



Duquesne Light
Our Energy...Your Power

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February 25, 2010

VIA ELECTRONIC FILING

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

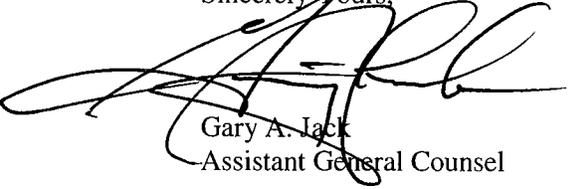
**Re: Duquesne Light Company Universal Service and Energy Conservation Plan for
2011-2013**
Docket No: _____

Dear Secretary McNulty:

Enclosed for filing and approval, pursuant to 52 Pa. Code § 54.74, are one original (1) and three (3) copies of Duquesne Light Company's proposed Universal Service and Energy Conservation Plan for the period 2011 through 2013.

If you have any questions, please feel free to contact me. Thank you for your assistance with this matter.

Sincerely Yours,



Gary A. Jack
Assistant General Counsel

Enclosure

cc: Office of Trial Staff
Office of Consumer Advocate
Office of Small Business Advocate
Community Action Association of Pennsylvania
Pennsylvania Weatherization Task Force

**Duquesne Light Company
Universal Service and Energy
Conservation Plan
2011-2013**

February 2010

Duquesne Light Company

CUSTOMER ASSISTANCE PROGRAM (CAP)

Overview

CAP is a special payment program for low-income, payment-troubled households (i.e., at or below 150% of the Federal poverty level for non-senior households; at or below 200% for senior citizens (aged 62 or above)) that have overdue balances. This Universal Service program is funded by company revenue and administered by community-based organizations.

The primary features of CAP include:

- A reduced payment arrangement based on ability to pay
- Arrearage forgiveness over a specified period of time
- Protection against loss of electric service
- Referrals to other community programs and services

A major benefit to customers who faithfully meet their monthly CAP payment arrangement is the complete forgiveness of their indebtedness to Duquesne Light Company. Customers are given three years to achieve a zero balance on the amount of their outstanding balance at the time of enrollment. As customers faithfully make full, on-time payments in CAP, 1/36 of their arrearage is forgiven each month.

An additional benefit is the CAP reduced monthly payment program. Customers who are enrolled in the program are allowed to pay a reduced monthly amount, based on the amount of their total household income.

The schedule of payments is as follows:

Income Category:	Residential Service Percentage of Budget Bill Payment:	Residential Electric Heat Percentage of Budget Bill Payment:
LiHEAP Recipient *	0%	0%
0% to 50% of Poverty	30%	45%
51% to 100% of Poverty	60%	65%
101% to 150% of Poverty (Up to 200% for seniors)	85%	80%

*Upon receipt of a LiHEAP grant for a customer, an outreach letter will be generated that describes the Customer Assistance Program, the criteria necessary to participate (i.e. – overdue balance, Smart Comfort visit, suppliers of least cost) and a request to provide the household residency and income information. The customer will be placed in the LiHEAP Recipient

Category and will be required to pay the Budget amount of the bill up until the time that the residency / income information is validated but not to exceed 6 months from the time the outreach letter was sent. While the income information is being confirmed, the outstanding balance will be “frozen” and with each successful, on time Budget payment, 1/36 of their arrearage will be set aside as the CAP deficiency balance. If income information is received within the 6 month required time period and all additional criteria mentioned above has been achieved, the customer will be placed in the proper income category based on the number of residents at the premise and will receive the reduced payment associated with that category. If however the customer fails to provide the requested information in the allotted time frame or has not met the additional criteria requirements, the account will be defaulted from CAP and any money that had been set aside in the CAP deficiency balance, will be returned to the total account balance.

Duquesne Light first implemented CAP as a pilot in September 1995. This program initially targeted customers who had been residents at their current address for one year, had gross household income at or below 150% of the federal poverty guideline, had housing expenses more than 45% of their gross income, had made 3 to 9 payments in the past year, and had at least a \$400 arrearage on their electric bill. The program was designed to help the customer to lower electric consumption so that at the end of the program the customer can have an affordable electric bill. A case management approach offered significant handholding of the customer to change their payment and usage behavior patterns. Different iterations of the main program offered different program benefits to micro-segments of the eligible population.

In January of 2001, Duquesne simplified the program by easing eligibility requirements and removing the residency, arrearage and payment-history requirements. Duquesne also eliminated the 3-year program limit requirements, so now any and all income-eligible, payment-troubled customers who maintain a satisfactory payment-history under CAP are able to stay in the program, whether or not they have arrearages.

In 2004, Duquesne simplified the program even further by eliminating the customer co-pay of \$5 per month. Duquesne also reduced the percentage of budget bill payments for residential service customers below 50% of poverty and between 51% and 100% of poverty to act in accordance with the CAP Compliance Guidelines.

In January 2007, Duquesne adjusted the CAP budget percentages to act in accordance with the PA PUC 69.265 CAP Design Elements and maintain CAP bill affordability. As part of the 2006 rate case settlement, a CAP customer was not to be affected by the rate increase and their monthly CAP payment should have remained relatively unchanged. The adjusted budget percentages allowed CAP customers to pay approximately the same amount per month as they were paying prior to our rate case settlement. This may not be the case for future filings.

During this same period, analysis was done to determine if CAP percentage levels should be adjusted in accordance to the federal poverty guidelines released in February 2006. This analysis was completed using income and occupant information provided to DLC by the CAP customer. It was found that CAP customers in certain income categories were able to afford a higher percentage of their budget bill. While still remaining in compliance with the 69.265 CAP design guidelines, 5%-10% percent increases were made for the following three income levels.

- 101%-150% non-heat CAP customers (RS) (5% Increase)
- 51%-100% heat CAP customers (RH) (5% Increase)
- 101%-150% heat CAP customers (RH) (10% Increase)

Summary of Proposed Program

- Eligibility
 - CAP program makes affordable rates a priority for all eligible customers.
 - Up to 150% of poverty for non-senior customers
 - Up to 200% of poverty for senior citizens (aged 62 and above)
 - Eligibility criteria match the PUC definition of “payment troubled”.
 - The rate would be a percentage of the tariff budget bill, pegged to their income level according to the following grid:

Income Category:	Residential Service Percentage of Budget Bill Payment:	Residential Electric Heat Percentage of Budget Bill Payment:
LiHEAP Recipient *	0%	0%
0% to 50% of Poverty	30%	45%
51% to 100% of Poverty	60%	65%
101% to 150% of Poverty (Up to 200% of Poverty for Seniors)	85%	80%

*Upon receipt of a LiHEAP grant for a customer, an outreach letter will be generated that describes the Customer Assistance Program, the criteria necessary to participate (i.e. – overdue balance, Smart Comfort visit, suppliers of least cost) and a request to provide the household residency and income information. The customer will be placed in the LiHEAP Recipient Category and will be required to pay the Budget amount of the bill up until the time that the residency / income information is validated but not to exceed 6 months from the time the outreach letter was sent. While the income information is being confirmed, the outstanding balance will be “frozen” and with each successful, on time Budget payment, 1/36 of their arrearage will be set aside as the CAP deficiency balance. If income information is received within the 6 month required time period and all additional criteria mentioned above has been achieved, the customer will be placed in the proper income category based on the number of residents at the premise and will receive the reduced payment associated with that category. If however the customer fails to provide the requested information in the allotted time frame or has not met the additional criteria requirements, the account will be defaulted from CAP and any money that had been set aside in the CAP deficiency balance, will be returned to the total account balance.

- Customers that would not have a payment amount consistent with the CAP Compliance Guidelines can have an individualized budget bill percentage.
- Duquesne retains the ability to provide a lower payment due to unique customer circumstances. Documentation will be required on a case-by-case basis. This provision will be used on a very limited basis.

