



**Duquesne Light**  
Our Energy... Your Power

Legal Department  
411 Seventh Avenue, 16-1  
Pittsburgh, PA 15219

Tel 412-393-1058  
Fax 412-393-5695  
rhoaglund@duqlight.com

**Robert H. Hoaglund II**  
Assistant General Counsel

December 10, 2012

**VIA ELECTRONIC FILING**

Rosemary A. Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building, 2<sup>nd</sup> Floor  
400 North Street  
Harrisburg, PA 17105-3265

RE: Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service  
Docket No.: I-2011-2237952

Dear Secretary Chiavetta:

Enclosed for filing are the comments of Duquesne Light Company to the Tentative Order entered November 8, 2012 in the above-referenced case.

Should you have questions regarding this filing, please do not hesitate to contact me.

Respectfully submitted,

Robert H. Hoaglund II  
Assistant General Counsel

RHH/plg

Attachment

cc: Office of Competitive Market Oversight

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's Retail :  
Electricity Market: End State of Default : Docket No. 1-2011-2237952  
Service :

**COMMENTS OF DUQUESNE LIGHT COMPANY  
IN RESPONSE TO TENTATIVE ORDER**

Duquesne Light Company ("Duquesne Light" or the "Company") herein files comments to the Pennsylvania Public Utility Commission's ("Commission") Tentative Order dated November 8, 2012, addressing End State Default Service. Duquesne Light provides comments on the components of the End State Proposal identified below.

**I. SUMMARY OF COMMENTS**

Duquesne Light supports the Commission's efforts to continue to expand competitive options for customers and to make customers aware of those options. In this regard, the Company supports most of the proposals set forth in the Tentative Order.

Duquesne Light here provides comments on (1) the Default Service Product; (2) Supplier Consolidated Billing; (3) Accelerated Switching; (4) Consumer Education; and (5) Regulatory Assessments. The Company also joins in and supports the Comments filed by the Energy Association of Pennsylvania.

Duquesne Light agrees that the End State Default Service Product for Residential and Small C&I customers should support continued development of the competitive market. The Company is concerned that moving to 90 day procurements -- procured by only one procurement 60 days before each quarter -- will introduce an unnecessary level of volatility in default service prices unrelated to longer term trends in energy prices. The Company is concerned that such

volatility may confuse customers' ability to make valid comparisons to EGS offers, thereby creating customer dissatisfaction, and harm competition.

The Company has serious concerns with the complexities and numerous issues that are raised in the tentative order with Supplier Consolidated Billing ("SCB"). The Company believes that there are too many issues that are unresolved to conclude that SCB will contribute to creation of a vibrant competitive market. As explained in these Comments, SCB is not necessary to provide EGSs with a more robust relationship with customers because the EGS is already identified with contact information on Duquesne Light's consolidated bill. Further, the Company will be able to provide the bill ready format for EGSs by the end of 2015. The Company is concerned that SCB also will create issues in maintaining consumer protections, will create unnecessary duplication of costs and potentially stranded costs for EDCs. Finally, the Company believes that SCB is not authorized by the Competition Act and would require legislative changes before implementation.

Duquesne Light supports accelerated switching and is in the process of developing IT functionalities to implement switch on connect and seamless moves by June 2014. However, the Company requests that the Commission recognize that accelerated switching between meter read dates cannot be accomplished until roll out of smart meters.

Duquesne Light also supports a statewide consumer education effort. The Company requests that the Commission clarify that such effort will not preclude current consumer education efforts in particular EDC service areas and recovery of related costs.

Finally, Duquesne Light supports the recovery of regulatory assessments through an automatic adjustment clause. The Company requests that the Commission provide flexibility to

implement the transition from recovery in base rates either in a base rate case or incremental filing.

