne Light proposes to continue to charge a rate of $2.50 per KW for back-up service but the evidence shows the appropriate rate now should be $0.352 per KW.

[427] When calculating a rate for back-up service under Rider No. 16, load factor is the percentage of time a customer relies on the Duquesne Light system for back-up service because the generator is not operating. Tr. at 598, lines 10-14 (Crist).

I find DII's position and evidence to be persuasive and compelling. I also find Duquesne Light failed to meet its burden to prove that the rate charged to customers under Tariff Rider No. 16 is based on facts and is just and reasonable. Accordingly, I recommend the Commission order Duquesne Light to file a tariff at the conclusion of this proceeding which reflects the distribution charge for customers under Tariff Rate No. 16 is $0.352 per kW.

However, I do not find persuasive DII's contention that Tariff Rider No. 16 should be split into two rates to reflect Stand-by and Maintenance. This Recommendation is without prejudice because DII should have an opportunity to put forward this argument in the next base rate at which time it can more fully develop the contention that a separate rate is needed for distributed generation and/or CHP customers. It is my recommendation at this time that the request by DII for the two separate rates based on when in time a CHP relies on distribution service from the EDC should not be granted.

X. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties and subject matter in this proceeding. 66 Pa.C.S.A. §§ 501, 1301, 1308(d).

2. Every rate made, demanded or received by a public utility shall be just and reasonable and in conformity with the regulations and orders of the Commission. 66 Pa.C.S.A. § 1301.

3. The standard of proof, which a public utility must meet, in any proceeding involving a proposed or existing rate is to show that the rate involved is just and reasonable. 66 Pa.C.S.A. § 315(a).

4. A public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request. A public utility's rates include every individual charge that utility demands for any service offered,

rendered, or furnished by the utility, whether received directly or indirectly. *Metropolitan Edison Co. v. Pa. Pub. Util. Comm'n,* 22 A.3d 353 (Pa. Cmwlth. 2011).

5. No public utility shall make or grant any unreasonable preference or advantage to any person, corporation or municipal corporation or subject any person, corporation or municipal corporation to any unreasonable prejudice or disadvantage. 66 Pa.C.S.A. § 1304.

6. The benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest. *Warner v. GTE North, Inc.,* Docket No. C-00902815 (Opinion and Order entered April 1, 1996); *Pa. Pub. Util. Comm'n v. CS Water and Sewer Associates,* 74 Pa. PUC 767 (1991).

7. The Joint Petition For Approval of Settlement Stipulation submitted by Duquesne Light Company, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania, Duquesne Industrial Intervenors, Community Action Association of Pennsylvania, Wal-Mart Stores East, LP and Sam's East, Inc., ChargePoint, Inc., the Keystone Energy Efficiency Alliance, NRG Energy Center Pittsburgh LLC, Clean Air Council and the Natural Resources Defense Council is just and reasonable and in the public interest.

8. The proposed base rate revenue increase of $90.7 million, as shown in the Proof of Revenue at Appendix B to the Joint Petition For Approval of Settlement Stipulation, is just and reasonable, as required by 66 Pa.C.S.A. § 1301, and has been fully supported by the parties to the Joint Petition For Approval of Settlement Stipulation.

9. The revenue allocations to the various customer classes, as shown in the Joint Petition For Approval of Settlement Stipulation at Appendix C, produce just and reasonable rates, as required by 66 Pa.C.S.A. § 1301.

10. Duquesne Light Company failed to meet the burden of proving that the rate charged to customers under Tariff Rider No. 16 is just and reasonable and in the public interest. 66 Pa.C.S.A. §§ 315(a), 332(a), 1301, and 1501; 52 Pa.Code §§ 75.13 and 75.14; *Se-Ling Hosiery, Inc. v. Marguilies*, 70 A.2d 854, 856 (Pa. 1950); *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

11. Duquesne Light Company failed to meet the burden of proving that amending Tariff Rider No. 21 to require new customer-generators to pay for a second meter socket is just and reasonable and in the public interest. 52 Pa.Code §§ 75.13 and 75.14; 66 Pa.C.S.A. §§ 315(a), 332(a), 1301, and 1501.

