

August 28, 2020

Via Electronic Mail

Deputy Chief Administrative Law Judge Mark A. Hoyer
Pennsylvania Public Utility Commission
Piatt Place
301 5th Avenue
Pittsburgh, PA 15222

Re: Docket No. P-2020-3019522
Petition of Duquesne Light Company for Approval of Its Default
Service Plan for the Period June 1, 2021 Through May 31, 2025

Dear Judge Hoyer:

Attached, in accordance with the schedule in Your Honor's Prehearing Order is the prepared Surrebuttal Testimony of MAREC-Action Witness Elizabeth Stanton, PhD, in the above matter. A copy of Ms. Stanton's Surrebuttal Testimony is being provided to the persons listed on the attached Certificate of Service.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By



Charles E. Thomas, Jr.

Enclosure

cc: Rosemary Chiavetta, Secretary (w/o attachment)
Bruce H. Burcat, Esquire

CERTIFICATE OF SERVICE

I hereby certify that I have this 28th day of August, 2020, served a true and correct copy of the foregoing Surrebuttal Testimony of Elizabeth A. Stanton, Ph.D. on behalf of MAREC Action, upon the persons listed below which MAREC-Action believes are participating in the proceeding:

VIA ELECTRONIC MAIL

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Duquesne Light Company for :
Approval of Its Default Service Plan for :
the Period June 1, 2021 through May 31, : Docket No. P-2020-3019522
2025**

**SURREBUTTAL TESTIMONY OF
ELIZABETH A. STANTON, PHD**

**On Behalf of the
Intervener MAREC Action**

August 28, 2020

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address, and position.**

3 A. My name is Elizabeth A. Stanton, Ph.D. I am the Director and Senior Economist of the
4 Applied Economics Clinic, 1012 Massachusetts Avenue, Arlington MA 02476.

5 **Q. What is the purpose of your surrebuttal testimony?**

6 A. The purpose of my surrebuttal testimony is to reply to the rebuttal testimonies of:

- 7 • Christopher H. Kallaher on behalf of Interstate Gas Supply, Inc., Shipley Choice
8 LLC, NRG Energy, Inc., Vistra Energy Corp., ENGIE Resources LLC, WGL
9 Energy Services, Inc., and Direct Energy Services, LLC
- 10 • Serhan Ogur on behalf of the Pennsylvania Office of Consumer Advocate
- 11 • Scott Fisher on behalf of Duquesne Light

12

13 **II. REBUTTAL TESTIMONY OF CHRISTOPHER H. KALLAHER**

14 **Q. Have you reviewed the rebuttal testimony of Christopher H. Kallaher as it relates to**
15 **your direct testimony in this docket?**

16 A. Yes. Mr. Kallaher agrees with my assertion that Duquesne has not provided evidence that
17 its proposed 7 MW of solar is sufficient to result in a prudent mix of resources and that
18 Duquesne has not discussed any analysis performed to determine a prudent mix of
19 resources. Mr. Kallaher also suggests that “Duquesne’s [solar] proposal is mere tokenism
20 rather than a sincere effort to address a proven need.”(p.10, lines12-13) Finally, with
21 regards to my direct testimony, Mr. Kallaher notes that he “generally agree[s] with her
22 demonstration of the potential benefits of incorporating renewables into the grid on a
23 potentially large scale.”(p.10, lines 13-14)

1 **Q. What did the Commission require of EDCs in their DSP proposals with regards to**
2 **long-term contracts for renewables?**

3 A. The Commission requires EDC's to include evidence showing how their DSP proposals
4 provide a prudent mix of supply resources. Specifically, in its Secretarial Letter regarding
5 the Investigation into Default Service and PJM Interconnection, LLC. Settlement
6 Reforms (Docket M-2019-3007101), the Commission references MAREC's comments
7 on long-term contracts for renewables, agreed on the importance of this issue, and
8 requested EDC's address this procurement mechanism in their default service plan (DSP)
9 proposals stating that:

10 Concerning procurement and long-term contracts, the Commission agrees
11 that long-term contracts need to be carefully considered and that we need
12 to consider this topic further in upcoming DSP proceedings. We request
13 that the EDCs include in their filings evidence showing how its DSP
14 proposal complies with the prudent mix requirements of the Public Utility
15 Code [Act 129] and case law.¹

16 **Q. Does Mr. Kallaher agree that Duquesne has failed to meet this obligation?**

17 A. Yes, Mr. Kallaher agrees with this point made in my direct testimony: Duquesne does not
18 provide support for its claim that 7 MW of solar is sufficient to result in a product mix of
19 resources.