## II. COMMENTS

### A. Default Service Product

Duquesne Light is concerned that use of solely 3 month procurements for Residential and Small C&I customers will produce unnecessary volatility in default service rates. The potential volatility could arise from a series of factors including: (1) the procurement of 3 months of supply in a single RFP during which there is a dislocation in the market; and (2) seasonal variations in price due to load variations during the year. Price variations from either of these factors are not the type of price volatility that would lead to the “boom and bust” cycle about which the Commission expresses concern. Instead, a long term rise in prices and procurements years in advance of delivery periods is more likely to result in default service prices that are significantly below current market prices. Accordingly, an approach that provides for one year fixed default service prices procured no more than six months prior to the commencement of the delivery period might be a better approach by providing reasonably contemporaneous pricing while avoiding the unnecessary volatility that could be created by quarterly procurements.

In Duquesne Light’s experience, the best inducement to shopping is long term savings. If quarterly procurements are adopted, quarterly prices will invariably rise and fall, at times dramatically. This could lead to customer dissatisfaction if the quarterly PTC drops significantly after the customer enrolls with an EGS under a long term product. With quarterly pricing, customers enrolling in the summer period when quarterly prices are likely to be highest may see declines in the PTC below the selected EGS’s service price in the following fall quarter and

become dissatisfied. The Company does not think that such an experience will enhance shopping by Residential and Small C&I customers.

Whatever procurement period is employed, Duquesne Light believes that more than one RFP should be scheduled for each procurement period for Residential and Small C&I customers to dampen the effect of market dislocations at the time of the RFP. Further, Duquesne Light fully supports use of solely non-laddered full requirements contracts for each procurement period to reduce over/under collections.

Duquesne Light also comments on the proposal that the default service product for C&I customers with demands of 100 kW and above should be hourly priced service. Duquesne Light does not currently have the infrastructure capable to provide hourly default service to C&I customers below demands of 300 kW, nor does Duquesne Light have the capability to use load shapes to determine actual hourly consumption. The Company recommends that lowering the threshold for hourly priced service below 300 kW should await completion of installation of smart meters. Otherwise, an extensive metering and data collection infrastructure would have to be installed as a temporary measure at great additional expense only to be later replaced by smart meters. Small and Medium C&I customers up to 300 kW of demand should continue to be provided default service based upon full requirement RFPs until smart meters and related infrastructure are installed.

**B. Supplier Consolidated Billing**

In the Tentative Order, the Commission proposes to require EDCs to permit EGSs to provide consolidated bills to customers which would include EDC charges ("Supplier Consolidated Billing" or "SCB"). Supplier Consolidated Billing would be at the option of the EGS. Therefore, EDCs would be required to stand ready to provide both EDC Consolidated Billing and separate billing for distribution services. One stated reason for Supplier

Consolidated Billing is to allow EGSs to develop relationships with customers and to eliminate a bias among some customers for default service.

Duquesne Light respectfully submits that Supplier Consolidated Billing: (1) is not necessary to advance competition in the Company's service territory and will make it more difficult and expensive for the EDC to maintain consumer protections; (2) is economically inefficient for customers and for the Company; and (3) is not currently permissible under the Electricity Generation Customer Choice and Competition Act ("Competition Act"), 66 Pa. C.S. § 2807.

1. Policy Considerations

Duquesne Light first submits that the policy sought to be achieved by mandating that the Company accept Supplier Consolidated Billing is not applicable in the Company's service territory. Duquesne Light currently has among the highest levels of shopping in the Commonwealth and the nation without SCB. Accordingly, there is no basis to conclude that the unavailability of SCB for mass market customers would increase shopping.

Institution of SCB also is not necessary to develop a relationship between customers and their EGS through billing in the Company's service area. Such relationship already exists because the Duquesne Light's consolidated bill already lists the EGS name, address and telephone number on the bill.