XI. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That Duquesne Light Company shall not place into effect the rates, rules, and regulations contained in Supplement No. 174 to Tariff Electric Pa. P.U.C. No. 24, the same having been found to be unjust, unreasonable, and therefore unlawful.

2. That the Joint Petition For Approval of Settlement Stipulation submitted by Duquesne Light Company, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania, Duquesne Industrial Intervenors, Community Action Association of Pennsylvania, Wal-Mart Stores East, LP and Sam's East, Inc., ChargePoint, Inc., the Keystone Energy Efficiency Alliance, NRG Energy Center Pittsburgh LLC, Clean Air Council and the Natural Resources Defense Council at Docket Nos. R-2018-3000124 and R-2018-3000829, including all terms and conditions as clarified, is approved.

3. That Duquesne Light Company is hereby authorized to file the tariff supplement contained in Appendix "A" to the Joint Petition For Approval of Settlement Stipulation on less than statutory notice, to be effective on at least one day's notice after entry of the Commission's Final Order, for service rendered on and after December 29, 2018, designed to produce $90.7 million in additional annual base rate operating revenue based upon the pro forma level of operations at December 31, 2018, consistent with the Commission's Final Order in this proceeding.

4. That Duquesne Light Company shall allocate the authorized increase in operating revenue to each customer class and shall implement the rate design as set forth in Appendix "A" to the Joint Petition For Settlement.

5. That Duquesne Light Company shall file a tariff supplement that reflects the cost to receive service under Tariff Rider No. 16 is $0.352 per kW, not $2.50 per kW on less than statutory notice, to be effective on at least one day's notice after entry of the Commission's Final Order, for service rendered on and after December 29, 2018.

6. That the Formal Complaints filed against the base rate proceeding at R-2018-3000124 by the Office of Consumer Advocate at C-2018-3001029; Peoples Natural Gas Company LLC at C-2018-3001152; Office of Small Business Advocate at C-2018-3001566; Duquesne Industrial Intervenors at C-2018-3001713; and NRG Energy Center Pittsburgh LLC at C-2018-3002755, are dismissed and marked closed, consistent with the Joint Petition For Approval of Settlement Stipulation.

7. That Duquesne Light Company shall refund to customers $24 million, which sum includes interest, through a one or two-time bill credit on a distribution revenue basis, to return to ratepayers $19.2 million in 2018 tax savings associated with the Tax Cut and Jobs Act of 2018, inclusive of the effect of deferred income taxes and a gross-up of income taxes, and 2018 protected and unprotected EDIT.

8. That Duquesne Light Company shall file with the Commission's Bureau of Technical Utility Services a list that shall detail by rate class how much in dollars will be refunded to each rate class as a result of the Tax Cut and Jobs Act of 2017 refund. The list shall be filed at Docket No. R-2018-3000829 on or before January 29, 2019.

9. That the Formal Complaints of Jason Dolby at C-2018-3001074; and Leonard Coyer at C-2018-3002424, are dismissed and marked closed.

10. That Duquesne Light Company shall not alter the terms of Tariff Rider No. 21 to require new customer-generators to install a second meter socket for a generation meter prior to receiving net-metering services.

11. That upon acceptance and approval by the Commission of the tariff revisions filed by Duquesne Light Company, consistent with this Order, the investigation at Docket No. R-2018-3000124 shall be marked closed.

12. That upon acceptance and approval by the Commission of the $24 million refund to customers, which sum includes interest, through a one or two-time bill credit on a distribution revenue basis, pursuant to the Tax Cut and Jobs Act of 2017, the proceedings at Docket No. R-2018-3000829 shall be marked closed.