20

21

¹ Pennsylvania Public Service Commission ("PUC" or "Commission") Docket No. M-2019-3007101. January 23, 2020. *Secretarial Letter regarding the Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms* ("Secretarial Letter"). Available at: http://www.puc.pa.gov/about_puc/consolidated_case_view.aspx?Docket=M-2019-3007101 p.8

1 **III. REBUTTAL TESTIMONY OF SERHAN OGUR**

2 **Q. Have you reviewed the rebuttal testimony of Serhan Ogur as it relates to your direct**
3 **testimony in this docket?**

4 A. Yes, Mr. Ogur's testimony does not refer directly to my testimony but does address long-
5 term contracts for renewables. In critiquing Mr. Kallaher's direct testimony in this
6 docket, Mr. Ogur argues that long-term contracts do not represent an obstacle to
7 transferring to a new service provider, that claims of risk to customers from locking in a
8 long-term price are spurious, and that the very small size of Duquesne's proposed solar
9 PPA makes it impossible for it to result in other potential dangers to renewables
10 development suggested by Mr. Kallaher. (Mr. Ogur also calls into question whether these
11 purported dangers would be realized with respect to larger scale long-term contracts for
12 renewables.)

13

14 **IV. REBUTTAL TESTIMONY OF SCOTT FISHER**

15 **Q. Have you reviewed the rebuttal testimony of Scott Fisher as it relates to your own**
16 **testimony in this docket?**

17 A. Yes, Scott Fisher's rebuttal addresses my direct testimony in this docket directly, raising
18 several questions and objections. His primary concerns are:

19 • That my testimony is not specific enough regarding the number of MWs of
20 renewables for which Duquesne should pursue a long-term contract.

21 • That long-term contracts pose a variety of risks to customers including inability to
22 take advantage of potential decreases in generation supply prices, falling

23 renewable development costs, and future retail electric prices.

- 1 • That the 2017 study on the benefits to Pennsylvania of long-term renewables
2 contracts oversimplifies actual default service procurement.
- 3 • That my proxy for updating this study overestimates current benefits.
- 4 • That evidence of long-term renewable contracting in other jurisdictions is
5 irrelevant.

6 **Q. Mr. Fisher argues that your testimony is not specific enough regarding the number**
7 **of MWs of renewables for which Duquesne should pursue a long-term contract.**
8 **How do you respond?**

9 A. The number of MWs best procured by Duquesne in long-term contracts should be
10 determined by means of an all-resource RFP that requests bids for both energy and
11 AECs. If, as Mr. Fisher claims on p. 8 of his rebuttal, Duquesne already plans to conduct
12 just such an all-resource RFP for its default supply, then a review of these bids will reveal
13 the optimal amount of long-term renewables to contract for. If, however, Duquesne's
14 RFP is limited in the amount of resources that it is requesting (e.g., limited to 7 MW),
15 then that limited RFP cannot shed light on the optimal amount of long-term renewables
16 contracts to procure. An RFP for 7 MW or smaller bids cannot inform the question of the
17 "right" number of MWs.

18 **Q. How should the Commission assess whether or not an EDC has procured enough**
19 **MW in long-term renewables contracts?**

20 A. As I explained in my direct testimony, the first and best choice is to conduct an all-
21 resource RFP for both energy and AECs, and then using the resulting bids to determine
22 the optimal number and type of MW for which to contract. In the event that such an RFP
23 is not conducted, or the RFP limits responses to an arbitrary, pre-determined number of

1 MWs, there is no standard for determining the number of MW of long-term renewables
2 that will most benefit utility customers.