- All customers would remain in the program for as long as they are income qualified and fulfilling their payment obligations. They would not be removed from the program because of the length of time they had been on it or because they no longer had an arrearage.
 - All electric heat customers must complete a Smart Comfort (LIURP) visit before enrollment in CAP. The residency requirement for Smart Comfort will be waived for these customers.
 - All residential service customers who own their home and have a base load usage in excess of 500 kWh per month must complete a Smart Comfort visit before enrollment in CAP. The residency requirement for Smart Comfort will be waived for these customers.
 - All residential service customers who are renters, have a base load usage in excess of 500 kWh per month, and have resided at the premise for at least 6 months must complete a Smart Comfort visit before enrollment in CAP.
 - Customers enrolled in the CAP program must select suppliers based on the lowest available cost option in order to maintain the greatest bill affordability level.
 - CAP customers whose baseload usage exceeds 500kWh after time of enrollment and who have not had a Smart Comfort (LIURP) visit within the last seven years must complete a Smart Comfort visit
 - Customers who report a \$0 household income at time of enrollment will be “temporarily” enrolled in the program. The customer’s income status will be reviewed after a 3-6 month period. After such a time period the account will be considered for default with the reasoning that no one can sustain a household with \$0 income for that duration and that CAP was designed to assist customers who are not able to pay their electric bill in full rather than not at all.
 - Continue to explore collaborative CAP enrollment with gas utility companies in Duquesne Light’s service territory.
 - Continue to explore bilateral exchange of customer information between the Department of Welfare and Duquesne Light Company.
 - Adopt a procedure to re-certify customer at least once every 2 years requesting updated household residents and verification of household income.
- Termination and default
 - Customers who miss a CAP payment will be contacted by Duquesne representatives who are dedicated to placing outbound calls and reminded that the payment is immediately due. This dedicated phone campaign will also impress upon the customer the great benefits provided by the CAP program.
 - Customers who miss a CAP payment will also be reviewed by the CAP agency to provide additional encouragement to maintain their CAP agreement.
 - If payment is not received within five business days of attempted contact, the collection process will begin.
 - During the collection process, a customer must pay all of their missed CAP payments to maintain their program status.

- If a CAP account is terminated, a customer must pay all of his or her missed CAP payments plus the reconnection fee to maintain the customer's status in the program and restoration of service.
- If a CAP account is terminated and the customer does not seek restoration of service for more than two weeks after termination, the customer must re-apply for CAP. Extended periods of loss of electric service indicate a larger problem that may be addressed by the community-based organization (CBO).
- If a CAP customer selects a supplier that would increase monthly billing and not contribute to bill reduction, they may be defaulted from the CAP program.
- If a CAP customer's baseload usage exceeds 500kWh after time of enrollment and they do not complete a Smart Comfort (LIURP) visit, they may be defaulted from the CAP program.
- If a customer fails to provide updated household information or updated household income when requested, the account may be defaulted.
- If a CAP customer is found to have greater income than what was originally reported (i.e. - by means of a received PUC complaint, Federal Bankruptcy Court filing or other reputable source), they may be defaulted from CAP.

Key Objectives

Duquesne Light Company has made a significant commitment to successfully implement CAP. The annual budget has increased for the Universal Service program. The key objectives for CAP are:

- Comply with the spirit and intent of Duquesne Light Company settlement agreement
- Administer a cost-effective program
- Provide expanded services to low-income households
- Expend the annual budget amount
- Adhere to all PUC reporting requirements
- Identify and implement improvements to strengthen the effectiveness of CAP

Eligibility

CAP is designed specifically for low-income customers (household income at or below 150% of the federal poverty level) who are unable to pay their electric service bills in full. Also eligible are customer households that have a senior citizen as the primary ratepayer whose combined household income does not exceed 200% of the federal poverty level. Duquesne Light will monitor the program to insure that no more than 20% of CAP participants are senior citizens between 150% and 200% of poverty.

Duquesne Light Company has found that the primary source of potential CAP participants is referrals from its Credit and Collections department. Credit and Collection representatives have

daily contacts with low-income, payment-troubled customers' with overdue balances and routinely refer these customers' to the community-based organizations who administer the program.

Payment Plan

A key feature of the CAP program is establishing payment plans based on customers' ability to pay as determined by their budget bill, service type (residential non-heating service or electric heating) and level of electric use.

In January 2007, Duquesne adjusted the CAP budget percentages to act in accordance with the PA PUC 69.265 CAP Design Elements and maintain CAP bill affordability. As part of the rate case settlement, a CAP customer was not be affected by the rate increase and their monthly CAP payment should have remained relatively unchanged. The adjusted budget percentages allowed CAP customers to pay approximately the same amount per month as they were paying prior to our rate case settlement.

During this same period, analysis was done to determine if CAP percentage levels should be adjusted in accordance to the federal poverty guidelines released in February 2006. This analysis was completed using income and occupant information provided to DLC by the CAP customer. It was found that CAP customers in certain income categories were able to afford a higher percentage of their budget bill. While still remaining in compliance with the 69.265 CAP design guidelines, 5%-10% percent increases were made for the following three income levels.

- 101%-150% non-heat CAP customers (RS) (5% Increase)
- 51%-100% heat CAP customers (RH) (5% Increase)
- 101%-150% heat CAP customers (RH) (10% Increase)

The percentage of bill payment is calculated by taking the customers' estimated monthly budget billing amount multiplied by the percentage below. The budget bill is calculated monthly by averaging the customer's usage over a rolling 12-month period. The percent of bill is based on the following:

Income Category:	Residential Service Percent of Budget Bill Payment:	Residential Electric Heat Percentage of Budget Bill Payment
LiHEAP Recipient *	0%	0%
0 – 50% Poverty	30%	45%
51 – 100% Poverty	60%	65%
101 – 150% Poverty (Up to 200% Poverty for Seniors)	85%	80%

*Upon receipt of a LiHEAP grant for a customer, an outreach letter will be generated that describes the Customer Assistance Program, the criteria necessary to participate (i.e. – overdue balance, Smart Comfort visit, suppliers of least cost) and a request to provide the household residency and income information. The customer will be placed in the LiHEAP Recipient

Category and will be required to pay the Budget amount of the bill up until the time that the residency / income information is validated but not to exceed 6 months from the time the outreach letter was sent. While the income information is being confirmed, the outstanding balance will be “frozen” and with each successful, on time Budget payment, 1/36 of their arrearage will be set aside as the CAP deficiency balance. If income information is received within the 6 month required time period and all additional criteria mentioned above has been achieved, the customer will be placed in the proper income category based on the number of residents at the premise and will receive the reduced payment associated with that category. If however the customer fails to provide the requested information in the allotted time frame or has not met the additional criteria requirements, the account will be defaulted from CAP and any money that had been set aside in the CAP deficiency balance, will be returned to the total account balance.

If usage can be reduced through LIURP or usage reduction education, a customer’s budget bill amount will be lowered. Hence, the CAP payment can be reduced further.

CAP agency representatives will have the flexibility to choose another percentage of budget bill payment based on a customer’s need and circumstances. This provision will be used on a limited basis.

Duquesne will make every effort to meet the budget needs of the customer, as such; Duquesne Light Company will adhere to the PUC approved CAP Policy Statement concerning minimum payments and maximum annual CAP credits regarding CAP customers. Duquesne Light Company reserves the right to bill the customer for the full cost of the energy used in excess of the consumption limits.

Special Considerations

Duquesne is particularly sensitive to assuring that CAP policies are valid for each individual customer. For that reason, CAP agency supervisors and Duquesne’s program manager make every effort to assure that CAP payment levels make sense to individual customers, especially senior citizens.

Rates for CAP participants could be adjusted for extenuating circumstances including, but not limited to, the following:

- Addition to the household
- Serious illness or medical condition
- Consumption increase beyond control of customer (health related)
- Severe weather conditions
- Structural damage to home

If, in their opinion, the calculated payment is out of reach of the customer, CAP supervisors can recommend a CAP payment rate that is tailored to these special circumstances. However, because of the potential for abuses in the system, Duquesne program management requires that all customers recommended for waiver receive an in-home visit and energy audit. Duquesne will

rely on the results of the audit and visit on a case-by-case basis to approve or disapprove the waiver.

Restrictions

In order to control program costs, Duquesne Light Company will adhere to the PUC approved CAP Policy Statement concerning minimum payments and maximum annual CAP credits regarding CAP customers. Duquesne Light Company reserves the right to bill the customer for the full cost of the energy used in excess of the consumption limits.

High Consumption Report

Duquesne's CAP program has no maximum or minimum consumption limit; however all customers receive energy reduction instruction at the time of enrollment. Additionally, the company analyzes all CAP customers' usage monthly to identify customers whose usage increases to levels outside established norms. This High Consumption Report is turned over to LIURP and CARES representatives, who analyze customer bills, contact the customers with additional consumption reduction information and enroll the customers in LIURP or other programs to proactively assist in reestablishing energy usage levels within norms.

