



TESTIMONY
TO THE
HOUSE CONSUMER PROTECTION, TECHNOLOGY AND UTILITIES
SUBMITTED BY
DUQUESNE LIGHT COMPANY
February 14, 2024
10 am

COMMUNITY SOLAR: HOUSE BILL 1842

Chairman Matzie, Chairman Marshall, Chairman Schweyer, members of the Consumer Protection, Technology and Utilities Committee. On behalf of Duquesne Light Company, I would like to thank you for the opportunity to provide our perspective on energy policy as it pertains to community solar legislation in Pennsylvania and its impact on ALL electric customers. We very much appreciate the Committee's willingness to examine this issue.

I would especially like to thank Chairman Schweyer for his continued work on community solar legislation. We greatly appreciate your continued work and dedication to expanding solar energy in Pennsylvania.

My name is David Fisfis. I am the Vice President (VP) of Energy Policy and General Counsel for Duquesne Light Company (DLC), an electric distribution company (EDC) serving the greater Pittsburgh area in Allegheny and Beaver Counties. For more than a century, we have been working around the clock to deliver safe and reliable electric service to communities in Southwestern Pennsylvania.

Duquesne Light Company

Duquesne Light Company has been an integral part of the fabric of Pittsburgh and the surrounding area. Our employees take pride in supporting the delivery of safe, dependable energy for greater comfort and leisure, faster communications, more efficient transportation, enhanced economic development, and improved health care for virtually every facet of life. We live and breathe the duty of maintaining a secure, resilient energy infrastructure for our communities.

Today, our core values of safety, integrity, dependability, equity, and community enable us to serve more than 600,000 customers. We are committed to safely powering our customers' lives while playing a leading role in Southwestern Pennsylvania's clean energy transition. Our vision is to create a larger-than-light, clean energy future for all by delivering exceptional results today and boldly harnessing opportunities for tomorrow. In doing so, we can ensure a cleaner, healthier, and more equitable community for generations to come.



Energy and Energy Policy in Pennsylvania

While the purpose of today's hearing is primarily to discuss community solar, I would be remiss if I did not also take this opportunity to speak about the importance of having an energy policy plan in place as Pennsylvania seeks to increase clean energy resources.

As many of you know, Pennsylvania is one of the nation's leading energy producers in traditional energy sources (coal, oil, nuclear, natural gas) and is poised to be a future leader in renewable, zero-carbon, and distributed energy resources. As our energy profile becomes cleaner and increasingly diverse, DLC recognizes the need for and supports the development of a comprehensive state energy plan to advance the distribution, generation, transmission, conservation, and consumption of energy in the Commonwealth of Pennsylvania. It is imperative that in crafting that plan, we seek to **balance affordability, reliability, and resiliency**, recognizing the importance of 24-7 energy sources in the transition to a cleaner energy future for all.

While Pennsylvania's energy source portfolio has drastically changed over the past 10 years, our energy policy has not been touched in 15 to 20 years—not since the Rendell Administration, with passage of Act 129 of 2008- Energy Efficiency and Conservation; Act 35 of 2007 (amending the Alternative Energy Portfolio Standards Act, aka AEPS); and Act 213 of 2004- AEPS original passage, and similarly, Pennsylvania has not had a comprehensive energy plan in decades.

Pennsylvania's Energy Plan needs to recognize the continued value of the grid, and the complexity of planning and operating a changing distribution system that integrates diverse, distributed, interconnected and variable resources. **Therefore, I encourage you not to consider solar energy in a vacuum, but as part of a broader suite of policies, as we look to address energy policy more comprehensively.**

We look forward to partnering with the Legislature and the Shapiro Administration, to develop a state energy plan and support policy that enables Pennsylvania to maintain our status as a top energy producer and exporter, while seeking to decarbonize the energy sector in a way that is equitable, affordable and enables the growth of clean energy technology, while supporting economic growth and job creation throughout the Commonwealth.



