



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

411 Seventh Avenue  
16<sup>th</sup> Floor  
Pittsburgh, PA 15219

Tel 412-393-1541  
Fax 412-393-1418  
gjack@duqlight.com

**Gary A. Jack**  
**Assistant General Counsel**

March 29, 2011

**RECEIVED**

**Via Overnight Mail**

**MAR 29 2011**

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

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

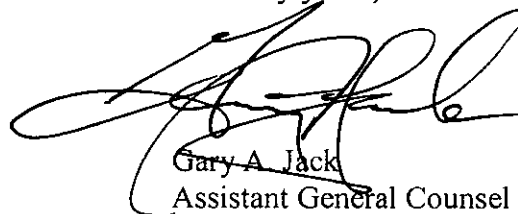
**Re: Petition of Duquesne Light Company to Adopt a CAP Plus Plan**  
**Docket No. P-2011-**

Dear Secretary Chiavetta:

Enclosed for filing and requested approval are an original and three (3) copies of Duquesne Light Company's ("Duquesne Light") Petition to Adopt a CAP Plus Plan. Duquesne Light is filing this Petition pursuant to its recent Distribution Rate Case Order entered on February 24, 2011 at Docket No. R-2010-2179522, wherein Duquesne Light agreed to develop and file a CAP Plus Plan by April 1, 2011, which was agreed to and approved by the Commission as part of the Rate Case Settlement.

Please do not hesitate to contact me with any questions.

Sincerely yours,



Gary A. Jack  
Assistant General Counsel

Enclosures

cc: David Evrard, OCA (via email)  
Charles Shields and Ade Bakare, OTS (via email)  
Grace McGovern BCS (via email)

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MAR 29 2011

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Duquesne Light Company** :  
**Requesting Authority to Adopt a CAP** : **Docket No. P-2011-**\_\_\_\_\_  
**Plus Plan** :

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**PETITION OF DUQUESNE LIGHT COMPANY  
TO ADOPT A CAP PLUS PLAN**

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TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Duquesne Light Company (“Duquesne Light” or the “Company”) submits this Petition seeking approval to adopt a Customer Assistance Program (“CAP”) Plus Plan for residential CAP customers. This request is made in response to a recent directive from the Pennsylvania Department of Public Welfare (“DPW”) changing how Duquesne Light applies Low Income Heating Energy Assistance (“LIHEAP”) Cash grants to customers’ bills. Prior to the DPW directive, Duquesne Light applied LIHEAP Cash grants to CAP frozen arrearages or CAP credits,<sup>1</sup> which reduced CAP program costs paid by non-CAP customers. Under the DPW directive, Duquesne Light must now apply LIHEAP Cash grants to CAP customers’ monthly bills (“asked to pay” amount) and not to CAP frozen arrearages or CAP credits. While the DPW policy reduces CAP customers’ bills, it increases CAP program costs paid by non-CAP residential customers. The CAP Plus Plan will increase the monthly asked to pay amount of all CAP customers by a modest amount so that CAP program costs paid by non-CAP residential customers do not increase as a result of DPW’s policy method change. Duquesne Light further

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<sup>1</sup> The CAP credit is the difference between the residential bill at full rates and the monthly “asked to pay” amount under the CAP program for a CAP customer.

notes that it is making this filing in compliance with Duquesne Light's recent distribution rate case settlement at Docket No R-2010-2179522, *et al.* In support of this Petition, Duquesne Light states as follows:

**I. INTRODUCTION AND BACKGROUND**

1. Duquesne Light is a public utility and an electric distribution company ("EDC") as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 102, 2803. Duquesne Light furnishes electric distribution and transmission services to approximately 579,000 customers throughout its certificated service territory, which includes all or portions of the City of Pittsburgh and Allegheny and Beaver Counties, Pennsylvania. Duquesne Light also serves as Provider of Last Resort ("POLR" or "Default Service") to customers that are not being served by an electric generation supplier.

2. Duquesne Light's principal address is 411 Seventh Ave., Pittsburgh, Pennsylvania 15219.

3. Duquesne Light's attorneys are:

Gary A. Jack (Pa. Bar I.D. No. 95066)  
Kelly L. Geer (Pa. Bar I.D. No 206556)  
Duquesne Light Company  
411 Seventh Ave., 16-4  
Pittsburgh, PA 15219  
Phone: 412-393-1541  
Fax: 412-393-1418  
E-mail: gjack@duqlight.com  
E-Mail: kgeer@duqlight.com

Duquesne Light's attorneys are authorized to receive all notices and communications regarding this Petition.