Date: October 10, 2018

/s/
Katrina L. Dunderdale
Administrative Law Judge

A. APPENDIX A

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	**:**	
	:	
v.	**:**	**Docket No. R-2018-3000124**
	:	**Docket No. C-2018-3001566**
Duquesne Light Company	**:**	
1308(d) Proceeding	**:**	

PARTIES SUBMITTING TESTIMONY AND EXHIBITS

1. Duquesne Light Company
2. Office of Consumer Advocate
3. Office of Small Business Advocate
4. Bureau of Investigation and Enforcement
5. Walmart Stores East, LP and Sam's East, Inc.
6. ChargePoint, Inc.
7. CAUSE-PA
8. KEEA, NRDC and CAC
9. Peoples Natural Gas Company LLC
10. Duquesne Industrial Intervenors – DII
11. Natural Resources Defense Council
12. Community Action Association of PA – CAAP

B. Duquesne Light Company (Duquesne Light)

TESTIMONY AND EXHIBITS FOR RECORD

1. Duquesne Light 2018 Rate Filing

   (a) DLC Exhibit 1 – Summary of Filing

   (b) DLC Exhibits 2 thru 4 – Summary of Measures of Value and Rate of Return

   (c) DLC Exhibit 5 – Direct Testimony

   (d) DLC Exhibit 6 – Jurisdictional Separation and Allocated Cost of Service Studies

   (e) DLC Exhibit 7 – Depreciation Studies

2. Direct Testimony

   (a) Duquesne Light Statement No. 1 – C. James Davis

   (b) Duquesne Light Statement No. 2 – Matthew S. Ankrum
   Exhibits MSA-1 through MSA-6

   (c) Duquesne Light Statement No. 3 – Todd A. Mobley
   Exhibits TM-1 through TM-3

   (d) Duquesne Light Statement No. 4 – Benjamin Buxton Morris
   Exhibits BBM-1 through BBM-2

   (e) Duquesne Light Statement No. 5 – James Karcher

   (f) Duquesne Light Statement No. 6 – Joseph G. DeMatteo
   Exhibits JD-1 through JD-3

   (g) Duquesne Light Statement No. 7 – Katherine Scholl
   Exhibits KMS-1 through KMS-5

   (h) Duquesne Light Statement No. 8 – Mark Miko

   (i) Duquesne Light Statement No. 9 – Robert L. O'Brien
   Exhibits RLO-1 through RLO-4

   (j) Duquesne Light Statement No. 10 – John J. Spanos
   Appendix A

   (k) Duquesne Light Statement No. 11 – Matthew L. Simpson
   Exhibits MLS-1 and MLS-2

(l) Duquesne Light Statement No. 12 – Paul R. Moul
Appendix A and Exhibit PRM-1

(m) Duquesne Light Statement No. 13 – James Milligan
Exhibit JHM-1

(n) Duquesne Light Statement No. 14 – Howard S. Gorman
Attachment A

(o) Duquesne Light Statement No. 15 – David B. Ogden
Exhibits DBO-1 through DBO-5

3. Rebuttal Testimony

(a) Duquesne Light Statement No. 1-R – C. James Davis
Exhibit CJD-1-R

(b) Duquesne Light Statement No. 2-R – Matthew S. Ankrum
Exhibits MSA-1-R through MSA-3-R

(c) Duquesne Light Statement No. 6-R – Joseph G. DeMatteo
Exhibits JGD-1-R through JGD-6-R

(d) Duquesne Light Statement No. 7-R – Katherine M. Scholl
Exhibit KMS-7-R

(e) Duquesne Light Statement No. 9-R – Robert L. O'Brien
Exhibits RLO-1-R through RLO-17-R

(f) Duquesne Light Statement No. 11-R – Matthew L. Simpson
Exhibit MLS-1-R

(g) Duquesne Light Statement No. 12-R – Paul R. Moul
Exhibits PRM-2 through PRM-4

(h) Duquesne Light Statement No. 14-R – Howard S. Gorman (Public and Confidential Versions)
Exhibits 6-1-R through 6-11-R

(i) Duquesne Light Statement No. 15-R – David B. Ogden

(j) Duquesne Light Statement No. 16-R – Neil S. Fisher
Exhibits NSF-1-R through NSF-2-R

(k) Duquesne Light Statement No. 17-R – John C. Hilderbrand (Public and Confidential Versions)
Exhibits JCH-1-R, JCH-2-R (Confidential) and JCH-3-R