The CAP administering agencies are responsible for analyzing the individual situations and for recommending changes to consumption if warranted by the circumstances. Agency representatives explain the customer's responsibility related to annual kWh usage at the time of enrollment. This matter is analyzed and discussed again, if appropriate, during annual program participation re-certification. A customer can be defaulted from the program if he or she does not comply with energy conservation measures.

Customer Education

Energy conservation education can play an important role in helping CAP customer's control their energy usage. Through the CAP program, Duquesne Light Company attempts to increase customers' awareness about using energy wisely and to offer ideas for reducing kWh consumption. Company representatives provide consumer education in the following areas:

- Low cost/no cost energy conservation tips
- Explanation of weatherization measures
- Home heating and cooling systems
- Electric bill and analysis of usage

A Smart Comfort visit must be completed before enrollment in CAP if either: the account is a residential heating account; the account is residential non-heating service, the customer owns his or her home and has a base load usage greater than 500 kWh per month; or the account is residential service, the customer rents his or her home, has a base load usage greater than 500 kWh per month and has resided at the premise for more than 6 months.

Default Process

Duquesne Light Company extends every reasonable consideration to CAP participants to avoid dismissal from the program. Program requirements and benefits are clearly explained up front; customer communications are frequent if problems arise; and extenuating circumstances are carefully evaluated. However, CAP cannot function properly without the commitment and cooperation of customers, social service agencies, and Duquesne Light Company. Customers' non-compliance with any of the primary CAP components could lead to dismissal from the program. Failure to perform one or more of the following CAP customer responsibilities could result in dismissal from the program.

1. A telephone contact via a Duquesne representative is attempted within five days after the due date of the bill. This dedicated outbound phone campaign will also impress upon the customer the great benefits provided by the CAP program. If no payment is received after contact, the account enters the termination process.
2. During the same five-day period, Duquesne will alert the appropriate CAP administrating agency and CARES contractors via an automated report. Agency counselors will make every attempt to intervene with the customer and try to find ways to avoid termination.
3. Customers who are terminated are required to pay all of missed CAP payments plus the reconnection fee to maintain the customer's status in the program and restore service. If a customer has been without electric service for more than 14 days, the customer must reapply with a CBO. Extended periods of loss of electric service indicate a larger problem that may be addressed by the CBO.
4. Customers removed from CAP, for anything other than non-payment, are returned to the company's normal collection process. They are considered as low-income ability-to-pay customers.
5. Customers that do not comply with the energy conservation measures can be defaulted from the program.
6. Customers who select a supplier with costs that will increase the monthly bill and not contribute to bill reduction can be defaulted from the program.
7. Customers whose baseload usage exceeds 500 kWh after time of enrollment and who have not completed a Smart Comfort visit within the last seven years may be defaulted from the program.

Appeal Process

All applicants and participants may appeal admission denials for default dismissals. Customers may call Duquesne Light at 1-888-393-7600 to speak to a Universal Service Group representative. If Duquesne Light is unable to satisfy the inquiry with the customer, Chapter 56 dispute rights will be provided as required.

Additional Responsibilities of Customers

- Household income must be verified at least biannually, and changes in household income are to be reported immediately.
- If a CAP participant received a LIHEAP grant within the last LIHEAP program year, this verification of income may be used for automatic re-certification
- CAP participants are required to apply for LIHEAP and/or Dollar Energy assistance and to have at least one of their LIHEAP payments designated to Duquesne Light Company. Failure to do so may result in dismissal from the Program.
- Participation in programs such as weatherization, energy conservation education, budget counseling, and other related services are requirements for CAP customers' where applicable.

Reinstatement Policy

CAP customers who default by termination of electric service are allowed to re-apply after paying all missed CAP payments and any restoration fees. CAP customers who have their service restored within 14 days are automatically re-enrolled in the program. Customers who have their service restored after two weeks without electric service must reapply for CAP at a CBO.

CAP customers who are removed from CAP for anything other than non-payment can be re-enrolled in the program upon completion of the default issue.

Projected Enrollment Levels

Enrollment levels for the years 2011 through 2013 are based on annual program funding amounts. The estimated net enrollment of active CAP customers by year is shown below:

Year:	CAP Enrollment Level:
2011	47,200
2012	51,900
2013	56,600

Program Budget

The annual funding amounts for CAP were established as a result of Duquesne Light Company's Settlement Agreement with all interested parties. The specific funding level for 2011 through 2013 is shown below:

Year:	Funding Level:
2011	\$23,800,000
2012	\$26,200,000
2013	\$28,530,000

Community-Based Partners

Goodwill of SW PA and Holy Family Institute currently administers Duquesne Light Company's CAP Program. The organizations oversee a **total** network of 4 CBO's with 12 FTE's at 8 sites (main office location and satellite offices). After recent studies were conducted on the location concentration of confirmed low income customers, proximity to transportation and other such factors, CAP offices were relocated as to better accommodate customers.

CAP administering agencies have the responsibility to take referrals from the various sources established, contact the customers' to conduct initial screening for potential program participation, and arrange personal interviews at agency locations if applicable to determine eligibility and finalize enrollment. Thereafter, the administering agency serves as a primary CAP contact with the customer, which is maintained throughout their CAP participation.

Administering agencies enroll and maintain customers on-line in real time through direct connection with Duquesne Light Company Customer Information System. Appropriate letters to aid in customer contact have been provided along with the necessary training in the use of Duquesne Light's Information System and the administration of CAP. This information has been provided to each agency and their caseworkers.

As appropriate, Duquesne Light Company will seek additional organizations to operate the CAP Program to ensure that the increased enrollment goals are achieved in future program years. Current administering organizations and the counties they serve are listed below:

Community Based Organizations:	Counties Served:
Goodwill of SW PA , McKeesport	Allegheny
Goodwill of SW PA , Southside	Allegheny
Holy Family Institute, East Liberty	Allegheny
Holy Family Institute, Northside	Allegheny
Holy Family Institute, McKeesRocks	Allegheny
Holy Family Institute, Swissvale	Allegheny
North Hills Community Outreach	Allegheny
Holy Family Institute, Aliquippa	Beaver

Organizational Structure of Duquesne Light Company Staff

- Manager Customer Relations (1)
 - Senior Analyst for Universal Services (1)
 - Senior Customer Service Representative for Universal Services (1)
 - Customer Service Representative for Universal Services (1)

Duquesne Light Company has been able to administer a cost effective program since implementing this organization structure in 2008.

*** The changes made through the submission of this plan supersede the previous approved Universal Service and Energy Conservation Plan.**

Duquesne Light Company

CARES

Overview

The purpose of Duquesne Light's CARES Program is to assist payment challenged customers and customers with special needs obtain necessary social service support and assistance. The program targets customers whose income is less than 150% of the federal poverty guideline and senior citizens less than 200% of the federal poverty guideline, although no needy customer will be turned away. An outreach worker or community agency acts as an intermediary between the customer and the Company in an effort to link the customer to the necessary social service programs that will enhance the customer's ability to pay for electric service. The outreach worker contact referred customers and, if necessary, makes a home visit to the customer. Referrals are made by Duquesne Light, other utilities, community based agencies, the PUC, and word of mouth.

Summary of Proposed Program

- Case managers will be encouraged to offer customers more frequent conservation information and aid in assisting the customer with the completion of grant applications when these programs are available.
- Case managers will also receive the names of low-income customers who are within 72 hours of termination. This is a proactive approach to minimize the number of low-income customers who have their service terminated.

Objectives

The primary objectives of the CARES program are as follows:

- Help customers experiencing payment hardships to manage their electric bills by providing them with information, resources and encouragement.
- Make tailored referrals to company and community assistance programs.
- Maintain and/or establish partnerships and alliances with social service agencies, government offices, and community organizations to ensure maximum and timely assistance for customers who have personal or family hardships.
- Act as an internal advocate for payment-troubled customers.

Eligibility

CARES is designed specifically for low-income customers (household income at or below 150% of the federal poverty level) who are unable to pay their electric service bills in full. Also eligible are customer households headed by senior citizens whose combined household income reaches

200% of the federal poverty level. However, no customers are turned away, regardless of income level or circumstance.

Referrals/Assistance Coordination

CARES is administered by **Goodwill of SW PA** and **Holy Family Institute**. They act as “brokers” who attempt to match customers’ needs with existing company and/or community programs. The CARES counselors analyze customer accounts and circumstances to determine the basic cause(s) of their bill-payment problems. They refer customers to appropriate programs and services that are offered by social service agencies, community organizations, and Duquesne Light Company. In addition, they initiate follow-up to determine the outcome of referrals to social agencies and company programs.

