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VIA E-MAIL

Retail Markets Investigation

Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**RE: Investigation of Pennsylvania's Retail Electricity Market
Docket No. I-2011-2237952**

Enclosed for filing are the Comments of Duquesne Light Company on Long-Range Work Plan for the above-referenced proceeding.

Respectfully submitted,

A handwritten signature in black ink that reads 'Krycia Kubiak'.

Krycia Kubiak

KK/jl
Enclosures

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's	:	
Retail Electricity Market	:	Docket No. I-2011-2237952

**COMMENTS OF DUQUESNE LIGHT COMPANY
ON LONG-RANGE WORK PLAN**

I. INTRODUCTION

By Secretarial Letter dated March 2, 2012, the Pennsylvania Public Utility Commission (“Commission”) notified participants in the above-captioned proceeding that it would hold an *en banc* hearing on March 21, 2012 to highlight or summarize positions on key issues that the Commission plans to address as part of a Long-Range Work Plan to promote electric retail competition. The Commission also provided that participants could file written comments for the Commission’s consideration in development of a Tentative Order on the Long-Range Work Plan.

Duquesne Light Company (“Duquesne Light”) provides the following comments with regard to the possible End State Models and the potential Statewide Consumer Education Campaign addressed at the *en banc* hearing.

**II. COMMENTS OF DUQUESNE LIGHT COMPANY WITH REGARD
TO POSSIBLE END STATE DEFAULT SERVICE MODELS**

Duquesne Light recommends a set of principles to be used in analyzing and developing an end state default service model (“the End State DS Model”). Duquesne Light here provides its view of the appropriate principles that would guide the Commission for the analysis and determination of the End State DS Model.

A. THE END STATE DS MODEL SHOULD BALANCE THE INTERESTS OF ENHANCING THE COMPETITIVE MARKET WITH INTERESTS OF CUSTOMERS

Duquesne Light has substantial experience in providing default service, due to its early exit from rate caps in 2002, and its five successful default service plans. Duquesne Light's experience has been that stable and predictable default service rates provide clear benchmarks to customers when they are deciding whether to obtain service from an electric generation supplier. Accordingly, Duquesne Light views concepts of enhanced competition and rate stability as compatible.

Duquesne Light also believes that the Competition Act, and particularly the Act 129 amendments thereto, make it clear that default service should be a viable option for customers and not simply a fall back or temporary service for customers that lose their supplier or make a choice to remain on default service.

Duquesne Light considers Models B and C presented at the *en banc* hearing to be potentially consistent with these principles, but considers Model A to be inconsistent with these principles. Duquesne Light provides comments and raises the following issues concerning potential Models B and C.

B. PROVIDER OF DEFAULT SERVICE

Duquesne Light believes that the default service provider should be a permanent role. Otherwise, customers will be uncertain as to the reliability of the default service provider. Any alternative default service provider ("Alternative DSP") should be required to meet financial and technical fitness standards in the nature of those required to obtain a certificate of public convenience as a public utility. The Alternative DSP should not be permitted to exit the role of DSP, unless and until a certificate to abandon service has been obtained and a successor has been approved.

Duquesne Light does not oppose assignment of the default service to an entity other than the EDC, once appropriate standards for identifying and qualifying the Alternative DSP have been established. If EDCs are replaced as default suppliers, then the replacement entity should be required to continue in such role until a new default service provider is approved. Permitting the Alternative DSP to exit the default service role and requiring the EDC to then serve in a back up role does not adequately place the responsibility of default service on the Alternative DSP and will improperly require EDCs to duplicate costs by maintaining the infrastructure to provide emergency default service if the Alternative DSP fails to provide default service. If the Alternative DSP is properly qualified as financially and technically fit, there should be no need for back up service by an EDC. If the Commission deems it necessary to have the EDC remain as backup, it should not remove the EDC from the role of DSP.

The End State Models presented by the Staff appear to contemplate the separation of the default service role for providing service to customers who do not elect an EGS from the role of provider of last resort. Duquesne Light respectfully submits that the Competition Act contains no basis for such a distinction.