Transitioning Pennsylvania to a Clean Energy Future for ALL

Once again, decarbonizing Pennsylvania’s energy sector must be done in a way that is equitable and affordable for Pennsylvanians, and enables the growth of clean energy technology.

Legislators should look for ways to grow and advance clean energy that are **cost effective and do not result in unreasonable cost-shifting**, and implement legislation that aligns with Pennsylvania’s utility and regulatory operating structure, leverages new and innovative technology and does not allow “gaming” of the system.

Many stakeholders prefer to increase solar in Pennsylvania by expanding the Alternative Energy Portfolio Standards (AEPS)—utility scale solar is the most cost-effective solar. Expanding the existing AEPS program is more efficient and cost-effective than building a new program from scratch and applies to all load-serving entities (both EDCs and Electric Generation Suppliers, or EGSs) equally. This is our preferred mechanism for expanding renewable energy in the Commonwealth. However, we realize that this is not the issue at hand here today.

DLC supports expanding solar and other renewable energy in Pennsylvania, consistent with our mission to enable a clean energy future for all. Apart from increasing solar via an increase in AEPS requirements, there have been several legislative options introduced that seek to expand access to solar energy in Pennsylvania, including community solar proposals such as House Bill 1842.

Community Solar

House Bill 1842, which enables community solar projects to be constructed in Pennsylvania, has been offered as a legislative option to increase solar development in Pennsylvania. Over the past few legislative sessions, we have seen community solar proposals that include provisions that unreasonably shift solar project costs to non-solar customers. In doing so, non-solar customers are forced to pay for the development costs of these projects, as well as the distribution service.

Perhaps one of the most egregious costs, in our opinion, found in prior versions of community solar bills, was the “grid services payment,” where EDC non-solar customers are forced to pay community solar developers an annual **per watt** payment based on nameplate generating capacity.

To give you an idea of the potential financial impact to customers, we can look to the Senate’s current version of the community solar bill, Senate Bill 550. This bill implements an \$.18 per watt grid service payment. Under this bill, community solar projects cannot exceed 5,000 kW for non-brownfield or rooftop and 20,000 kW for brownfield or rooftop community solar facilities. So, for simplicity’s sake, to calculate the overall potential cost to customers for an average project, we calculated the cost of a 5,000-kW and 20,000-kW community solar project.



First, to convert watts to kW, we must multiply 18 cents by 1,000, which equals a charge of \$180 per kW; \$180 multiplied by 5,000 (kW) equates to \$0.9 million per year, and over five years, as is required by Senate Bill 550, we arrive at a five-year grand total cost of \$4.5 million per 5,000 kW project. Using that same math, the total cost of a 20,000-kW project is \$3.6 million per year and \$18.0 million over 5 years. Again, as currently written in Senate Bill 550, these costs are **required** to be recovered by all EDC customers through a tariff.

It is evident that community solar proposals like Senate Bill 550, are wins for community solar developers, shifting numerous costs and risks of these projects to all customers, and essentially forcing **ALL** customers to pay towards the creation, financing, and operation of a community solar facility. As such, DLC has opposed these community solar proposals.

While we have not supported previous iterations of community solar legislation, we greatly appreciate the strides made in House Bill 1842. Modifications made in this bill address several concerns that we have raised over the past few legislative sessions, showing a responsiveness to our feedback and a commitment to working toward consensus while moving forward on this issue.

We are grateful for the progress that has been made in House Bill 1842, and we are especially pleased to see that the bill does not contain the grid services payment language; however, we would like to take this opportunity to highlight a few remaining concerns.

Bill Credits

As most of you know, when advocating on community solar legislation, DLC's primary concern is potential cost increases to our customers—your constituents. When community solar legislation was first introduced several sessions ago, proposals included language that required bill credits to be paid at full retail rate. This is very similar in concept to net metering, which allows solar customers to avoid paying volumetric transmission and distribution charges, as well as surcharges, and shifts those costs to non-solar customers. While the definition of bill credits in community solar bills has changed in recent years, we believe the current definition as provided for in House Bill 1842, still improperly shifts certain costs of community solar projects to non-solar customers.