Home Visits/In-Home Education

Home visits are useful in analyzing customers’ hardships, bill-paying problems, and ability to pay. The CARES counselors use home visits only for customers with medical problems, disabilities or language difficulties. During home visits, they can more quickly determine the basic causes of customers’ hardships, as well as verify customers’ statements concerning sources of household income. In the course of making these home visits, they provide customers with energy education and conservation tips and information about where and how to apply for assistance.

Payment Arrangements

Because of the unusual and often complicated situations affecting customers’ ability to pay, the agents have latitude and flexibility in establishing payment agreements. As a result, they can set up payment plans that reflect customers’ ability to pay and hardship circumstances. Payment plans are monitored and tracked monthly by the agents. Customers who miss payments are contacted to determine the reason(s) for the missed payment. Customers who are being processed for termination receive special attention, with counselors receiving a special report from Duquesne at least 72 hours prior to actual termination. Counselors are urged to give these customers priority attention and to use all means available to help the customer pay their electric bills.

Networking

Another key responsibility of the CARES Counselors is to establish close working relationships with external organizations and internal departments at Duquesne Light Company. Social service agencies and other community groups are essential to the success of CARES because they provide the needed services for payment-troubled customers. The relationship between the CARES counselors and the other agency caseworkers is carefully nurtured and strengthened because the program cannot function effectively without the cooperation of social service organizations.

Projected Enrollment Levels

There are no established enrollment targets for CARES. Duquesne Light's experience indicates that the number of customers served in CARES is estimated to be 10,000 to 15,000 annually.

Program Budget

The specific funding level for 2011 through 2013 is shown below:

Year:	Funding Level:
2011	\$125,000
2012	\$125,000
2013	\$125,000

Plans to Use Community-Based Organizations

Duquesne Light Company recognizes the importance of establishing and expanding its network of contacts and working relationships with CBO's. Simply put, CARES could not function without the cooperation and assistance of local organizations. Services and programs for residential customers – particularly low-income households – can best be provided through public-private partnerships.

Goodwill of SW PA and **Holy Family Institute** currently administer Duquesne Light Company's CARES Program. The organization oversees a total network of 2 CBO's with 2 FTE's at 2 sites.

Community Based Organizations:	Counties Served:
Goodwill of SW PA , Southside	Allegheny and Beaver
Holy Family Institute, Pittsburgh	Allegheny and Beaver

Organizational Structure of Duquesne Light Company Staff

- Manager Customer Relations (1)
 - Senior Analyst for Universal Services (1)
 - Senior Customer Service Representative for Universal Services (1)
 - Customer Service Representative for Universal Services (1)
- **The changes made through the submission of this plan supersede the previous approved Universal Service and Energy Conservation Plan.**

Duquesne Light Company Hardship Fund

Overview

Duquesne Light's Hardship Fund is a partnership with Dollar Energy Fund (DEF). Duquesne Light's stakeholders will continue to match customer contributions up to \$375,000 annually. In addition, the company will contribute up to \$75,000 to provide administrative support. The program targets low-income customers who have overdue balances and an inability to pay the full amount of their energy bills. Dollar Energy defines low income as households that have annual incomes at or below 200% of the federal poverty level. This program becomes the "fund of last resort" when other energy assistance programs are not available to the customer.

The primary features of Dollar Energy include:

- Direct financial assistance for overdue energy bills
- Protection against shutoffs
- Referral to other programs and services

A key feature of Dollar Energy is that the program operates year-round throughout the Company's service area. As a result of ongoing donations from customers, Duquesne Light Company, in turn, disburses the funding monthly to Dollar Energy Fund. Duquesne Light's funding may be used to pay the electricity bill for residential non-heating or residential heating service.

Begun in March 1983, Dollar Energy was one of the first utility-sponsored fuel funds in the nation. Duquesne was one of the founding utilities. Customers may contribute to the program by adding an extra \$1, \$2, or \$5 to their electric bill payments, by sending in one-time, lump-sum checks or by electing to contribute online.

Duquesne stakeholders make a significant contribution above and beyond the sums collected from customers. Each year, stakeholders match the total of all donations, doubling the size of the funds available to Duquesne customers. Additionally, the company makes a direct contribution to DEF to assist in defraying administrative costs. The administrative amounts totaled \$65,000 and \$75,000 annually between 2004 and 2007 and between 2008 and 2010 respectively.

Key Objectives

The overall objectives of Dollar Energy are as follows:

- Provide financial assistance to qualified low-income families who are having difficulty paying the full amount of their energy bills.
- Offer financial assistance to low-income households who are ineligible for the Low Income Home Energy Assistance Program.
- Coordinate and expand the activities of community-based organizations that provide energy-related assistance.

Eligibility

Dollar Energy is designed specifically for low-income customers (household income at or below 200% of the federal poverty level) who are unable to pay their electric service bills in full.

Promotion

Bill inserts, articles in the quarterly customer service newsletter, DLCo website, radio advertisements, direct referrals by DLCo Customer Service Representatives, the Warmathon (a utilities partnership to raise money and awareness of the Hardship Fund) and the Dollar Energy Fund Organization itself, all promote the Dollar Energy Fund.

Program Budget

Duquesne Light’s Hardship Fund is a partnership with Dollar Energy Fund. Duquesne Light’s stakeholders will match customer contributions up to \$375,000 annually. In addition, the company plans to contribute \$75,000 to provide administrative support. The specific funding level for each of the next three-years is shown below:

Year:	Company Funding Level:
2011	\$450,000
2012	\$450,000
2013	\$450,000

Plans to Use Community-Based Organizations

A number of community based organizations in Duquesne Light’s service territory, including Holy Family Institute and Goodwill of SW PA , that have solid reputations and experience in delivering services to low-income households administer Dollar Energy in the Duquesne service area. The administration of the program is a collaborative effort between Dollar Energy and these organizations.

Community Based Organizations:	Counties Served:
Allegheny County Office of Community Services	Allegheny
Center Avenue YMCA	Allegheny
Coraopolis Church of God	Allegheny and Beaver
Catholic Charities	Allegheny and Beaver
Lutheran Services Society	Allegheny
Tri-Valley Energy Center	Allegheny
Holy Family Institute	Allegheny
Society of St. Vincent de Paul	Allegheny
The Northshore Community Alliance	Allegheny
Northern Area Multi-Service Community Assistance Program	Allegheny
North Hills Community Outreach	Allegheny
Allegheny General Hospital – Suburban Campus	Allegheny
The Salvation Army	Allegheny and Beaver
Hazelwood YMCA	Allegheny
Elder-Ado, Inc.	Allegheny
Henry Kaufmann Center	Allegheny
Lemington Community Services	Allegheny
Neighborhood Employment Center	Allegheny
Primary Care Health Services	Allegheny
The Pittsburgh American Indian Center	Allegheny
Jubilee Association Inc.	Allegheny
Mt Washington CDC	Allegheny
Brashear Association	Allegheny
Goodwill of SW PA	Allegheny and Beaver
EECM (East End Cooperative Ministry)	Allegheny
Nabhi Christian Ministries	Allegheny
Hill House Association	Allegheny
St. Paul Cathedral	Allegheny
Alma Illery Medical Center	Allegheny
Clairton Family Center/AIU	Allegheny
Wilkinsburg Community Ministry	Allegheny
Allegheny Center Alliance Church	Allegheny
Focus on Renewal	Allegheny
Center for Hope	Beaver
Housing Opportunities of Beaver County	Beaver
Job Training for Beaver County Beaver Falls	Beaver

Organizational Structure of Duquesne Light Company Staff

- Manager Customer Relations (1)
 - Senior Analyst for Universal Services (1)
 - Senior Customer Service Representative for Universal Services (1)
 - Customer Service Representative for Universal Services (1)
- **The changes made through the submission of this plan supersede the previous approved Universal Service and Energy Conservation Plan.**

Duquesne Light Company Smart Comfort (LIURP)

Overview

Smart Comfort is Duquesne Light's low-income usage reduction program (LIURP). It targets residential customers whose gross household income is less than 150% of the federal poverty guideline and seniors whose gross household income is less than 200% of the federal poverty guideline, whose base load electric usage more than 500 kWh per month and who have been a resident at their current address for at least six months.