4. On February 25, 2010, Duquesne Light filed its Universal Service and Energy Conservation Plan ("Universal Service Plan") applicable for the years 2011

through 2013 at Docket No. M-2010-2161220. 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. Specifically, Commissioner Coleman issued a statement soliciting comments on whether a CAP Plus program should be initiated by Duquesne Light.

5. Duquesne Light filed a letter response to the Tentative Order, advising that it had agreed to file a proposed CAP Plus Plan with the Commission by April 1, 2011 as part of an all-encompassing settlement with the parties in its distribution rate case, at Docket No. R-2010-2179522, *et al.*

6. The Pennsylvania Utility Law Project ("PULP"), Office of Consumer Advocate ("OCA") and Office of Trial Staff ("OTS") also filed comments in response to the Tentative Order. Both the OCA and OTS recommended that the Commission delay its ruling on the Universal Service Plan proceeding until the Commission reviewed the proposed rate settlement.

7. Duquesne Light filed Reply Comments on January 7, 2011, where it: (1) agreed with OTS and OCA that the Commission should delay ruling on the Universal Service proceeding until it reviewed the rate case settlement, and (2) responded to the issues PULP had raised in its comments.

8. The Joint Petition for Settlement of All Issues ("Settlement Petition") in the base-rate proceeding was filed on January 7, 2011, at Docket No. R-2010-2179522, *et al.* The Settlement Petition addresses universal service issues and specifically requires Duquesne Light to develop a CAP Plus Plan in consultation with the OCA, OTS and the

Commission's Bureau of Consumer Services ("BCS"), and file the Plan with the Commission by April 1, 2011.

9. On February 1, 2011, the Commission issued a Secretarial Letter postponing the Final Order on Duquesne Light's Universal Services Plan until the Commission rules on the Settlement Petition in the base rate proceeding. In accordance with the Commission's Secretarial Letter, Duquesne Light will file an amended Universal Service and Energy Conservation Plan within thirty (30) days of entry of a Final Order in the Company's base rate case proceeding at Docket No. R-2010-2179522, *et al.*

10. The Settlement Petition, including the agreement by Duquesne to develop and file a Cap Plus Plan, was approved by the PUC by Order issued February 24, 2011.

## **II. REQUEST FOR CAP PLUS PLAN**

11. Duquesne Light's CAP is a low income payment assistance program available to residential customers with gross household income at or below 150% of the federal poverty level. CAP customers pay a discounted portion of their monthly bill in exchange for the CAP benefits known as arrearage forgiveness and receiving a CAP credit (the difference between the asked to pay amount and the full bill amount). Under the Settlement of Duquesne Light's base rate case, both the arrearage forgiveness amount and the CAP credit will be funded through the Universal Service Rider charged to all non-CAP residential customers.

12. In the LIHEAP 2011 Final State Plan, DPW directed "public utilities that operate CAPs to apply LIHEAP Cash component benefits only to the customer's monthly

‘Asked to Pay’ amount rather than towards the CAP credit. No LIHEAP Cash funds may be applied to CAP customer’s pre-program arrearages or actual usage amounts.<sup>2</sup>”

13. As relevant to this Petition, the Settlement Petition in the rate proceeding contained the following provision:

45. Duquesne Light will implement a CAP Plus Plan, upon receipt of approval from the Commission, designed to adjust CAP customer payments to avoid an increase in the total discounts offered to all CAP customers after consideration of LIHEAP grants applied to individual CAP customers’ accounts. Duquesne Light will consult with the OCA, the Bureau of Consumer Services, and the OTS to discuss its proposed CAP Plus Plan and file its proposed CAP Plus Plan with the Commission no later than April 1, 2011. The above stated conditions that are contained in this Paragraph will not be applicable in the event that the Department of Public Welfare changes its current policy and allows Duquesne Light to apply LIHEAP grants to CAP credits. (Pages 11-12 of Settlement Agreement.)