House Bill 1842 defines bill credits as, "The commission-approved monetary value of each kilowatt hour of electricity generated by a community solar facility and allocated to a subscriber's monthly bill to offset any part of the subscriber's retail electric bill other than volumetric or demand-based distribution charges."

To get a better understanding of how we assess community solar bill credits should be paid and why, we need to first take a closer look at the various components of a customer's typical electric bill. There are four main components that we must consider:

First, the energy supply component; this is the cost you pay for the electricity itself. Typically, this is either the EDC's default service or energy from an electric generation supplier. Second, is



the distribution services part of the bill; this is for poles, wires that feed the electricity into your house, transformers, and substations. Third, are the transmission services related costs; this is for those high voltage facilities that transmit electricity from merchant generators. Lastly, we have the surcharge portion of the bill. There are several surcharges which include energy efficiency and conservation programs (i.e., Act 129); Universal Service Programs, which includes the Customer Assistance Program (CAP); State Tax Adjustment Surcharge; and the Distribution System Improvement Charge. Surcharges also may include distribution service costs.

Each electric service type may be recovered via different rate structures. Most distribution service costs are billed as volumetric or demand based charges (kWh or kW) and also may include a customer charge that is a fixed amount.

Fundamentally, Duquesne Light believes that customers generators, such as customers participating in community solar program, should be compensated for the monetary value of their excess generation. Likewise, Duquesne Light also believes that customer generators should not be permitted to avoid distribution service costs because they are utilizing the distribution system infrastructure. Allowing customers to avoid their fair charge of the distribution system costs that they use unfairly shifts those cost to other non-solar customers.

We, as a utility, are required to provide power to our customers 24-7, from the hottest days to the coldest days of the year. To adequately maintain the transmission and distribution of power to our customers—24-7, rain, snow, wind, or sun—we need the appropriate resources, which comes from transmission and distribution charges on customers' bills.

Clearly, community solar subscribers should receive the fair monetary value for the power that they generate, but the bill credit definition in House Bill 1842 is flawed because it allows community solar subscribers to avoid certain distribution service charges, such as the customer charge. While it is presumed that these customers will be responsible for distribution service charges billed via surcharges, the language should be clarified to ensure that all customers pay their fair share of costs to which they contribute. Other surcharges, such as Universal Services and Energy Efficiency, are assumed to be paid by the subscribers under the community solar legislation and we do not understand the proponents are advocating otherwise. If subscribers are not paying for these distribution service costs, **all other** customers will end up covering these costs, thus impacting affordability for those customers.

Bill credits should be equal to the value of energy generated by their solar share thus, should be paid at the Price to Compare (PTC), minus transmission costs. To accomplish this, we recommend changing the definition of "bill credit" as follows:

"Bill Credit. Monetary value of electricity generated by a community solar facility allocated to a subscriber's monthly bill to offset any generation charges. Bill credit values shall be paid at the electric distribution company's Price to Compare (PTC) rate, less transmission costs."



As you may know, the PTC is the per kWh price paid by customers who chose the EDC as their Default Service Provider and not a supplier. The PTC includes not only the costs of generation, but also transmission and wholesale capacity charges. Therefore, by establishing the bill credit amount at the PTC less transmission costs, we ensure that community solar subscribing customers receive fair compensation for the energy produced.

Unsubscribed Energy

Since first providing feedback on community solar, we have voiced our concern with provisions related to unsubscribed energy. We firmly believe that an EDC should not be responsible for unsubscribed energy and related costs, as again, we feel that these costs should not have the potential to be passed along to our customers. House Bill 1842 requires EDCs to purchase all unsubscribed energy from a community solar project and allows them to sell it back to PJM, our Regional Transmission Organization (RTO). We interpret this language to mean that the unsubscribed power would either reduce the amount of energy procured via default service or be bid into the wholesale markets. Both options are undesirable because they could unreasonably increase cost to non-solar customers. If the unsubscribed power is used to offset default service energy procurement requirements, it may increase default service costs by introducing volatility into the energy requirements. Likewise, requiring the EDC to bid the power into the whole sale markets creates a situation where the EDC is acting as the “middleman” and bears the risk for commodity prices in the PJM market. For example, the unsubscribed energy could potentially be higher than the price an EDC would get when selling the energy to PJM; thus, shifting this cost to customers. This price risk should remain with the community solar administrator to sell any unsubscribed energy to PJM.