This program has evolved from strictly weatherization to an "end use" strategy. Usage reduction measures include cost effective appliance and lighting replacements in addition to determining if weatherization is warranted.

Low-income customers, whose base load usage is less than 500 kWh per month, are invited to take part in energy conservation workshops. These workshops provide conservation education, energy reduction tips, and usage reduction measures they can install themselves. These workshops are held in different locations in Duquesne Light's service territory.

Summary of proposed enhancements

- The base load usage requirement had been reduced from 600 kWh per month to 500 kWh per month this past plan and will continue to be the criteria used
- The residency requirement remains at a 6 month minimum except for the following:
 - The residency and base load usage requirements for all electric heat customers who are homeowners will be waived.
 - The residency requirement will be waived for residential non-heating service CAP customers who are homeowners.
- The minimum usage requirement for a refrigerator change-out will continue to be 5 kWh per day.
- The program includes potential window air-conditioning unit change-outs if the life of the replacement A/C unit and the life of the dwelling will exceed 12 years.
- Duquesne will pilot other proposed measures that could potentially provide the minimum required savings and payback. Pilots may include the following:
 - Central air-conditioning change-out given that the life of the unit as well as the life of the dwelling exceeds 12 years.
 - "Zone" weatherization to weatherize a room or rooms where electric space heating is the predominant source of heat. Specifically, there are homes that have a room or rooms (i.e. a "zone") that use electric baseboard heating or electric space heaters as the predominant source of heat yet the rest of the home uses non-electric heating, most likely gas heating. Many times this occurs in an area of the home where the addition of forced air heating was not an affordable option. Duquesne has seen this occur at premises where the third floor of the home has been converted for living space but there is no ductwork as well as premises where additional living space has been added on over a concrete slab. In both

cases there is minimal weatherization in these living spaces. Duquesne believes that providing weatherization for these “zones” could provide the required savings and payback while weatherization for the entire home would not.

- Application of window film on south facing windows to reduce cooling expenditures.
- Washer/Dryer combination change-outs
- Solar and other alternative energy sources
- Continue to focus on conservation education, expanding communication about these topics from the initial in-take screening to more frequent communications during the year.
- Continue to maintain a cooperative relationship with natural gas providers so that screening and audit costs are not duplicated, and seek synergies to increase the number of customers receiving service from all utilities in the area.
- Automate the Smart Comfort referral process to increase the efficiency of the program and reduce administrative costs.
- Work with property owners of low income housing to effectively provide weatherization and meet the needs of all low income customers located at the premise. This includes total-electric, multi-family dwellings.
- Pilot outreach attempts to identify food stamp recipients as possible candidates for Smart Comfort visits
- Provide outreach to customers who received Dollar Energy Grants as possible Smart Comfort candidates.
- Duquesne has formed a collaborative of local representatives of the low-income community, community based organizations (CBOs), and the OCA and will continue to commit to bring forward any proposed changes to its universal service programs for discussion prior to implementation. The purpose of the collaborative is to explore alternatives to improve the effectiveness and/or efficiency of universal services within the budgets of the programs

Key Objectives

The overall objectives of Smart Comfort are as follows:

- To reduce the energy usage and electric bills of low-income customers.
- To increase the ability to pay for low-income customers.
- Improve the comfort of low-income customers.
- Provide safer living conditions of low-income customers through the reduction of secondary heating devices.
- To educate the customer on current conservation practices.
- Make tailored referrals to company and other assistance programs such as CAP, Dollar Energy Fund or private funds, LIHEAP, and other weatherization programs.

Eligibility

Smart Comfort is designed specifically for low-income customers (household income at or below 150% of the federal poverty level) who are unable to pay their electric service bills in full. Also

eligible are households whose combined household income reaches 200% of the federal poverty level with priority given to households headed by senior citizens. No more than 50% of Smart Comfort participants will be customers between 150% and 200% of poverty.

Smart Comfort targets customers whose base load electric usage is more than 500 kWh per month and have been a resident at their current address for at least six months. However, all electric heat customers who are homeowners will have the base load usage and residency requirements waived. The residency requirement will be waived for residential non-heating service CAP customers who are homeowners. Duquesne Light Company will also continue to focus on total-electric, low-income, multi-family premises as a source to provide conservation measures and education.

Summary of Program Process and Installation Measures

- Perform walk through audit
 - Investigate potential savings areas within the house.
 - Measure usage of targeted electrical equipment within the house.
- Provide energy education
 - Explain Smart Comfort program in depth.
 - Explain current electricity bill in detail to insure customer understands concepts such as monthly kWh usage and usage comparisons.
 - Provide education on ways to reduce usage of electricity.
 - Develop partnership with customer to reduce electrical usage.
- Determination of Smart Comfort measures to provide
 - Standard measures include compact fluorescent light bulbs, mattresses, refrigerators and freezers, electric hot water tanks or tank wraps, window air-conditioning units, air infiltration measures, and home insulation.
 - At the discretion of the energy manager, potential measures include furnaces, electric dryers, electric stoves, water pumps, electric blankets, and air conditioners.
- Customer monitoring and follow up
 - Energy managers will contact Smart Comfort recipients regularly to discuss their usage and the resulting decrease in consumption.
 - Reinforce energy education.

Projected Enrollment Levels

Enrollment levels for the years 2011 through 2013 are based on annual program funding amounts and settlement agreements in 2006. The detailed breakout of enrollment by funding type is located in the table enclosed in the Program Budget section. The estimated net enrollment of active customers by year is shown below:

Year:	Total Enrollment Level:	Annual Enrollment Level	Settlement Enrollment Level
2011	2,423*	1,800	623
2012	2,423*	1,800	623
2013	2,423*	1,800	623

*1,800 from the recent Needs Based Assessment for LIURP + 623 additional enrollments based on the rate case settlement amount of \$350,000 divided by \$562 (cost per job).

Program Budget

The specific funding level for each of the next four-years is shown below:

Year:	Funding Level:
2011	\$1,361,600*
2012	\$1,361,600*
2013	\$1,361,600*

* \$1,011,600 from the recent proposed needs based budget + \$350,000 from the recent rate case settlement. This funding amount is based on the assumption that no PUC order or DLCo filing subsequently supersedes the most recent Settlement Agreement.

The detailed program budget and targeted enrollment levels are comprised of the needs based budget and the rate case settlement. During the life of the plan, under-spent funds will be carried over from one program year to the next. Duquesne Light will not transfer LIURP funds collected during the period 2007 through 2009 to other universal service programs.

	Year:	Funding Level:	Enrollment Level:
I. Proposed Budget	2011	\$1,011,600	1,800
	2012	\$1,011,600	1,800
	2013	\$1,011,600	1,800
II. Rate Case Settlement	2011	\$350,000	623
	2012	\$350,000	623
	2013	\$350,000	623
III. Total Budget (I+II)	2011	\$1,361,600	2,423
	2012	\$1,361,600	2,423
	2013	\$1,361,600	2,423

Community Involvement

The Pittsburgh area has dwellings in great need of energy conservation measures. Many have gas furnaces installed, but which have been shut-off for maintenance reasons or due to non-pay.

This forces residents of these dwellings to use costly electric space heaters to stay warm. Use of these heaters drives up their energy bills, but alleviating the situation cannot be simply addressed through traditional LIURP means.

Duquesne plans to work with the Universal Service personnel of area gas companies to seek means by which the companies can jointly address the conservation, reduction, and assistance needs of housing described above.

CCI currently administers Duquesne Light Company’s Smart Comfort program. The organization oversees a total network of 7 FTE’s through Duquesne Light’s service territory.

