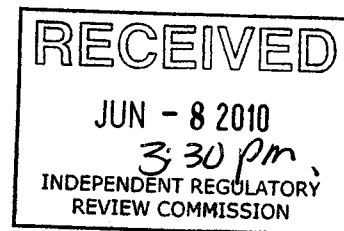


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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION



Re: Universal Service and Energy
Conservation Reporting Requirements and
Customer Assistance Programs

Docket No. L-00070186

COPY

COMMENTS OF
DUQUESNE LIGHT COMPANY

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JUN 2 2010

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Duquesne Light Company hereby submits these comments in response to the PA Public Utility Commission (PUC or Commission) reopening the comment period at Docket No. L-00070186, as published in the *Pennsylvania Bulletin* on April 2, 2010. In reopening this comment period, the Commission has requesting additional input and suggestions on six specific topics as outlined in Duquesne's comments that follow.

Duquesne Light previously participated in this Proposed Rulemaking filing comments on April 16, 2008. Duquesne also participated in two related matters, filing comments on January 9, 2008 following the Commission's "Request for Comments on Revisions to the Policy Statement" at 52 Pa. Code §§ 69.261-69.267¹, and filing comments and responses to questions posed by the Commission on October 9, 2009 as part of the Commission's "Prepare Now *En Banc* Hearing on Universal Service Programs: Design and Cost"².

Introduction

Duquesne Light Company's Universal Service Program consists of numerous components available to low-income and payment-troubled customers, including the

¹ Docket No. M-00072036

² Docket No. M-2009-2123882

Customer Assistance Program (CAP), Smart Comfort (Duquesne's Low Income Usage Reduction Program), the Customer Assistance & Referral Evaluation Service (CARES) program, Hardship Fund, and our support of the Low-Income Home Energy Assistance Program (LIHEAP). These programs are designed to provide a valuable safety net for our low-income customers in need, balanced with the interests of the residential customers who pay for those programs.

The cornerstone of our Universal Service programs is Duquesne Light Company's Customer Assistance Program (CAP). Duquesne Light's CAP assists low-income customers by reducing the customer's monthly payment obligation based on the customers' household income and family size, by freezing customer arrearages that exist at the time of enrollment, by writing off a portion of those frozen arrearages with each in full, on-time customer payment and assisting low-income customers learn responsible bill payment behavior.

Duquesne Light has reviewed the Comments filed by the Energy Association of Pennsylvania (EAP) in this proceeding and fully supports those comments.

Duquesne Light's comments on the specific topics the Commission has requested additional input and suggestions on are set forth below.

- 1) The impact of the Department of Public Welfare's proposed policy change regarding the use of Low Income Home Energy Assistance Program (LIHEAP) funds on a distribution company's Customer Assistance Program.**

Duquesne believes that there will be both negative financial and non-financial impacts to its CAP program with the Department of Public Welfare's proposed policy

change regarding the use of Low Income Home Energy Assistance Program (LIHEAP) funds, and Duquesne is concerned that several key objectives of its CAP program will be difficult to achieve.

The Department of Public Welfare's proposed policy change regarding the use of Low Income Home Energy Assistance Program (LIHEAP) funds places a significant financial impact on Duquesne and the non-low income customers who pay for these programs. On May 13, 2010, Duquesne filed an amendment to its Universal Service and Energy Conservation Plan for 2011-2013³, to comply with the proposed Department of Public Welfare's Final State Plan pursuant to a Commission request. In that filing, Duquesne revised its estimated budget expenditures for its CAP program based on its belief that the change in payment application of these grants, from payment of the customer's pre-program arrearages to the customers' "ask to pay" amount, will result in an increase to Duquesne Light's CAP plan costs of \$2.4 million per year.

In addition to the financial impacts, Duquesne is concerned with the non-financial impact of the DPW proposed change to require EDCs to post customer grants to only the CAP participant's "asked to pay" amount. Although the DPW's own mission statement states it wishes to "break the cycle of dependency" among customers, the changes in their plan runs counter to this initiative. This proposed change would support a culture of dependency on the program.

The purpose behind Duquesne's CAP program is to offer a payment plan that is affordable to the customer based on the household income and family size. Duquesne's CAP program process is an interactive one with the customer. While

³ Docket #M-2010-2161220

participating in the Duquesne CAP program, the customer learns responsible bill payment behavior while receiving energy service at greatly discounted rates.

The Department of Public Welfare has not issued its final guidelines on payment allocation. However, Duquesne Light 's position is that changing the way LIHEAP grants are applied to customer accounts will break this learning relationship and undercut the long-term effectiveness of CAP changing customer payment behavior. The customer will most likely discontinue paying during the time that LIHEAP credit is applied to the "asked-to-pay" amount. In those cases, Duquesne is very concerned that the customers who are participating in CAP and do not continue to make monthly program payments after receiving a LIHEAP grant will also lose the benefit of frozen arrearage forgiveness, which is forgiveness of 1/36 of the customer's pre-program debt for every month the customer pays the discounted CAP program amount on time.