4. Rejoinder Testimony

(a) Duquesne Light Statement No. 2-RJ – Matthew S. Anrkum

(b) Duquesne Light Statement No. 6-RJ – Joseph G. DeMatteo

(c) Duquesne Light Statement No. 7-RJ – Katherine M. Scholl

(d) Duquesne Light Statement No. 9-RJ – Robert L. O'Brien
Exhibits RLO-1-RJ through RLO-4-RJ

(e) Duquesne Light Statement No. 11-RJ – Matthew L. Simpson

(f) Duquesne Light Statement No. 12-RJ – Paul R. Moul

(g) Duquesne Light Statement No. 15-RJ – David B. Ogden

(h) Duquesne Light Statement No. 16-RJ – Neil S. Fisher
Exhibit NSF-31

(i) Duquesne Light Statement No. 17-RJ – John C. Hilderbrand

C. **Office of Consumer Advocate (OCA)**

TESTIMONY AND EXHIBITS FOR RECORD

1. Direct Testimony of the OCA, all dated June 25, 2018 and accompanied by Signed Verifications:

a. OCA Statement No. 1, the Direct Testimony of Lafayette K. Morgan, Schedules LKM-1 through LKM-20, and Appendix A.

b. OCA Statement No. 2, the Direct Testimony of Ashley E. Everette, and Appendix A.

c. OCA Statement No. 3, the Direct Testimony of Dr. David S. Habr, and exhibits DSH-1 through DSH-20.

d. CONFIDENTIAL and Public Version of OCA Statement No. 4, the Direct Testimony of Glenn Watkins, and Schedules GAW-1 through GAW-5.

e. OCA Statement No. 5, the Direct Testimony of Roger D. Colton, Schedule RDC-1, and an Appendix labeled Colton Vitae – June 2018.

2. Rebuttal Testimony of the OCA, both dated July 23, 2018, and accompanied by signed Verifications:

   a. OCA Statement No. 2-R, the Rebuttal Testimony of Ashley E. Everette.

   b. OCA Statement No. 4-R, the Rebuttal Testimony of Glenn A. Watkins.

3. Surrebuttal Testimony of the OCA, dated August 6, 2018, and accompanied by Signed Verifications:

   a. CONFIDENTIAL and Public Version of OCA Statement No. 1-SR, the Surrebuttal Testimony of Lafayette K. Morgan, and Surrebuttal Schedules LKM-1 through LKM-19.

   b. OCA Statement No. 2-SR, the Surrebuttal Testimony of Ashley E. Everette.

   c. OCA Statement No. 3-SR, the Surrebuttal Testimony of Dr. David S. Habr.

   d. OCA Statement No. 4-SR, the Surrebuttal Testimony of Glenn A. Watkins.

   e. OCA Statement No. 5-SR, the Surrebuttal Testimony of Roger D. Colton, and Schedule RDC-2.

D. Office of Small Business Advocate (OSBA)

TESTIMONY AND EXHIBITS FOR RECORD

OSBA Statement No. 1	Direct Testimony of Brian Kalcic, with Schedules BK1-BK4 and Referenced IR Responses OSBA I-5
OSBA Statement No. 1-R	Rebuttal Testimony of Brian Kalcic, with Schedule BK1-R
OSBA Statement No. 1-SR	Surrebuttal Testimony of Brian Kalcic

E. Bureau of Investigation and Enforcement (BIE)

TESTIMONY AND EXHIBITS FOR RECORD

- I&E Statement No. 1: the Direct Testimony of Christopher Keller
- I&E Exhibit No. 1: the Exhibit to accompany the Direct Testimony of Christopher Keller
- I&E Statement No. 1 –SR: the Surrebuttal Testimony of Christopher Keller
- I&E Exhibit No. 1 –SR: the Exhibit to accompany the Surrebuttal Testimony of Christopher Keller
- An Errata Sheet correcting Statement No. 1 –SR: the Surrebuttal Testimony of Christopher Keller
- I&E Statement No. 2: the Direct Testimony of Anthony Spadaccio
- I&E Exhibit No. 2: the Exhibit to accompany the Direct Testimony of Anthony Spadaccio
- I&E Statement No. 2-SR: the Surrebuttal Testimony of Anthony Spadaccio
- I&E Statement No. 3: the Direct Testimony of Ethan Cline
- I&E Exhibit No. 3: the Exhibit to accompany the Direct Testimony of Ethan Cline
- I&E Statement No. 3-R: the Rebuttal Testimony of Ethan Cline
- I&E Statement No. 3 –SR: the Surrebuttal Testimony of Ethan Cline
- I&E Exhibit No. 3–SR: the Exhibit to accompany the Surrebuttal Testimony of Ethan Cline
- I&E Statement No. 3 –SSR: the Supplemental Surrebuttal Testimony of Ethan Cline