As amended by Act 129, Section 2807(e) of the Competition Act provides, in pertinent part, as follows:

Obligation to serve. --A default service provider's¹ obligation to provide electric generation supply service following the expiration of a generation rate cap specified under section 2804(4) (relating to

¹ Act 129 defines default service provider as follows:

“Default service provider.” An electric distribution company within its certified service territory or an alternative supplier approved by the commission that provides generation service to retail electric customers who:

(1) contract for electric power, including energy and capacity, and the chosen electric generation supplier does not supply the service; or

(2) do not choose an alternative electric generation supplier.

standards for restructuring of electric industry) or a restructuring plan under section 2806(f) is revised as follows:

* * *

(3.1) Following the expiration of an electric distribution company's obligation to provide electric generation supply service to retail customers at capped rates, if a customer contracts for electric generation supply service and the chosen *electric generation supplier* does not provide the service or if a customer does not choose an alternative electric generation supplier, *the default service provider* shall provide electric generation supply service to that customer pursuant to a commission-approved competitive procurement plan. The electric power acquired shall be procured through competitive procurement processes and shall include one or more of the following:

66 Pa.C.S. § 2807(e) (emphasis added). Nothing in Section 2807(e) suggests that the General Assembly intended there to be multiple layers of default service providers, or that EDCs should be back up default service providers to an Alternative DSP. Rather, the plain and unambiguous language of Section 2807(e) clearly provides that the *default service provider* shall provide generation supply if an *EGS* does not provide the service or if a customer does not choose to take supply from an *EGS*. Stated otherwise, Section 2807(e) provides that the *default service provider* shall be the back up to an *EGS*.

Moreover, if the Alternative DSP structure is adopted, the Commission should develop strict criteria and a process under which the Commission will competitively solicit and select the Alternative DSP. Duquesne Light believes that it is very important to protect customers' long term interests, and the Commission's process should ensure that an Alternative DSP has the necessary technical, financial and legal fitness to provide default service.

C. PROCUREMENT AND RATES FOR DEFAULT SERVICE

The current statutory scheme provides a least cost over time procurement standard for acquiring default service supplies and requires the Commission to determine that the

procurement plan provides for procurement of adequate and reliable supplies at least cost over time. 66 Pa.C.S. § 2807(e)(3.4). This framework would require continuation of the current procedures for establishing default service rates based upon either a filing by the EDC or Alternative DSP.

In such filings, EDCs have been required to identify a procurement plan that meets the requirements of the Competition Act, as amended by Act 129, and to demonstrate that such plan will produce adequate and reliable supplies at least cost over time. The suggestion at the *en banc* by at least one marketer group that an EGS serving in the role of default supplier should not be required under current law to explain its procurement plan is not consistent with the clear provisions of Act 129 nor the Commission's interpretation of the Competition Act and Act 129 in prior default service proceedings. See 66 Pa.C.S. § 2807(e). Clearly, the rules applicable to the provision of default service by an EDC cannot be different than default service provided by an EGS as Alternative DSP under current law.

D. AEPS, ENERGY EFFICIENCY AND DEMAND RESPONSE

Under the Alternative Energy Portfolio Standards ("AEPS") Act, 73 P.S. §§ 1648.1 et seq., sellers of electric energy are responsible for meeting the AEPS requirements. 73 P.S. § 1648.3. As sellers of electric energy, EGSs already have AEPS responsibility, and Duquesne Light believes that this should continue if EGSs serve as Alternative DSPs.

Under Act 129, EDCs are required to file Energy Efficiency and Conservation ("EE&C") plans with the Commission and achieve the energy efficiency reductions mandated by the Act. The Commission is currently considering whether EDCs should adopt Phase 2 EE&C plans that would continue past the initial plan periods set to expire in 2013. See 66 Pa.C.S. § 2806.1. Duquesne Light is currently evaluating its position with respect to whether EDCs should continue to be subject to EE&C requirements if the EDC is no longer the default supplier.

However, Duquesne Light does believe, at a minimum, that any demand reduction requirements should be the responsibility of the entity that supplies the energy.

E. PROVISION OF CONSOLIDATED BILLING BY EGSs

In each of the models addressed at the *en banc* hearing, it is proposed that EGSs be permitted to provide consolidated billing for EGS and EDC charges. It is not clear, but it is implied, that EGSs would have the right to require the EDC to allow the EGS to invoice the EDC's charges. It also appears that the proposal would allow some EGSs to bill for charges of the EDC while the EDC would continue to provide consolidated bills for other EGSs that choose not to provide consolidated billing.