As such, we recommend that the bill should include language stating that an EDC shall not be responsible for any unsubscribed energy and ensure unsubscribed energy costs are not passed onto customers.

Renewable Energy Credits

Our last concern is a request for clarification regarding the renewable energy credits (RECs) that are produced by a community solar facility. In previous versions of community solar legislation, RECs were given to the EDCs and were able to be used to comply with AEPS requirements, to be sold in the market, or could be used for cost recovery at treatment of payments for the program.

House Bill 1842 provides that RECs associated with a community solar facility are the property of the community solar organization and may be retired or transferred by the community solar organization or retired on behalf of the subscribers. We read this section as ambiguous and should be clarified, as it is not clear who ultimately gets the RECs from a community solar project—the community solar administrator or subscribers.



Further, the bill should address “double counting” and subscribers who believe they are buying green energy should have the RECs retired on their behalf. Also, to the extent that unsubscribed energy is sold, the value of the RECs should follow whoever is responsible for purchasing the unsubscribed energy.

We appreciate and recognize community solar as a promising option to bolster solar development in Pennsylvania; however, we feel it is perhaps better utilized as a “tool in the toolbox.” While community solar presents valuable opportunities, we support a comprehensive approach that embraces various strategies to ensure a resilient and sustainable renewable energy plan in the Commonwealth. In addition to community solar, we recommend increasing renewables via AEPS, as well as a legislative proposal we have advocated for in past sessions, the creation of a PA Local Solar program.

PA Local Solar

As an additional “tool in the toolbox,” we recommend also creating the PA Local Solar Program. PA Local Solar legislation allows us to bring solar power to those customers who otherwise would not have access to it and increases the amount of solar energy that is generated right here in Pennsylvania, in a way that is equitable and does not result in unreasonable cost-shifting.

PA Local Solar allows EDCs to use a competitive bid process to develop a 100% local solar project. Under this legislation, EDC customers have the option to purchase solar energy from these projects, with all costs being shared by those customers who subscribe to the program.

After recognizing their customers’ demand for 100% local solar power, an EDC can create a project and is responsible for enrolling customers into a PA Local Solar program. Once the project has enough “subscribers,” it is then placed out for competitive bid, which is available to any solar developer who may be interested in the opportunity to compete to address the market demand for locally generated solar electricity.

Through a PPA, EDCs are then able to lock in a long-term competitive fixed price, for anywhere between 15 and 25 years, which eliminates rate volatility many years into the future. This also allows solar developers to keep prices lower for those customers who choose to participate in the PA Local Solar program, as they are also able to lock in that competitive fixed price for 100% locally sourced solar power. The EDC does not own these projects and serves only as a facilitator to bring 100% local solar power to customers, and customers continue to pay transmission and distribution charges, thus there is no cost-shifting.

Protecting our customers is one of our top priorities, including PUC oversight of solar projects. The consumer protection and PUC oversight that are built into PA Local Solar, provides assurance that our customers are purchasing 100% local solar power at an affordable rate, without the fear of being exploited. Under PA Local Solar legislation, the RFP process, the price of energy, and the overall evaluation of a program, all require PUC oversight.



Overall, PA Local Solar legislation accomplishes several fundamentally important objectives: Creating The PA Local Solar program, with costs being supported by subscribers and not shared by the entire rate base; it allows customers to use their voice in the energy marketplace; allows developers to address market demand by building solar facilities to offer renewable power to customers at an affordable price; allows electric utilities to support the deployment of stable, reliable power sources to further diversify the power grid mix; and ensures a fair, equitable regulatory framework developed by the PUC to ensure adequate consumer protections.