- I&E Exhibit No. 3 –SSR: the Exhibit to accompany the Supplemental Surrebuttal Testimony of Ethan Cline

*Please also note that at the outset of the hearing on August 15, I&E also entered a Joint Stipulation for Admission of Evidence between Peoples Natural Gas Company and I&E

F. Walmart Stores East, LP and Sam's East Inc (Wal-mart)

TESTIMONY AND EXHIBITS FOR RECORD

- Walmart Statement No. 1: the Direct Testimony of Gregory W. Tillman

- Exhibits to the Direct Testimony: Exhibit GWT-1, Exhibit GWP-2 and Exhibit GWT-3

G. ChargePoint Inc. (ChargePoint)

TESTIMONY AND EXHIBITS FOR RECORD

- ChargePoint Statement No. 1: the Direct Testimony of Michael K. Waters

- Exhibits to the Direct Testimony: CP-MKW-1, CPMKW-2 and CP-MKW-3

- ChargePoint Statement No. 1-R: the Rebuttal Testimony of Michael K. Waters

- Exhibit to the Rebuttal TestimonyCP-MKW-4

H. Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania(CAUSE-PA)

TESTIMONY AND EXHIBITS FOR RECORD

CAUSE-PA presented prepared the written testimony from Mr. Harry Geller and Ms. Sarah Ralich. The testimony consists of:

Direct

- CAUSE-PA Statement No. 1, the prepared Direct Testimony of Harry Geller, consisting of 35 pages of testimony and Appendix A, B and C. Appendix A consists of one page. Appendix B consists of four pages and Appendix C consist of two pages.

- CAUSE-PA Statement No. 2, the prepared Direct Testimony of Sarah Ralich, consisting of 13 pages of testimony and Appendix A. Appendix A consists of a one page.

Surrebuttal

- CAUSE PA St. 1- SR the prepared surrebuttal testimony of Harry Geller consisting of 25 pages of testimony and Appendix A and B: Appendix A consists of one page and Appendix B consist of 8 pages.

- CAUSE- PA St. 2- SR the prepared Surrebuttal testimony of Sarah Ralich consist of 10 pages of testimony and Appendix A consisting of two pages.

I. Keystone Energy Efficiency Alliance, Natural Resources Defense Council and Clean Air Council (KEEA)

TESTIMONY AND EXHIBITS FOR RECORD

1. KEEA St. No. 1 (Baatz)
    a. Exhibit BJB-1
    b. Exhibit BJB-2

2. KEEA St. No. 1-S (Baatz)

J. Peoples Natural Gas Company LLC (Peoples)

TESTIMONY AND EXHIBITS FOR RECORD

Direct

Peoples Statement No. 1 – Direct Testimony of Jeffrey S. Nehr
- Exhibit JSN-1

Peoples Statement No. 2 – Direct Testimony of James W. Daniel
- Exhibit JWD-1
- Exhibit JWD-2
- Exhibit JWD-3
- Exhibit JWD-4
- Exhibit JWD-5

Peoples Statement No. 3 – Direct Testimony of Jamie Scripps
- Exhibit JWS-1
- Exhibit JWS-2
- Exhibit JWS-3
- Exhibit JWS-4
- Exhibit JWS-5
- Exhibit JWS-6
- Exhibit JWS-7
- Exhibit JWS-8
- Exhibit JWS-9

Peoples Statement No. 4 – Direct Testimony of Jennifer R. Kefer
- Exhibit JRK-1
- Exhibit JRK-2

