



Duquesne Light
Our Energy...Your Power

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Gary A. Jack
Assistant General Counsel

January 7, 2011

Via Overnight Mail

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

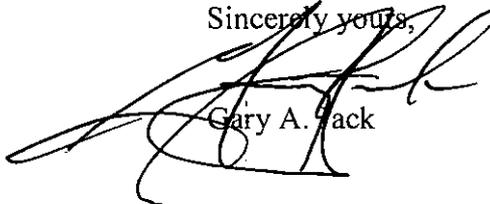
**Re: Duquesne Light Company Universal Service and Energy
Conservation Plan for 2011-2013 Submitted in Compliance
with 52 Pa. Code § 54.74
Docket No. M-2010-2161220**

Dear Secretary Chiavetta:

Enclosed for filing are an original and five (5) copies of Duquesne Light Company's Reply Comments in the above-referenced proceeding.

Please do not hesitate to contact me with any questions.

Sincerely yours,



Gary A. Jack

Enclosures

cc: Grace McGovern, Bureau of Consumer Services (via email)
Stephanie Wimer, Law Bureau (via email)
Cyndi Page, Office of Communications (via email)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Duquesne Light Company Universal :
Service and Energy Conservation Plan : Docket No. M-2010-2161220
For 2011-2013 Submitted in Compliance :
With 52 Pa. Code §54.74 :**

**REPLY COMMENTS OF
DUQUESNE LIGHT COMPANY**

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I. Introduction

On February 25, 2010, Duquesne Light Company (“Duquesne” or the “Company”) filed its Universal Service and Energy Conservation Plan (“Plan”) applicable for the years 2011 through 2013. Subsequently, the Company filed three amendments to the Plan on March 31, May 13, and August 5, 2010. The Commission entered a Tentative Order approving Duquesne’s Plan, as amended, on November 23, 2010, and solicited comments from interested parties. The Office of Consumer Advocate (“OCA”), Office of Trial Staff (“OTS”), Pennsylvania Utility Law Project (“PULP”), and Duquesne filed comments.

Duquesne submits the following reply comments in response to the comments of the OCA, OTS and PULP.

II. OCA’s and OTS’s Comments

Duquesne supports the comments filed by the OCA and OTS. As OCA states in its comments, the proposed settlement of the distribution rate case addresses OCA’s and other parties’ concerns with Duquesne’s Universal Services programs. OCA Comments at 4. Both the OCA and OTS recommended delaying ruling on this proceeding until the proposed settlement is

reviewed in the base rate proceeding at Docket No. R-2010-2179522, et al. OCA Comments at 5; OTS Comments at 3. Duquesne agrees with the OCA and OTS that deferring a decision in this proceeding until the Commission rules on the proposed settlement in the distribution rate proceeding will be beneficial for all parties and provide the most fully developed record of Duquesne's Universal Services programs. As the year 2011 has already begun, Duquesne is proceeding with offering and administering its Universal Services Programs on the same terms and bases that it has been offering those important customer services.

III. PULP's Comments

PULP agrees with two changes Duquesne has proposed for its Universal Services Plan – (1) initiation of an automatic enrollment component as part of its CAP, and (2) the manner in which Duquesne applies LIHEAP Cash grants to CAP customers' account to comply with the PA Department of Public Welfare's new policy requiring grants be applied to a customer's "asked to pay amount." PULP disagrees with two other of Duquesne's "proposed changes" and raises an additional recommendation in its Comments.

Consumption Limits

On the first issue regarding consumption limits for CAP customers, Duquesne submits that its Plan did not specify consumption limits or maximum CAP credits, but simply stated that it "will adhere to the PUC approved CAP Policy Statement concerning minimum payments and maximum annual CAP credits regarding CAP customers." Duquesne Plan at 8-9.

The Tentative Order stated that the Company proposes a change to establish consumption limits for CAP customers in accordance with 52 Pa. Code §69.265(3)(iii), or 110% of the customer's historical average usage. Tentative Order at 6. PULP believes this limit is unneeded; however, in the event limits are imposed, believes the Commission should set the level at 125%.

PULP Comments at P 3. PULP cites the CAP Funding Levels and Cost Recovery Mechanisms Final Investigatory Order, Docket No. M-00051923, as more recent authority on the 125% level. Id. Duquesne disagrees with PULP that limits are not needed as consumption limits should be used as an overall criteria to assure reasonable costs to all residential customers and encourage conservation. However, Duquesne agrees with PULP's alternative that if limits are to be used, use of the standard of 125% of the customer's historical average usage is appropriate. The 125% limit complies with the Final Investigatory Order, Docket No. M-00051923, and Duquesne agrees with PULP that it should comply with that limit.