Duquesne Light is proud to support legislation that creates the PA Local Solar Program, and we are excited at the prospect of being able to provide our customers with the option to choose 100% locally produced solar energy.

Delivering Value to Customers – Equitable Access, Consumer Choice, and Affordability

In crafting energy policy in Pennsylvania, we must be careful and thoughtful to implement legislation and programs that align with Pennsylvania’s utility and regulatory operating structure. As we work for a clean energy future for all, it is imperative that we look for ways to grow renewable energy that are cost effective and do not result in unreasonable cost-shifting.

Duquesne Light is supportive of efforts to increase clean energy generation, including solar. However, Pennsylvania’s energy policy – including its position on solar – should advance affordability, reliability, and economic growth. ***Electric service is an essential service and must remain affordable.*** We believe there are ways to increase solar generation, including community solar, that have less impact on electricity rates paid by Pennsylvania customers.

We are hopeful that we can continue this collaboration and participate in multi-sector conversations to strike the right balance, allowing solar policy to move forward in a way that is equitable, does not result in unreasonable cost-shifting, and compensates customers fairly.

On behalf of my entire team at Duquesne Light, I would like to extend our sincere thanks and appreciation to Chairman Schweyer and his dedicated efforts as prime sponsor of House Bill 1842. Your commitment to addressing our concerns while working toward consensus is commendable. We are grateful for the proposed changes from what we’ve seen in previous community solar drafts.

Again, I cannot stress enough how strongly DLC feels that the cost and risks associated with increasing and encouraging solar development in Pennsylvania should not be borne entirely by our customers.

I would also like to extend my sincere thanks to the Committee Chairs, members, and staff for providing this opportunity to offer our perspective on this important energy policy issue. At this time, I would be glad to respond to questions from members of the Committee.

Duquesne Light Company
 Community Solar vs. PA Local Solar Bill Presentation
 Jan-24

Illustrative Community Solar Bill Presentation	
Community Solar Opt In	Community Solar Opt Out
RS - Effective 1/1/24	RS - Effective 1/1/24
Customer Charge \$12.50	Customer Charge \$12.50
Distribution \$42.60	Distribution \$42.60
Surcharges \$10.66	Surcharges \$10.66
<i>Community Solar Rider (Non-By-passable)</i> \$0.00 [A]	<i>Community Solar Rider (Non-By-passable)</i> \$0.00 [A]
DSIC \$2.42	DSIC \$2.42
Transmission \$13.51	Transmission \$13.51
Generation \$49.22	Generation \$49.22
Subtotal \$130.91	Subtotal \$130.91
STAS (\$0.24)	STAS (\$0.24)
<i>Community Solar Program</i>	
<i>Subscription Fee</i> \$0.00 [B]	
<i>Generation Credit (xxx kWh * Generation Rate)</i> \$0.00 [C]	
Total \$130.67	Total \$130.67

Illustrative PA Local Solar Bill Presentation	
PA Local Solar Opt In	PA Local Solar Opt Out
RS - Effective 1/1/24	RS - Effective 1/1/24
Customer Charge \$12.50	Customer Charge \$12.50
Distribution \$42.60	Distribution \$42.60
Surcharges \$10.66	Surcharges \$10.66
DSIC \$2.42	DSIC \$2.42
Transmission \$13.51	Transmission \$13.51
Generation \$49.22	Generation \$49.22
Subtotal \$131	Subtotal \$131
STAS (\$0.24)	STAS (\$0.24)
<i>PA Local Solar Program</i>	
<i>Additional Charges/Credits</i> \$0.00 [D]	
Total \$130.67	Total \$130.67

[A] Non-bypassable surcharge on all customers to recover costs on a full and current basis associated with administration of the community solar projects. This might include applicable administration costs, differences between subscription fees and bill credits, unsubscribed energy differentials, etc.

[B] Monthly fee associated with the solar subscription.

[C] Monthly monetary bill credit based on the amount of solar energy produced through the solar subscription.

[D] Customer has the option to purchase solar energy from these projects, with all costs being shared by those customers who subscribe to the program.