Surrebuttal

Peoples Statement No. 1-SR – Surrebuttal Testimony of Jeffrey S. Nehr
- Exhibit JSN-2
- Exhibit JSN-3
- Exhibit JSN-4

Peoples Statement No. 2-SR – Surrebuttal Testimony of James W. Daniel (public version)
- Exhibit JWD-5
- Exhibit JWD-6
- Exhibit JWD-7 (public version)
- Exhibit JWD-8

Peoples Statement No. 2-SR – Surrebuttal Testimony of James W. Daniel (confidential version)
- Exhibit JWD-5
- Exhibit JWD-6
- Exhibit JWD-7 (confidential version)
- Exhibit JWD-8

Peoples Statement No. 3-SR – Surrebuttal Testimony of Jamie Scripps
Exhibit JWS-1 (Revised)
Exhibit JWS-2 (Revised)
Exhibit JWS-3 (Revised)
Peoples Statement No. 4-SR – Surrebuttal Testimony of Jennifer R. Kefer
Exhibit JRK-3
Exhibit JRK-4
Exhibit JRK-5

Peoples Cross-Examination Exhibit 1: Duquesne Light Company Answer to Interrogatory Peoples IV-1

Peoples Cross-Examination Exhibit 2: Duquesne Light Company Answer to Interrogatory Peoples III-10

K. Duquesne Industrial Intervenors (DII)

TESTIMONY AND EXHIBITS FOR RECORD

Witness	Statement	Exhibit	Exhibit Description
James L. Crist	**Statement No. 1 (Direct)**	JC-1	Partial List of Regulatory Experience of James L. Crist
		JC-2	District Energy Databook
		JC-3	Revenue Requirements by Class (Crist Alternative Proposal to Move to Cost of Service)
		JC-4	Interrogatory Response of Benjamin B. Morris (I&E-RE-41)
		JC-5	Company Tariff Redline from DLC's 2013 Rate Case (Docket R-2013-2372129)
		JC-6	Phrommer Testimony, pp. 19-20, from DLC's 2013 Rate Case (Docket R-2013-2372129)
		JC-7	Duquesne University Presentation to Public Utility Commission on the University's Cogeneration Facility (2014)
		JC-8	Revised Proposed Rider 16 (Crist)
James L. Crist	**Statement No. 1-R (Rebuttal)**	n/a	
James L. Crist	**Statement No. 1-S (Surrebuttal)**	JC-1S	Data from 2013 DLC Rate Case
		JC-2S	Interrogatory Response of Joseph DeMatteo (Peoples-DLC II-12)
		JC-3S	Redline of Company's proposed Rider 16
James L. Crist	**Statement No. 1-RJ (Rejoinder Outline)**	n/a	*(NOTE: Rejoinder Outline **Not** Admitted into the Record)*
Richard Heller	**Statement No. 2 (Direct)**	RH-1	Pitt Campus Substation Maps
		RH-2	Pitt Substations Switchgear Photos
		RH-3	Pitt Sustainability Plan
Richard Heller	**Statement No. 2-S (Surrebuttal)**	RH-1S	Comparison of potential CHP generation alternatives at Pitt (Interrogatory Response DLC-DII-28(a)
		RH-2S	Calculation of impact of increased Back-Up rates

Eric R. Sprys	**Statement No. 3**	ES-1	Resume of Eric R. Sprys
Eric R. Sprys	**Statement No. 3-S**	n/a	

DII Cross Exhibit No. 1 (Gorman testimony from Rhode Island proceeding)

DII Cross Exhibit No. 2 (E-mail dated 4/11/2018 from Joseph G. DeMatteo, with attachments)

L. Natural Resources Defense Council (NRDC)

TESTIMONY AND EXHIBITS FOR RECORD

1. Direct Testimony of Noah Garcia
2. Rebuttal Testimony of Noah Garcia
3. Surrebuttal Testimony of Noah Garcia

M. Community Action Association of PA (CAAP)

TESTIMONY AND EXHIBITS FOR RECORD

CAAP Statement No. 1- The Direct Testimony of Susan A. Moore