2) Factors that may impact CAP costs and affordability of bills, such as:

a. Increased CAP enrollment levels

Duquesne Light Company's CAP enrollment levels have steadily increased since the inception of the program. Most recently, from 2005-2009, Duquesne Light has seen a 44% increase in CAP enrollments. During this same time, actual CAP costs have increased by approximately 99%.

The most recent U.S Census data reflects an increase of approximately 6% of the poverty population for the areas that Duquesne serves, creating more demand on the CAP and other Universal Service programs. This new population of CAP participants will bring with them program arrearage forgiveness and deficiency write-offs

as designed into the CAP program, further increasing the costs to maintain Duquesne's CAP program. This increase in CAP program costs presents bill affordability issues for all other residential customers who pay for these programs, including the working poor families (those who maintain regular employment but remain in relative poverty due to low levels of pay and dependent expenses) ineligible for participation in these programs.

b. The recent economic decline

The recent economic decline has had an impact on CAP costs as realized through increased CAP enrollments. According to information published by the United States Department of Labor's Bureau of Labor Statistics⁴, the unemployment rate in the Pittsburgh area virtually doubled since February 2007, and the unemployment rate is higher than at any point in the last twenty years. The Pittsburgh area unemployment rate rose from 4.5% in February 2007 to 8.9% in February 2010.

Duquesne has not captured statistics that could conclusively show that the increases in CAP enrollments and the increases in the number of customers needing assistance were directly related to a customer's job loss or other recent economic events. However, it is very apparent to Duquesne that the number of customers in Duquesne's service territory in need of assistance paying for their electric service is at an all time high. In April 2010, participation in Duquesne's CAP program was 33,990, which was a 5% increase over April 2009 CAP participation of 32,364.

⁴ <http://www.bls.gov/home.htm>

c. The expiration of electric generation rate caps

The expiration of electric generation rate caps, for Duquesne, has had no recent impact on CAP costs and affordability of bills. Duquesne is unique among other major Pennsylvania utilities as its generation rate caps expired over 8 years ago. Duquesne's overall rates are just a little higher than they were 20 years ago as it has managed the transition from a fully regulated environment to a competitive supply environment. Additionally, Duquesne has been educating its customers about available low-income assistance programs, customer choice and wise use of energy, each aimed at maintaining electric service affordability.

d. The impact on residential rates from the initiation of energy efficiency and conservation programs under Act 129

Duquesne Light Company implemented a surcharge, effective 12/1/09, to recover its Act 129 energy efficiency and conservation program costs. The current residential surcharge is 0.23 cents/kWh. This is \$1.38/month or about 1.7% of a residential customer's monthly bill using 600 kWh/month at current rates.

e. The potential impact on residential bills from smart metering initiatives

Duquesne's Smart Meter charge will be implemented this summer. The surcharge will increase over time as smart meters and their infrastructure are deployed. Duquesne is concerned that these extra costs make affordability difficult for many customers, and is uncertain whether the benefits of smart meters for Residential customers, particularly low-income customers, is greater than the costs. The impact on

residential bills from smart metering initiatives is substantial as the overall program is estimated to cost between \$175M and \$250M.

3) Whether cost recovery mechanisms, which have been implemented by some distribution companies, have produced savings from an improved timeliness of collection activities and whether these savings should be considered in evaluating costs claimed for rate recovery.

As mentioned above, Duquesne's Universal Service costs are currently recovered through our base rates. This method of recovery was not designed to improve the timeliness of collection activities nor provide savings over another method of recovery. Deriving a correlation between them would be extremely challenging.

As stated in Duquesne's April 2008 comments, there is more than one PUC approved method to permit "full recovery" of CAP costs". Whether cost recovery inclusion in base rates, or through a customer surcharge that is reconciled periodically to recover the actual levels of costs, or a combination of both, Duquesne believes what remains most important is that our Universal Service programs can be shown to be properly designed and funded, that expenses related to managing these programs be determined to be reasonably incurred and fully recoverable, and the Commission adequately determine and balance the rate impact of the Commission's decisions on other Residential customers who are not participating in the programs.

4) Proposed rules in 52 Pa. Code §§ 54.74 and 62.4 (related to review of universal service and energy conservation plans, funding and cost recovery), which create a triennial review process that takes the form of a tariff filing and addresses CAP program funding.

While Duquesne Light does not believe a tariff is required to enact and operate Universal Service programs, Duquesne has no objection to providing and enacting tariffs.