For the reasons explained in these comments, Duquesne Light submits that the proposal to allow EGS consolidated billing raises the most significant policy and legal issues of the proposals contained in the models. Duquesne Light will explain its views on these matters below. However, Duquesne Light first notes that the proposal for EGS consolidated billing is not a required component of end state default service. In particular, an Alternative DSP could take on the role of supplying customers without assigning billing responsibilities to the Alternative DSP and other EGSs. Indeed, an EGS becoming an Alternative DSP is not directly related to the question of which entity provides the consolidated bill. An EGS could be the Alternative DSP without providing consolidated bills.

Duquesne Light notes that certain EGSs assert that EDCs serving in the default service role creates a status quo bias. Removing the EDC from the default service role would resolve this allegation. However, it is not necessary to remove the EDC from the billing function to resolve this contention.

Several EGSs argued that consolidated billing by EGSs is necessary because utility billing platforms are not capable of billing products that EGSs want to offer. By June 1, 2015,

Duquesne Light will be bill ready and capable of billing any product an EGS would like to offer that is supported by then available metering data. The Commission should consider whether EDCs offering a bill ready format is a better alternative to mandating EGS consolidated billing in light of the other issues created by EGS consolidated billing explained below.²

EGS consolidated billing raises serious concerns about the provision of customer service as related to consumer protections and termination. In this regard, the Staff models list these as matters that need to be addressed. Duquesne Light submits that the questions of how consumer protections would be provided and whether the Commission has adequate authority to order consolidated EGS billing and to regulate EGSs in this regard are threshold questions in determining whether EGSs should be permitted to provide consolidated billing.

Several EGSs testified at the *en banc* hearing that they desired to both issue consolidated bills and conduct customer service through call centers operated by EGSs. Duquesne Light concurs that the billing entity should be responsible for most customer service issues related to customers' bills. Accordingly, the Commission must evaluate carefully whether customer service functions can effectively and legally be transferred to EGSs and the potential consequences for customers and EDC's employees in doing so. There are a broad array of service functions provided through EDC call centers that are monitored and highly regulated by the Commission that are critical to customers. Furthermore, if the billing and call center functions are transferred to another entity, that entity also must be responsible for applicable quality of service metrics.³

² Duquesne Light voluntarily provides its bill for distribution service to a third party at the request of the customer for certain larger customers and in some cases the third party is an EGS that creates a consolidated bill. This procedure for certain accounts will be unnecessary when the Company becomes bill ready.

³ In a recent settlement agreement, Duquesne Light agreed to overall quality of service metrics for the following items:

- Percent of calls answered within 30 seconds.

In this regard, Duquesne Light 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 Duquesne Light has some of the highest levels of shopping in Pennsylvania and the country and over 20 EGSs serving 190,000 (36%) residential customers in its service territory.

Transferring consolidated billing to EGSs on an optional basis also raises concerns about unnecessary duplication of costs. If an EDC remains responsible for billing for some EGSs while other EGSs do their own billing, there will be duplicate costs of billing systems, which ultimately have to be paid by customers. It also can be expected that EGSs that are permitted to elect consolidated billing will contend that their customers should not pay the EDC’s billing costs and even that the EDC should pay the EGSs for billing costs. Implementing such an approach could even create stranded costs for EDCs. Consideration and resolution of all these matters should be provided before a policy decision to support optional or mandatory consolidated billing by EGSs is made.

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- Average busy out rate.
 - Average call abandonment rate.
 - Percentage of residential bills not rendered once every billing cycle.
 - Number of residential customer disputes not issued a report within 30 days.
 - Residential termination rate (terminations per 1,000 residential customers).
 - Justified residential payment agreement request rate.
 - Justified residential consumer complaint rate.

In addition, Duquesne Light reports on many additional quality of service metrics. These metrics are not exclusive and represent a sample of the metrics that Duquesne Light is required to report to the Commission and parties. As noted above, any billing entity would need to be responsible for meeting and reporting on all of these metrics, and any others, required by the Commission.

Finally, Duquesne Light submits that transferring consolidated billing and related customer services is not 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.