Maximum CAP Credits

PULP also disagrees with establishing maximum CAP credits in accordance with 52 Pa. Code §69.265(3)(v) in which maximum CAP credits are currently set at \$560 per year for non-heating accounts and \$1400 per year for heating accounts. PULP Comments at P 4. In the Duquesne Plan, it did not specify the amount of the maximum credit. The Plan did state that DLC "will adhere to the PUC approved CAP Policy Statement concerning minimum payments and maximum annual CAP credits regarding CAP customers." Duquesne Plan at 8-9. In the Tentative Order, it stated, "the Company would like to establish maximum CAP credits in accordance with 52 Pa. Code §69.265(3)(v). Maximum CAP credits are currently set at \$560 per year for non-heating accounts and \$1400 per year for heating accounts." Tentative Order at 6-7. Like the first issue above, Duquesne believes PULP is citing the language in the Tentative Order instead of Duquesne's Plan. PULP believes that the rationale of the Commission's Final Investigatory Order should be followed rather than the PA Code, since the Final Investigatory Order is more recent than the 1992 adoption of the Pa Code Section 69.265 and takes into account inflation. Duquesne agrees with PULP's concern, and submits that it intends to adhere

to the maximum CAP credits of \$1800 for electric heat and \$700 for nonheat, as established in the Final Investigatory Order, Docket No. M-00051923.

Company should Provide a Detailed Needs Assessment/Analysis of LIURP

PULP makes an additional recommendation about the perceived “absence of a full LIURP Needs Assessment in the Proposed Plan.” PULP Comments at 5. PULP requests that prior to approving Duquesne’s proposal for its Smart Comfort Plan, that the Commission require the Company to provide a detailed needs assessment and analysis of the appropriate LIURP enrollment levels for 2011-2013. *Id.* Duquesne submits that such a needs based assessment and analysis of its LIURP program and appropriate LIURP enrollment levels for 2011-2013 was performed. This needs based assessment and analysis was completed in February 2010, and is attached here as Exhibit A. The attached assessment shows that the LIURP annual enrollment level for 2011-2013 should be 1,800 customers per year. However, the total LIURP enrollment level planned as part of Duquesne Universal Service Plan for 2011-2013 is 2,423 customers per year. Thus the number of planned LIURP customers in Duquesne’s proposed plan exceeds the enrollment level suggested in the Needs Assessment. See Page 1 of Needs Based Assessment copied below.

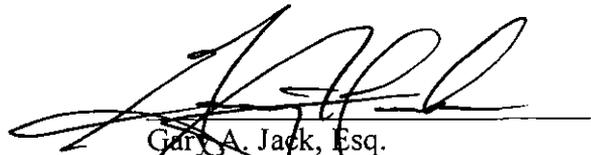
Year:	Needs Based Enrollment Level:	Needs Based Budget:	Proposed Enrollment Target	Proposed Budget
2011	1,800	\$714,600	2,423	\$1,361,600
2012	1,800	\$714,600	2,423	\$1,361,600
2013	1,800	\$714,600	2,423	\$1,361,600

Therefore, in sum, the Company has completed a Needs Based Assessment for LIURP and has submitted a plan with enrollment targets for Smart Comfort that exceeds the level in the Needs Based Assessment.

IV. Conclusion

Duquesne thanks the Commission for the opportunity to file reply comments on this matter and respectfully requests that the Commission defer issuing a Final Order in this proceeding until it has reviewed the proposed settlement in the base rate proceeding at Docket No. R-2010-2179522 et al.

Respectfully Submitted,



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Dated: January 7, 2011

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Duquesne Light Company Universal :
Service and Energy Conservation Plan :
For 2011-2013 Submitted in Compliance :
With 52 Pa. Code §54.74 :**

Docket No. M-2010-2161220

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CERTIFICATE OF SERVICE

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

I hereby certify that a true and correct copy of Duquesne Light Company's Reply Comments have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant):

VIA FIRST-CLASS MAIL AND/OR E-MAIL

Tanya J. McCloskey, Esquire
Darryl Lawrence, Esquire
Jennedy S. Johnson, Esquire
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Adeolu A. Bakare, Esquire
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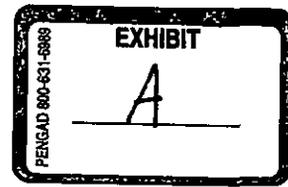
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**Duquesne Light Company
Needs Based Assessment
Low Income Usage Reduction Program
(LIURP)**

February 2010

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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:

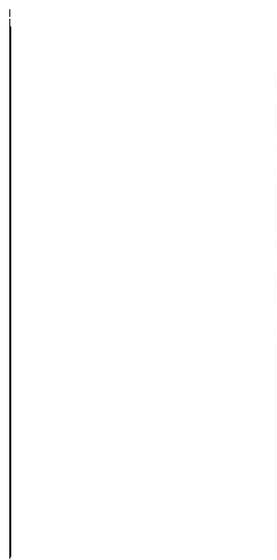
A needs assessment can be calculated by using both the Census data and company data. The percentage of households in the appropriate poverty level is the relevant Census data that can be applied to company county population data to determine the total universe of potentially eligible customers (before 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.)

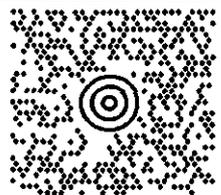
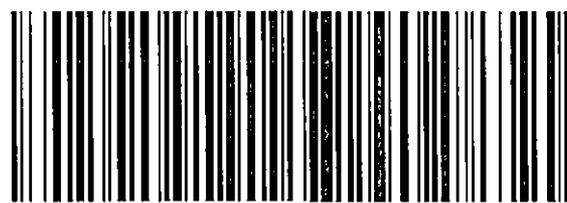


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