Organizational Structure of Duquesne Light Company Staff

- Manager Customer Relations (1)
 - Senior Analyst for Universal Services (1)
 - Senior Customer Service Representative for Universal Services (1)
 - Customer Service Representative for Universal Services (1)

- **The changes made through the submission of this plan supersede the previous approved Universal Service and Energy Conservation Plan.**

Respectfully Submitted,

Duquesne Light Company
February 25, 2010

Duquesne Light Company
Needs Based Assessment
Low Income Usage Reduction Program
(LIURP)

February 2010

Summary

Based upon the methodology enclosed below, it has been determined that a needs based budget and enrollment targets for 2011 through 2013 are the following:

Year:	Needs Based Enrollment Target:	Needs Based Budget:	Proposed Needs Based Enrollment Target	Proposed Needs Based Budget *
2011	1,800	\$714,600	2,423	\$1,361,600
2012	1,800	\$714,600	2,423	\$1,361,600
2013	1,800	\$714,600	2,423	\$1,361,600

- The needs based budget is \$714,600 (\$397 per visit x 1,800 visits) per year based on this determination. **Duquesne Light Company intends to continue to focus on total-electric, low-income, multi-family premises as a source to provide conservation measures and education. Duquesne had concentrated 2009 efforts on these endeavors and found that it increased the cost per unit when compared to that of single family dwellings. 2009’s average cost per job was \$562. Using this thought process, Duquesne would like to recommend increasing the total Budget amount to \$1,361,600. This number is made up of the 1,800 enrollment target multiplied by \$562 (\$1,011,600) in addition to the \$350,000 from the recent rate case settlement. The total proposed enrollment target is comprised of the 1,800 Needs Based Enrollment Target plus the additional jobs allowed from the rate case settlement amount (\$350,000 divided by \$562 per job equals 623 jobs).**

Analysis

- As of January 2010, there were 524,333 active residential accounts for Duquesne. 460,102 accounts were in Allegheny County and 64,231 in Beaver County.
- As part of the Needs Assessment, AECOM determined that the number of residential accounts should be adjusted downwards by 3.7% to reflect the actual number of households in each county. Applying this factor, there were 504,933 active residential households for Duquesne (443,078 in Allegheny County and 61,854 in Beaver County).

	Total:	Allegheny County:	Beaver County:
Residential Accounts	524,333	460,102	64,231
Households with more than 1 account (3.7%)	19,400	17,024	2,377
Net Residential Households	504,933	443,078	61,854

- Using the 500 kWh base load criteria, the base load months of April, May, September, and October 2009 were analyzed. For each month, the number of accounts that used less

than 500 kWh was determined and an average percentage of accounts that would not qualify were calculated. 53.8% of the accounts would not qualify for Smart Comfort based upon their usage. Hence, the number of potential households was reduced by 53.8%, leaving 233,280 households (204,704 in Allegheny County and 28,577 in Beaver County).

Baseload Month:	Accts < 500 kWh:	Total Accts:	% Accts < 500 kWh:
Apr-09	294,586	524,257	56.2%
May-09	305,057	523,818	58.2%
Sep-09	233,856	523,317	44.7%
Oct-09	293,832	523,926	56.1%
TOTAL:	1,127,331	2,095,318	53.8%

	Total:	Allegheny County:	Beaver County:
Net Residential Households	504,933	443,078	61,854
Customers Using Less Than 500 kWh Base load (53.8%)	271,652	238,374	33,277
Net Residential Base load Eligible Households	233,280	204,704	28,577

- Applying the poverty rate for each county, it was determined that there are 58,768 low-income households within the usage criteria (51,647 in Allegheny County and 7,121 in Beaver County).

County:	Poverty Rate:
Allegheny	25.23%
Beaver	24.92%

	Total:	Allegheny County:	Beaver County:
Net Residential Base load Eligible Households	233,280	204,704	28,577
Net Residential Base load Eligible Households within the Poverty Rate	58,768	51,647	7,121

- Reducing the Smart Comfort eligible households by the number of Smart Comfort participants in the last seven years leaves 35,650 potential households.

Year:	Smart Comfort Participants:
2003	1,769
2004	2,120
2005	3,003
2006	3,378
2007	4,688

2008	4,189
2009	3,971
Total:	23,118

	Number of Accounts:
Net Residential Base load Eligible Households within Poverty Rate	58,768
Smart Comfort Participants	23,118
Net Potential Smart Comfort Eligible Accounts	35,650

- A reasonable quantity of visits per year, assuming no refusal rate, was calculated by dividing the net potential accounts by 20, leaving 1,783 accounts per year.
- Hence it has been determined that **1,800 Smart Comfort visits per year** would be a reasonable level for 2011-2013.
- Based on the last three years, the average cost per visit totaled \$397. The needs based budget is \$714,600 (\$397 per visit x 1,800 visits) per year based on this determination. **Duquesne Light Company intends to continue to focus on total-electric, low-income, multi-family premises as a source to provide conservation measures and education. Duquesne had concentrated 2009 efforts on these endeavors and found that it increased the cost per unit when compared to that of single family dwellings. 2009's average cost per job was \$562. Using this thought process, Duquesne would like to recommend increasing the total Budget amount to \$1,361,600. This number is made up of the 1,800 enrollment target multiplied by \$562 (\$1,011,600) in addition to the \$350,000 from the recent rate case settlement. The total proposed enrollment target is comprised of the 1,800 Needs Based Enrollment Target plus the additional jobs allowed from the rate case settlement amount (\$350,000 divided by \$562 per job equals 623 jobs).**

Methodology

The Smart Comfort Needs Based Assessment was based upon the following methodology.

LIURP Needs Assessment:

A needs assessment can be calculated by using both the Census data and company data. The percentage of households in the appropriate poverty level is the relevant Census data that can be applied to company county population data to determine the total universe of potentially eligible customers (before we begin to make exclusions). Please note that up to 20% of the LIURP budget may be spent on households with an income between 150% and 200% of poverty.

There are three types of exclusions that reduce the size of the potentially eligible population. First, exclusions can be made of low users. It is important for the company to determine the minimum pre-treatment usage levels for each job type (space conditioning, water heating and base load) that are cost effective. Second, customers who have received LIURP services in the last seven years should be subtracted from the projected need. Third, the company should be able to apply a "refusal rate" that is based upon its LIURP history to complete the final deduction

in the needs assessment.

The following is a narrative explanation of the formula and the required steps:

1. County Census data provides the percentage of customers who are in the applicable poverty (income) levels for LIURP. Multiply the company county data by the county Census data (the percentage in the income levels).
2. Use company usage data and LIURP experience regarding the cost effectiveness of treating customers at various usage levels to determine the appropriate usage levels for each job type and deduct the accounts which have usage that is too low to receive cost effective LIURP services.
3. Deduct the customers who have already received program services (over the past seven years) from this number.
4. Apply the customer refusal rate (note: this should be getting smaller as LIURP and CAP eligibility become more closely linked – customers who are eligible for CAP should no longer be able to refuse LIURP services.)

Duquesne Light Company
Market Based Needs Assessment
CAP Program

February 2010

Market -Based Needs Assessment for Duquesne CAP Program

Residential Customer Households

Duquesne has 525,000 residential accounts but slightly fewer unique customer households, because some households have more than one meter. Based on an analysis of meter information from 2003, the number of unique residential customer households is estimated to be 505,575.

Estimate of CAP-Eligible Market

Households eligible for CAP include all residential customers with incomes below 150% of poverty level plus households with senior or disabled members and incomes up to 200% of the poverty level. To estimate the number of low-income households, results from an analysis of the 2000 Public Use Micro Sample (PUMS) were adjusted upwards using two different percentages (Low=7% and high=23%) to model the *increase* in poverty since year 2000. The resulting high and low estimates were averaged to create a Medium estimate. Households with incomes below 150% were 17% of all customer households in 1999. The low, medium, and high estimates peg that percentage in 2010 at 18%, 20%, and 22% respectively

Estimate of CAP- Eligible Customers	Low	Medium	High
1 Percent of Customer households <150%	18%	20%	22%
2 Customer Households below 150%	90,512	101,115	111,330
3 Customer Households 150% to 200%	48,694	54,293	59,893
4 percent senior or disabled	45%	45%	45%
5 number senior or disabled	21,912	24,432	26,952
6 Total eligible market (rows 2 + 5)	112,424	125,547	138,282

Estimate of Core Market

The core market for CAP is the subset of the income-eligible households that have housing expenses that are more than 40% of their income, and who lack financial assets to offset those expenses. A similar adjustment to the PUMS results (2000) was made to estimate the core market for CAP in 2010 (See Appendix A).

Estimate of Core CAP Market	Low	Medium	High
1 Households <150% in core market	47,976	53,845	59,714
2 Households 150-200% in core market	5,472	6,290	7,108
3 percent senior or disabled	40%	40%	40%
4 number senior or disabled	2,189	2,516	2,843
5 Households in Core Market (rows 1+ 4)	50,165	56,361	62,557
6 Other eligible customer households	62,260	69,186	75,725
7 Total Eligible Market (rows 5 + 6)	112,424	125,547	138,282

Likely Participation in CAP

Likelihood of participation is a function of need, perceived benefit, and the difficulty of applying to and entering the program. If program entry is made more accessible there will be a substantial increase in participation from core market households and a modest increase from other eligible households (who have less need of the program).