3 In the absence of such a standard, I recommend that the Commission provide a minimum
4 percentage threshold for long-term renewables contracts as a share of default service that
5 it finds consistent with its requirement that EDCs show how their DSP proposals provide
6 a prudent mix of supply resources.

7 **Q. Mr. Fisher argues that long-term contracts pose a variety of risks to customers**
8 **including inability to take advantage of potential decreases in: generation supply**
9 **prices, falling renewable development costs, and future retail electric prices. How do**
10 **you respond?**

11 A. Mr. Fisher paints a worst-case picture of future market conditions and neglects to
12 mention the risks to Duquesne's customers of missing out on the advantage of today's
13 long-term renewable contracts. In his rebuttal testimony, Mr. Ogur—writing on behalf of
14 Pennsylvania's Office of Consumer Advocate—critiques the use of these same
15 unsubstantiated points in Mr. Kallaher's direct testimony, stating:

16 [W]hile it is certainly possible that long-term contracts may turn out to be
17 uneconomic over the course of the delivery period relative to then-
18 prevailing market prices, it is just as possible that the contracts turn out to
19 be below market over the course of the delivery period. What is relevant
20 here is that the future market prices for energy, solar AECs, or capacity
21 are not known. Therefore, long-term solar PPAs for energy and AECs, and
22 possibly for capacity and ancillary services attributes as well, operate as a
23 hedge against large price increases during the term of the contract, not

1 necessarily as a means to secure the lowest possible price at any particular
2 time. In fact, the Commission supports this view by giving EDCs the
3 flexibility to include long-term products in their default service product
4 portfolios.(p.9, lines 3-12)

5 In short: long-term contracts provide important customer benefits as a hedge on future
6 uncertainties, not by guaranteeing that they provide the lowest price on every day or in
7 every contract period over the year-long term of the contract, but rather by providing a
8 guarantee of a stable, known price over the long term.

9 **Q. Do long-term renewables contracts put customers at risk?**

10 A. No, the inclusion of long-term renewables contracts in default service supply lowers
11 customer risk; it does not increase customer risk. Because the future is uncertain, risk can
12 only be lowered through diversification of investments and commitments. Long-term
13 renewables contracts provide a hedge against both price volatility and increasing prices
14 over time.

15 **Q. Mr. Fisher argues that the 2017 study on the benefits to Pennsylvania of long-term**
16 **renewables contracts oversimplifies actual default service procurement. How do you**
17 **respond?**

18 A. Mr. Fisher is correct that the 2017 study provides a simple, illustrative comparison of
19 long-term renewable PPAs versus default supply. The choice of undertaking a high-level
20 policy study has several benefits over detailed modeling more rooted in the admittedly
21 complex nuances of Pennsylvania's default supply regulation. Illustrative policy
22 modeling permits the possibility that current regulation could—and perhaps must—
23 change in order to accommodate new ideas, new opportunities, and increasingly

1 important environmental values and requirements. Regulation can and should be adapted
2 to best serve current and future customer needs.

3 **Q. What can be learned from the 2017 study?**

4 A. The results of the 2017 study are best interpreted as indicative of possible routes to and
5 sources of benefits to customers. From this initial assessment, we observe that long-term
6 renewable contracts: (1) have the potential to lower customer costs under the right
7 circumstances; (2) provide costs with respect to default service that are lower when the
8 terms of the contract are longer; and (3) provide costs with respect to default service that
9 are lower when the price of natural gas is higher.

10 **Q. Mr. Fisher argues that your proxy for updating the 2017 study overestimates**
11 **current benefits. How do you respond?**

12 A. Mr. Fisher correctly points out an error in my proxy for updating the 2017 study but my
13 error did not overestimate current benefits. On the contrary, my error underestimated
14 current benefits: solar and wind prices have been falling even more rapidly than
15 procurement auction prices than I suggested in my direct testimony.

16 Mr. Fisher is correct in pointing out that I neglected to adjust auction price for the effects
17 of inflation. In the attachment to my testimony, I correct this error: I stated in my direct
18 testimony that “On average, Pennsylvania procurement auction prices fell by roughly 6
19 percent per year from 2015 to 2020”(p. 14, lines 14-15). In fact, real (inflation-adjusted)
20 procurement auction prices fell by nearly 8 percent per year over that period.