Duquesne Light also does not believe that SCB is consistent with the Tentative Order's conclusion that consumer protections will remain the responsibility of the EDC, a conclusion which Duquesne Light fully supports. The Company submits that most consumer protections arise in conjunction with failure to pay, or consumer issues with, bills. Further, termination of service for failure to pay bills and associated processes and protections would remain with the EDC. The Company is deeply concerned that separation of the billing function from these

essential protections for Residential and Small C&I customers will lead to increased failures in maintaining consumer protections, which is not an acceptable result from any party's perspective. Further, attempting to separate billing from responsibility for consumer protections likely will increase costs of maintaining current levels of consumer protection. In the Tentative Order, the Commission notes numerous issues identified by the EDEWG-SCB Report. Tentative Order, p. 25. Many of these unresolved issues illustrate the significant customer service and consumer protection issues that are raised by SCB.

In this regard, Duquesne Light also notes it was the first EDC in Pennsylvania to offer consolidated billing to EGSs with a Purchase of Receivable ("POR") program. Once the receivable is purchased by Duquesne Light, it belongs to Duquesne Light and Duquesne Light thereafter deals with all customer service and termination issues for the customer. Duquesne Light's acting as the consolidated billing entity has enhanced shopping as the Company has some of the highest levels of shopping in Pennsylvania and the country and over 30 EGSs serving 227,000 (43%) residential customers in its service territory. Over 73% of Duquesne Light's total load is being supplied by a competitive EGS.

Finally, the Company notes that SCB is not necessary to improve billing options for EGSs. Duquesne Light will be bill ready by the end of 2015. Accordingly, EGSs will be provided maximum flexibility with regard to billing products consistent with Commission regulations.

For these reasons, the Company does not believe that there is a compelling policy basis to mandate SCB in its service territory.

## 2. Economic Considerations

Duquesne Light also is concerned that SCB could create higher costs for the Company and its customers.

Duquesne Light does not believe that EDCs should be required to rely on another entity to bill for its services and transmit necessary funds to the Company. No matter what financial standards would be applied to such parties, no standard can avoid all fraud, misconduct or simple failures of systems or third party employees to issue bills.

The Company also is concerned that the use of SCB will result in duplication of costs and increases in costs to be paid by the Company's customers. With multiple entities maintaining billing systems to serve customers, there is necessarily duplication of costs and some set of customers will have to pay those increased costs or they will not be recovered by the Company and EGSs, leading to the need for mechanisms to recover stranded costs.

The Company also is concerned that mandatory SCB will lead to claims that EGSs' customers subject to SCB should not be required to pay EDC billing costs. Further, EGSs also may contend that EDCs should pay EGSs for billing when the EGS is the biller, despite the fact that the EDCs have built and must retain facilities to bill all customers. Duquesne Light is currently in the process of expending significant amounts of capital to develop billing systems to operate with smart meters. Mandating SCB and allowing EGSs to bypass EDC billing costs through unbundling could significantly increase costs to remaining customers and also could force smaller EGSs without billing systems out of the market. Allowing EGSs to choose whether to provide SCB or rely on EDC consolidated billing will create variability of EDC cost recovery if unbundling of billing costs is required.

For these reasons, Duquesne Light is concerned that SCB would be economically efficient, could increase costs to customers and could harm the competitive market. Finally, the Commission should not mandate SCB unless there are specific statutorily authorized mechanisms to provide full recovery of costs to EDCs.

### 3. Legal Concerns

Duquesne Light submits that mandated Supplier Consolidated Billing is not currently permitted under the Competition Act. Section 2807(c) of the Competition Act provides as follows:

**Customer billing.** – Subject to the right of an end-use customer to choose to receive separate bills from its electric generation supplier, the electric distribution company may be responsible for billing customers for all electric services, consistent with the regulations of the commission, regardless of the identity of the provider of those services.

Section 2807(c)(2) defines the procedure for conducting consolidated billing:

If services are provided by an entity other than the electric distribution company, the entity that provides those services shall furnish to the electric distribution company billing data sufficient to enable the electric distribution company to bill customers.

There are no provisions in the Competition Act that authorize the Commission to mandate SCB or require EDCs to provide data to EGSs to conduct SCB.