Duquesne seeks clarification regarding what specific substance will be included in the tariffs as opposed to what materials must be submitted in support of the tariff filing. Although the revised regulations distinguish between the “tariff filing” and “the tariff”, revisions to 52 Pa. Code § 54.74(b) “Tariff contents” appears to indicate that the entire filing will become part of the tariff upon review. Duquesne Light’s concern is that information filed **in support** of the tariff, such as the programs “needs assessment”, “organization structure of staff responsible for universal service programs” and the “program budget”, should not be requirements for inclusion in actual tariffs, but rather, they should be filing requirements in support of the proposed tariff provisions.

Duquesne Light would request this clarification by amending the revised regulations title found at 52 Pa Code §54.74(b) from “Tariff Contents” to “Tariff Filing Contents”.

- 5) Commissioner Kim Pizzingrilli's statement on Dominion Peoples Universal Service and Energy Conservation Plan for 2009-2011, Docket No. M-2008-204464 (January 15, 2009), which discusses a Commission reporting requirement that directs all distribution companies to fully document the rate effect of program modifications in the future universal service plans (USP). Under the requirement, distribution companies would include a table showing annual costs for each program, total cost for all USPs and the monthly cost of the programs on a per residential customer basis.**

Duquesne Light Company appreciates and shares the concern that the Commission has regarding rising universal service program costs and the effect it has on the residential customers who have to bear the costs of such programs. Duquesne agrees the information requested is important and should be reviewed by the Commission. The Universal Service Annual Report filed by Duquesne provides the Commission with detailed information on Universal Service expenditures for each program. On a less frequent basis, the Universal Service and Energy Conservation Plan requirement provides a projection of these costs every three years. The surcharge reconciliation review process provides a review of costs and recovery as well.

Duquesne Light would support including additional information in future Universal Service and Energy Conservation Plans, such as the cost of the programs on a "per customer" basis, enabling the Commission to fully evaluate program benefits and costs associated with the programs balanced with the financial burden those program costs place on non-participating ratepayers.

- 6) The Commissions' USP approval process, specifically whether the Commission should issue tentative orders to provide an opportunity for comments and reply comments before approving a distribution company's USP, and whether the companies' USP should be served on the statutory advocates.**

Duquesne has formed a Universal Service Collaborative group comprised of local representatives of low-income groups, community based organizations, the Commission's Bureau of Consumer Services, the Community Action Association of PA, the PA Weatherization Task Force and the Office of Consumer Advocate. Prior to filing the Universal Service and Energy Conservation Plan, the collaborative group is invited to discuss and provides input on Duquesne's Universal Service programs and proposed changes. In turn, Duquesne considers the recommendations / suggestions and attempts to incorporate them into our Universal Service Plan and daily business practices if they are reasonable and cost effective. Also, prior to filing the most recent plan, copies of Duquesne's Universal Service Plan were provided to both the Community Action Association of PA (CAAP) and the PA Weatherization Task Force.

Duquesne Light believes it would be beneficial to allow Initial and Reply Comments to be filed on a submitted plan. Duquesne does not believe a Tentative Order is required as part of the process, but would have no objection to that procedure.

Duquesne Light would suggest developing an approval timeline that allows for ample time for all parties (Commission, utility companies, and other interested parties) to present and try to resolve any concerns involving the components of the EDC's three-year plan and sufficient time for the utility to implement a Final Order.

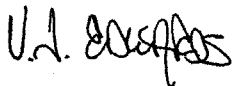
Conclusion

Duquesne Light supports Commissioner Powelson's comments⁵ of continued concern about the ever-increasing costs to maintain Universal Service Programs and the financial burden those programs place on the non-low income customers who pay for them. Duquesne understands its responsibility to provide safe and affordable energy to all of its customers, not just our low-income customers. Duquesne Light Company recommends that the proposed rulemaking should support offering low-income programs to those who can demonstrate the need, and connect those low-income programs to energy conservation and customer usage reduction programs, which would provide effective cost management measures serving all customers.

Duquesne requests that the Commission consider its comments filed herein and the Energy Association's comments, which we fully support. Also, any changes to the Commission Regulations should not affect existing approved plans being implemented or those plans under consideration for approval at the time of the effective date of the regulatory changes.

Duquesne Light Company thanks the Commission for their time and attention to this issue and respectfully requests that the Commission consider and adopt as appropriate the above comments.

Respectfully Submitted,



Vernon J. Edwards
DUQUESNE LIGHT COMPANY

June 2, 2010

⁵ Statement of Commissioner Robert F. Powelson, PECO Energy Company's Universal Service and Energy Conservation Plan for 2010 Submitted in Compliance with 52 Pa. Code §§54.74 and 62.4