These 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 service 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, complaint resolution and collections. Customer services shall, at a minimum, be maintained at the same level of quality under retail competition.

These provisions make it clear that the General Assembly intended the billing and related activities for collection and termination to remain with the EDC. 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, an analysis of how well alternative models have worked to balance the interests of customers with the desire to expand competition should be part of such process.

F. CONCLUSION

As explained above, Duquesne Light does not oppose the assignment of default service to an entity other than the EDC, provided that appropriate standards for the Commission to identify, qualify and select the Alternative DSP have been established. However, as noted herein, there are many complex and interrelated issues that must be considered and resolved prior to providing an option for the consolidated billing function to be performed by the EGSs. Duquesne Light believes that the Commission should conduct a detailed analysis of these issues, including a complete examination of the results from other jurisdictions, and provide parties with due process prior to making any final decisions. These analyses should also be considered prior to developing potential legislation that may be necessary to achieve the Commission's goals.

III. COMMENTS OF DUQUESNE LIGHT COMPANY ON STATEWIDE CONSUMER EDUCATION CAMPAIGN

A. OVERVIEW

As part of the Commission's Final Order on the Retail Market Investigation Intermediate Work Plan (Docket Number: I-2011-2237952), a Consumer Education Subgroup was formed with the intent of developing a comprehensive statewide consumer education campaign to be finalized in Spring of 2012. Duquesne Light has been an active part of the subgroup and fully supports the implementation of a statewide consumer education plan. Duquesne Light would like to put forward some suggestions to help make the campaign a success.

B. MESSAGES

Duquesne Light fully supports that the messaging of this statewide campaign should be a generic promotion of electric shopping and the Commission's PA Powerswitch web site. This site continues to be the effective clearinghouse for consumer information on electric shopping. Furthermore, Duquesne Light supports the proposed secondary messaging of using the statewide

campaign to inform customers of any changes that arise from the RMI, such as accelerated switching or default service.

Duquesne Light recommends messaging that targets the market in each respective EDC's territory. Therefore some latitude should be allowed in messaging to suit each market.

C. CAMPAIGN OPTIONS – MASS MEDIA, SPECIAL INCENTIVE, PUBLIC RELATIONS

Duquesne Light has reviewed the three options for a statewide campaign, and believes that to be successful, the campaign must have a mix of mass media purchasing and social media, with a heavier emphasis being placed on mass media. As broadcast and print media still dominate the method by which most consumers gather information, the company believes the use of television, radio and newspaper advertising is a better way to reach these decision makers.

D. FUNDING

Duquesne Light believes that funding for any statewide campaign initiatives should be primarily provided by the participating EGSs, with secondary funding coming from the EDC's existing Consumer Education cost recovery mechanisms. As each EDC will continue with Consumer Education activities and thereby recover these costs from its consumers, it seems unfair to further burden utility customers and also allow the EGSs to significantly benefit from a statewide campaign without contributing financially.

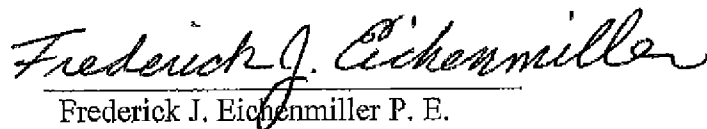
E. CONCLUSION

Duquesne Light fully supports the initiative to establish a statewide Consumer Education campaign and looks forward to working with all stakeholders in this process. As the subgroup further explores these options and puts into place new initiatives, two key elements should be addressed: consumer fatigue and measuring success/failure of said initiatives.

In March 2012, Duquesne Light took part in the annual Duquesne Light Home and Garden Show, and had Commission staff on hand throughout the 10 days to promote PA Powerswitch and answer customer inquiries about electric shopping. While the event was a success for all parties involved, Duquesne Light did note quite a bit of customer fatigue from the consistent EGS mailings, marketing activities and telemarketing. This should be considered in relation to the timing, delivery mechanism and messaging of any statewide campaign.

Finally, some mechanism must be in place to measure the success or failure of any statewide education campaign. Without an end-game target (number of customers shopping, number of hits on PA Powerswitch, number of inquiries to EGSs call centers, etc.), it will be impossible to know whether the campaign's messaging/delivery is creating the correct call-to-action needed to be successful.

Respectfully submitted,



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