The Tentative Order states that SCB “complies with the Competition Act’s requirement that customers have the right to choose their billing option.” Tentative Order, p. 28. The Company respectfully submits that this is not a correct statement of the Competition Act, which provides the customer the choice of either dual billing or EDC consolidated billing. These statutory provisions clearly state that the EDC may provide consolidated billing and EGSs may bill their charges separately. There is no authority under the Competition Act to mandate EGS consolidated billing.

Further, Section 2807(d) of the Competition Act provides clarity as to the entity that should provide customer services related to billing:

**Consumer protections and customer service.** – The electric distribution company shall continue to provide customer service functions consistent with the regulations of the commission, including meter reading, complain resolution and collections. Customer services shall, at a minimum, be maintained at the same level of quality under retail competition.

These provisions read together make it clear that the General Assembly intended that billing and related activities for collection and termination were to remain with the EDC. As noted earlier, the adoption of POR programs was the logical step in implementing these requirements and advancing customer choice of suppliers.

Of course, parties may seek to change the statutory requirements if it is deemed appropriate to do so. However, for the numerous reasons explained in these comments, Duquesne Light recommends that a more in depth examination of the perceived benefits of SCB and potential issues associated with SCB be undertaken before legislative action is undertaken. Duquesne Light believes that given the numerous and complex issues involved in this matter a determination of whether the issues are resolvable should be made before legislative change is sought as it might effect the nature of the legislative change required.

**C. Accelerated Switching**

Duquesne Light supports accelerated switching and is in the process of developing IT systems to implement it. In this regard, the Company is preparing systems to provide switch on connect and seamless moves by June 2014. The Company requests that the Commission clarify that accelerated switching between meter read dates will not be required until smart meters are deployed.

**D. Consumer Education**

Duquesne Light supports a statewide education effort on customer choice. The Company believes that the majority of costs associated with the statewide education effort should be paid by EGSs. EDC cost responsibility should be recovered through the EDC's surcharge.

Duquesne Light also requests that EDCs be permitted to continue to conduct current education efforts focusing on the educational needs in their service territories and recover those costs through the surcharge. Currently, the Company has effective Consumer Education efforts in three areas: customer shopping, energy efficiency and low income programs.

**E. Regulatory Assessments**

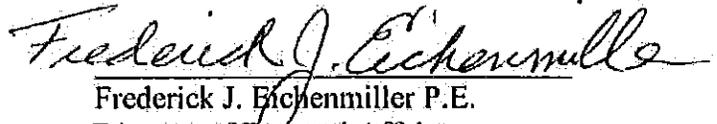
Duquesne Light supports the recovery by EDCs of regulatory assessments through an automatic adjustment clause applicable to all customers. The Company recommends that EDCs be provided flexibility to implement the adjustment clause either in the next base rate filing or by separate filing to remove costs from base rates and establish the adjustment clause.

**III. CONCLUSION**

Duquesne Light Company has, through its Default Service Plans, continuously revised procurement processes and market enhancements in ways designed to enhance the competitive market while providing reasonably stable rates for customers that do not choose to shop. This approach has produced some of the highest shopping levels in the Country while maintaining reasonably stable and predictable rates for customers to compare options and make informed choices. The Company offers these Comments to the Tentative Order with the goal of continuing such process and the recognition that the best path to increased shopping is to make

customers more comfortable with the competitive market. The Company supports the Commission's efforts in this regard.

Respectfully submitted,



Frederick J. Eichenmiller P.E.  
Director of External Affairs  
Duquesne Light Company  
411 Seventh Avenue, 16<sup>th</sup> Floor  
Pittsburgh, PA 15219  
Phone: (412) 393-6220  
E-mail: feichenmiller@duqlight.com

Robert H. Hoaglund II  
Assistant General Counsel  
Duquesne Light Company  
411 Seventh Avenue  
Pittsburgh, PA 15219  
Phone: 412-393-1058  
E-mail: rhoaglund@duqlight.com