21 In my direct testimony, I compared the average annual change in inflation-adjusted wind
22 and solar prices from 2016 to 2019 to that of nominal auction prices from 2015 to 2020.

1 Adjusting the auction growth rates to match the period of data available for renewables
2 prices provided the following, corrected, comparison:

- 3 • From 2016 to 2019, inflation-adjusted Pennsylvania procurement auction
4 prices fell by about 1.5 percent
- 5 • From 2016 to 2019, inflation-adjusted average overnight solar prices fell by
6 11-13 percent
- 7 • From 2016 to 2019, inflation-adjusted average overnight wind prices fell by 6
8 percent

9 Solar and wind prices appear to be dropping more quickly than auction prices over the
10 period for which there are comparable data.

11 **Q. Mr. Fisher argues that evidence of long-term renewable contracting in other
12 jurisdictions is irrelevant. How do you respond?**

13 A. I disagree. I believe that by taking advantage of the experience of other jurisdictions,
14 Pennsylvania gains more practical information about how to provide customer benefits
15 while meeting environmental regulations.

16 **Q. Are other jurisdictions finding ways to adapt current regulations and introduce new
17 regulations to make the benefits of long-term renewables contracts accessible to
18 utility customers?**

19 A. Yes. See my direct testimony beginning on page 20.

20 **Q. Are there any additional examples of long-term contracts being adopted in other
21 jurisdictions?**

22 A. Yes. Washington DC has signed several solar and wind PPAs since 2015, with 12 MW of
23 solar PV purchases that are expected to save taxpayers \$30 million, along with wind

1 PPA's projected to save taxpayers an additional \$45 million over a 20-year period.² The
2 PPA's are projected to accelerate DC towards the goal of cutting greenhouse gas
3 emissions in half by 2032 and achieving carbon neutrality by 2050.³

4 Illinois Power Agency has a long-term renewable resources procurement plan established
5 to create a set of competitive procurements of renewable energy for their RPS
6 compliance obligations.⁴ The plan calls for new photovoltaic distributed generation and
7 community solar projects up to 2000 kW through 15-year contracts.⁵

8 Amphitheater Public Schools in Arizona entered a 25-year Solar Services Agreement
9 (SSA) in which the school district will pay a flat cost per kilowatt hour for the energy
10 produced by their newly installed solar array.⁶ These systems are projected to provide an
11 estimated \$23 million in cost-savings to taxpayers.⁷

12 **Q. Are there any additional examples of long-term contracts being adopted by**
13 **organizations within Pennsylvania?**

14 A. Yes. As discussed in my direct testimony beginning on p. 20, the City of Philadelphia
15 signed a long-term contract for an 80 MW solar project in Adams County, which is now

² DC Department of General Services. No date. "Renewables + Energy Purchasing". Available at:
<https://dgs.dc.gov/page/renewables-energy-purchasing>

³ Ibid.

⁴ Illinois Power Agency. April 20, 2020. Long-Term Renewable Resources Procurement Plan. Final Revised Plan.
p.1. Available at: https://www2.illinois.gov/sites/ipa/pages/renewable_resources.aspx

⁵ Illinois Power Agency. April 9, 2020. Adjustable Block Program REC Contract Request for Stakeholder
Comments. pp.1,8. Available at:

<https://www2.illinois.gov/sites/ipa/Documents/ABP%20REC%20Contract%20Update%202020/IL%20ABP%20REC%20Contract%20Request%20for%20Comments%209%20APR%202020.pdf>

⁶ Amphitheater Public Schools. No date. "Amphi Schools Soak Up Solar Energy", Available at:
<https://www.amphi.com/Page/8184>

⁷ Ibid.

1 expected to meet 22 percent of the city's energy demand instead of 20 percent as
2 originally forecast.⁸

3 **Q. Does this conclude your direct testimony?**

4 A. Yes.

⁸ City of Philadelphia and Adams County. March 30, 2020. "Adams County, PA Solar Project – Pre-Qualification". Philadelphia Energy Authority. Available at: https://philaenergy.org/public_bids/adams-county-pa-solar-project-pre-qualification/