	CAP Market Households	2011 enrollment			
		current enrollment	unchanged intake	with easier entry	with auto enrollment*
Projection from Medium Market Estimate					
Likely participation rates					
Core Market	56,361	46%	52%	60%	75%
Other Eligible Customers	69,186	11%	15%	25%	30%
Resulting Enrollment					
Core Market		25,926	29,308	33,817	42,271
Other Eligible customers		7,610	10,378	17,297	20,756
CAP enrollment using medium estimate		33,536	39,686	51,113	63,026
CAP enrollment using high estimate			43,888	56,466	69,635

* of food stamp and free lunch recipients

Market -Based Needs Assessment for Duquesne CAP Program

Appendix A

Projection from results of detailed demographic analysis of PUMS data from 1999

Core Market Highlighted

	Households at Low Income Levels (by poverty level)															
	A		B		C		D		E		F		G		H	
	In 1999 (Public Use Micro Sample)		Estimate for 2004 (7% increase)				High-Side Estimate for 2010									
	< 150%	150-200%	< 150%	150-200%	Increase Assumed	< 150%	150-200%	Increase Assumed	< 150%	150-200%	Increase Assumed	< 150%	150-200%	Increase Assumed	< 150%	150-200%
Low Income Customer Households																
By Income -all	84,591	45,508	90,512	48,694	23%	23%	111,330	59,893	23%	23%	23%	23%	111,330	59,893	23%	23%
Fixed income >75% of income	30,297	14,354	32,418	15,359	25%	28%	40,522	19,659	25%	28%	25%	28%	40,522	19,659	25%	28%
With Soc Sec income > \$1000	31,491	21,737	33,695	23,259	23%	23%	41,445	28,608	23%	23%	23%	23%	41,445	28,608	23%	23%
By Housing expense -all	84,591	45,508	90,512	48,694	23%	23%	111,330	59,893	23%	23%	23%	23%	111,330	59,893	23%	23%
with housing expense > 40% income	53,063	10,147	56,777	10,857	23%	23%	69,836	13,354	23%	23%	23%	23%	69,836	13,354	23%	23%
with significant income from assets	8,226	5,033	8,802	5,385	15%	16%	10,122	6,247	15%	16%	15%	16%	10,122	6,247	15%	16%
with few financial assets	44,837	5,114	47,976	5,472	33%	39%	59,714	7,108	33%	39%	33%	39%	59,714	7,108	33%	39%
Senior in Household	12,522	na	13,399	na	33%	33%	16,677	na	33%	33%	33%	33%	16,677	na	33%	33%
Non-Senior Disabled in Household	6,792	na	7,267	na	33%	33%	9,046	na	33%	33%	33%	33%	9,046	na	33%	33%
Able-bodied adult(s) < 65	25,523	na	27,310	na	33%	33%	33,992	na	33%	33%	33%	33%	33,992	na	33%	33%
with children	10,572	na	11,312	na	31%	31%	14,819	na	31%	31%	31%	31%	14,819	na	31%	31%
By Tenure -all	84,591	45,508	90,512	48,694	23%	23%	111,330	59,893	23%	23%	23%	23%	111,330	59,893	23%	23%
Owned with Mortgage	16,484	13,171	17,638	14,093	35%	35%	23,811	19,026	35%	35%	35%	35%	23,811	19,026	35%	35%
Owned outright	25,341	17,391	27,115	18,608	30%	30%	35,249	24,191	30%	30%	30%	30%	35,249	24,191	30%	30%
Cash Rent	40,062	13,786	42,866	14,751	30%	21%	52,270	16,677	30%	21%	30%	21%	52,270	16,677	30%	21%

How Much Upwards Adjustment?

The most complete profile available for service area customer household poverty is from the 2000 Census, via the Public Use Micro Sample and the detailed analysis of PUMS data performed for the 2004 market assessment. However, the PUMS data is now 10 years out of date. Since 2000 economic conditions have deteriorated for most individuals and households near the bottom of the income distribution. However, it is difficult to determine just how much of an increase there has been in the number of customer households eligible for CAP.

Assess results of the 2007 Census Survey

Estimates from the 2007 American Communities Survey arguably reflect some of this deterioration:

The percentage of persons below poverty level increased:
 in Allegheny County from 11.2% in 1999 to 12.4% in 2007
 in Beaver County from 9.4% in 1999 to 11.4% in 2007

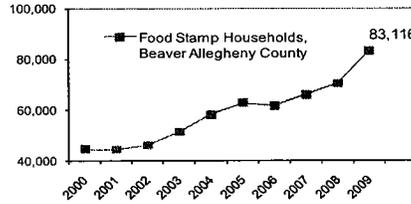
However, the 2007 survey shows less change in the percent of families below poverty (7.9 to 8.4% in Allegheny county)

As more individuals see their income shrink, some may move in with relatives or friends, take roommates, or become homeless, so that the number of eligible customer households may increase at a slower rate than the number of poor persons.

Impact of the 2008-2009 recession

Whatever the situation in 2007 when the census conducted its last survey, the recession that started in late 2008 has certainly increased the percent of customer households eligible for CAP. The official unemployment rate for Pennsylvania has doubled from 4.4% (September 2007) to 8.9% (October 2009). These figures do not include discouraged workers. Nationwide, the number of persons involuntarily working part time has also doubled. In recessions, lower-income households experience a greater percentage loss of income than other households, and it takes them longer to get back on their feet- if they do. (Urban Institute, Unemployment and Income in a Recession, by Gregory Acs, Dec 2008). The recession hits at a time when 61% of American households are living pay check to pay check. These figures suggest that starting late in 2007 and continuing for at least six years, the market for CAP will include a large number of newly eligible households that before 2007 had incomes over 150% of the poverty level. Many of these newly eligible households will not be familiar (or comfortable) with the network of social agencies that support the chronically poor

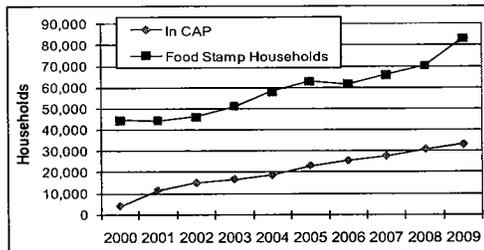
The economic impact of these trends is reflected in the number of unique households in Allegheny and Beaver Counties receiving food stamps. Cases increased 26% from 65,914 in December 2007 to 83,116 in December of 2009. In the last year alone the increase was over 18%. Of the 17,000 new food stamp cases, all are income-eligible for CAP, and most are Duquesne bill-paying customers. (Many low income households live in apartments where electricity is included in rent, but the supply of these units is relatively fixed. Therefore, it seems likely that new entrants to the eligible pool are households paying an electric bill.) While food stamp cases increased by over 17,000 in the last two years, CAP enrollment increased by about 5,000, a much smaller amount. This suggests that there is a large market of income- eligible households that are not yet being served by CAP.



Much of the increase in food stamp use is due to changes in eligibility (dropping asset restrictions) and application process (now on line). Thus a minor portion of the 79% increase in food stamp use since year 2000 is due to an increased number of income-eligible households. Therefore we have modeled a much smaller percentage increase (7% or 23%) in the number of customer households income-eligible for CAP. However, the implication of the food stamp increase for CAP is clear: simpler enrollment procedures can significantly increase participation by income- eligible households.

Since 2004 CAP enrollment has grown slowly suggests the program has not yet reached its mature market saturation.

The explosion in food stamp use since 2006 suggests that CAP enrollment would surge if intake procedures were modified to allow automatic enrollment of food stamp recipients in CAP.



Appendix B

Source: 2008 Am. Community Survey 1 yr estimates **Pittsburg Allegheny County** **Beaver County**

Some eligible customers will be families. Others will be "unrelated individuals" (living alone or in households with non-relatives). Economic conditions have deteriorated since 2007.

	Allegheny County	Beaver County		
Population	274,255*	1,215,103	172,476	
Children under 18		249,961	35,218	
living in household with SSI or food stamps		48,456	8,405	
Persons with income data		1,183,505	169,772	
income below poverty level		147,330	19,401	
pct with income below poverty level		12.4%	11.4%	Allegheny Beaver
Persons with poverty data		1,183,505	169,772	100% 100%
Under .50		67,022	9,831	6% 6%
.50 to .74		38,165	5,637	3% 3%
.75 to .99		42,143	3,933	4% 2%
1.00 to 1.24		39,323	5,256	3% 3%
1.25 to 1.49		50,400	8,883	4% 5%
1.50 to 1.74		40,306	6,566	3% 4%
1.75 to 1.84		22,830	3,544	2% 2%
1.85 to 1.99		32,856	4,241	3% 2%
2.00 to 2.99		196,704	35,315	17% 21%
3.00 to 3.99		168,689	30,787	14% 18%
4.00 to 4.99		142,141	21,072	12% 12%
5.00 and over		342,926	34,707	29% 20%
pct below 150%		20%	20%	
ratio, <200% to <100%		226%	247%	
ratio, 150-200 to <150%		27%	30%	
ratio, under 150 to under 100%		161%	173%	
Persons 25 years +		831,965	121,826	
income below poverty level		76,368	11,174	
of these, pct with high school or higher degree		83%	82%	
Unrelated individuals with poverty data		282,743	29,416	
income below poverty level		66,947	8,185	
pct with income below poverty level		24%	28%	
below poverty, 65+ years		12,946	1,319	
Families with poverty data		307,093	48,163	
income below poverty level		25,707	3,506	
pct with income below poverty level		8.4%	7.3%	
income below 130% of pov level		35,106		
married couple families		9,541		
other families		25,565		
income 130% to 149%		8,551		
married couple families		4,371		
other families		4,180		
families with income below 150%		43,657		
pct of families below 150%		14%		
income 150% to 184%		12,309		
married couple families		7,001		
other families		5,308		
Total families under 185% of pov. Level		55,966		
as pct of families with income data		18%		
ratio #<184% to #<100%		218%		
Families below poverty		25,707	3,506	
with Soc Sec and/or SSI and/or welfare		10,493	1,443	
pct with transfer income		41%	41%	
Pct of families with children below poverty level	25%			

*persons in households, excluding group quarters

Duquesne Light Company
Needs Assessment
Smart Comfort

February 2010

Summary

Under current program rules, nearly 40% of Duquesne's approximately 155,000 customer low-income customer households (incomes below 200% of poverty level) are eligible for Smart Comfort. The program's ready access to eligible CAP customers can provide about 3,000 jobs per year for the foreseeable future, and more if CAP enrollment surges. The program can continue to serve about 4,000 households per year. drawing additional customers from the many low-income households that are not in CAP.

Residential Customer Households

Duquesne has 525,000 residential accounts but slightly fewer unique customer households, because some households have more than one meter. Based on an analysis of meter information from 2003, the number of unique residential customer households is estimated to be 505,575.

How many households are income eligible?

Households eligible for LIURP include all residential customers with incomes below 200% of poverty level. To estimate the number of low-income households, results from an analysis of the 2000 Public Use Micro Sample (PUMS) were adjusted upwards using two different percentages (low=7% and high=23%) to model the increase in poverty since year 2000. The resulting high and low estimates were averaged to create a Medium estimate. Households with incomes below 150% were 17% of all customer households in 1999. The low, medium, and high estimates peg that percentage in 2010 at 18%, 20%, and 22% respectively. (See CAP 2010 Needs Assessment for methodology.)

Estimate of Income-Eligible Customers	Low	Medium	High
1 Percent of Customer households <150%	18%	20%	22%
2 Customer Households below 150%	90,512	101,115	111,330
3 Customer Households 150% to 200%	48,694	54,293	59,893
4 Total income-eligible market (rows 2+3)	139,206	155,408	171,223

Under program rules, the same customer/address combination can receive repeat LIURP services once every seven years. Roughly 21,500 addresses have been served in the last seven years, most of them with above average use, and nearly all in CAP at the time of service.

How many households have significant opportunity for reduced use?

This question can be answered in two ways.

- 1 **Need as defined by Program Eligibility.** Currently, customers with spring and fall use exceeding 500 kWh/month are eligible for LIURP treatments. The threshold was lowered from 600 kWh to increase the market size to support spending of a mandated budget amount. The criteria for including measures was also liberalized, to permit investments with a 12 year payback at retail rates.

2 ***Need as defined by Cost-Effectiveness.*** A 2004 analysis of the Smart Comfort Market used a lenient criteria to judge cost-effectiveness of LIURP Jobs: \$.60 per first year kWh for refrigerator replacements (8 year payback at retail rates), and \$.30 per first year kWh saved for investments with shorter lifetimes. (Roughly equivalent to a 4 year payback at retail rates See Appendix C, page 4.) The 2004 analysis concluded that Smart Comfort was cost effective if a refrigerator was upgraded in a household with shoulder month use over 500 kWh. If no refrigerator replacement occurred, Smart Comfort was cost effective, on average, only for the 20% of low-income households with shoulder month use over 800 kWh.

Relevant Data on Usage

- 1 Among all RS customers, 43% had shoulder month use over 500kWh (last needs analysis) However CAP customers- the primary market for LIURP- often have above average use.
- 2 Among CAP customers, 59% had shoulder month use over 500kWh, and 20% had shoulder month usage over 800 kWh (2004 Market Analysis, Appendix C page 8)
- 3 In 2009 (through December 22) Smart Comfort made 4,234 household visits, 3,840 of them for CAP customers, replacing 610 refrigerators, 184 freezers, and 11 waterbeds, in 14%, 4% and 0.2% of jobs respectively.
- 4 Due to targeting of high users, units with shoulder use over 800 kWh are twice as likely to have already been served as units with lower use (2004 Appendix C page 8).
- 5 Shoulder month usage of over 500kWh is an unreliable indicator of which households merit a refrigerator replacement, the one intervention that consistently proves cost effective.

Assumptions

- 1 Most CAP customers with qualifying use have been served in the last seven years.
- 2 The market for Smart Comfort therefore consists of:
 - Current CAP customers living at address served over seven years ago (5% of CAP)
 - Existing CAP customers who have moved to a new address (15% of CAP)
 - Incoming CAP customers (apx 3,200 per year, via current intake procedures)
 - Non-CAP customers with eligible income
- 3 The primary source of Smart Comfort jobs is CAP entrants with usage over 500 kWh- their refusal rate is low because the Smart Comfort visit is required for them to obtain subsidies.
- 4 The number of new CAP entrants will be impacted by possible changes in intake procedures. Incoming CAP customers may have lower usage than current CAP customers.
- 5 Jobs with refrigerator, freezer, and water bed change outs meet the cost-effectiveness criteria described above. Only 10-15% of remaining jobs are cost effective, most of them concentrated among households using over 800 kWh per shoulder month.

Needs Assessment for SMART COMFORT

Likely Market Size for Smart Comfort

Based on these data and assumptions, the table below shows market estimates for Smart Comfort.

Likely Market Size for Smart Comfort

	Number	Program Eligible Shoulder use over 500 kWh not served last 7 yrs		Cost Effective needs new frig or over 800 kWh not served last 7 yrs	
1 CAP customers in stable address	28,050	5%	1,403	2%	561
2 CAP Customer, recent move	4,950	59%	2,921	25%	1,238
3 New CAP Entrants (unchanged intake)	3,200	55%	1,760	20%	640
4 Non-CAP Customers	121,000	45%	54,450	15%	18,150
5 Acceptance rate for non-CAP customers			35%		55%
6 Likely market size(R1,2,3 + R4 x R5)			25,141		12,421
7 Total Market Size (Rows 1-4)	129,150		59,131		20,028

These figures describe market size at any point in time in the next five years. The number is likely to remain fairly constant - completing jobs does not significantly reduce the remaining market because the market is not static. Customers flow in and out of it. Customers enter the market as their income changes in relation to poverty level, due to loss of income or addition of household members. They enter the market as they move from a recently served address to a new address. They enter the market when the date of their last Smart Comfort visit at an unchanged address ages to seven years ago.

Given the recession, CAP is likely have at least 3,000 new entrants per year over the next five years. Growing CAP total enrollment and renter transience guarantees a continuing supply of CAP participants who qualify for service at a new address or an address served over 7 years ago. Non-CAP customers with incomes below 200% of poverty is a category that also has new entrants every year, as some households lose income or gain members.

Thus there is no near future shortage of customers who meet the program's eligibility criteria. Priority should be given to households likely to merit a refrigerator upgrade. Unfortunately, the program currently has little ability to predict - before visiting the home - which households have refrigerators that are significantly "behind the curve" of evolving refrigerator efficiency.