14. Duquesne Light proposes to adopt a CAP Plus approach consistent with OCA and OTS recommendations in Duquesne Light’s rate case as a solution to offset the increased CAP program costs that would be imposed on non-CAP residential customers as a result of DPW’s method change for applying LIHEAP Cash dollars. Duquesne Light’s CAP Plus Plan will increase the “Asked to Pay” amount of all CAP customers by a modest amount (the “plus” amount) in an effort to address the effect of DPW’s policy or method change and not increase costs for non-CAP residential customers who otherwise would bear the cost of DPW’s change. All CAP participants will be charged the “plus” amount. The “plus” amount will be updated annually by a tariff filing.

15. Duquesne Light proposes to calculate the “plus” amount by determining the value of LIHEAP Cash grants assigned to the Company as of October 31 of each

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<sup>2</sup> See LIHEAP 2011 Final State Plan, p. vi-vii, available at: [http://www.dpw.state.pa.us/ucmprd/groups/public/documents/communication/s\\_001816.pdf](http://www.dpw.state.pa.us/ucmprd/groups/public/documents/communication/s_001816.pdf)

LIHEAP program year. The dollar value will be divided by the number of active CAP participants as of October 31 and dividing the resulting dollar figure by 12. This calculation will produce the “plus” amount for all CAP participants during the immediately subsequent LIHEAP year (November 1 through October 31).

16. Duquesne Light proposes that the CAP Plus mechanism should begin with the 2011-2012 LIHEAP program year (i.e. November 1, 2011). The “plus” amount would equal the total LIHEAP Cash funds received from the 2010-2011 LIHEAP program year divided by the total number of CAP accounts as of October 31, 2011. This total would be divided by 12 to determine the monthly “plus” amount to CAP payments. For example, the LIHEAP funds received by Duquesne from the 2009-2010 program season was \$3,581,635.07. The total number of active CAP accounts as of October 29, 2010 (October 31 fell on a weekend) was 35,076. The \$3,581,635.07 divided by 35,076 = \$102.11; then divide by 12 months = \$8.51/month. In this example, the “Asked to Pay” amount for each CAP customer would be increased by \$8.51 each month. Any over or under collection of Cap Plus would be reconciled annually within the Cap-Plus payment calculation itself to assure the funds received equal the Cap plus amounts, i.e., any over or undercollection will be charged back to the amount of future CAP Plus payments only and will not be passed through Rider No. 5.

17. Universal Service Charge Rider No. 5 is proposed to be amended to add the following underlined language to reflect the Cap Plus Plan:

Customer Assistance Program (“CAP”): CAP costs will be calculated to include the projected CAP discount and CAP program costs for the Computational Year. The total CAP discount will be based on the annual average discount from the previous year, the Reconciliation Year, multiplied by the projected average number of CAP program participants during the Computational Year. ~~The annual average discount from the previous year will be calculated as the difference between the bill at current rates and the CAP payment from customers during the~~

previous year at normalized annual sales volumes. The annual average discount from the previous year will be calculated as the difference between the bill at current rates and the CAP payment amount. The CAP payment amount is comprised of the sum of the percentage of income payment of the bill at current rates or minimum CAP bill, whichever is greater, plus the CAP Plus payment. The CAP Plus payment is the value of Low Income Home Energy Assistance Program (“LIHEAP”) funds from the LIHEAP program year assigned to CAP customers divided by the active CAP participants as of October 31 divided by 12.

Since the proposed effective date of Cap-Plus Plan is November 1, 2011, Duquesne Light requests that the above underlined proposed language concerning Cap Plus be approved as effective on the start date of Cap-Plus, i.e., November 1, 2011, and Duquesne would file a compliance tariff 10 days before reflecting the tariff modification.

18 In the event the total LIHEAP allocation to Pennsylvania is reduced due to significant reductions in the LIHEAP budget funds, any party may request an immediate adjustment to the LIHEAP dollars identified in paragraph 15 (Cap-Plus). This requested adjustment would be based on a major reduction in LIHEAP funding to Pennsylvania.

19. Duquesne proposes that a CAP customer’s bill will be administered so that it will not exceed his or her otherwise applicable residential bill at full rates because of the CAP Plus charge (e.g., if a customer’s bill at full rates is \$50.00, the CAP “Asked to Pay” amount is \$45.00 and the CAP Plus charge is \$8.00, the CAP customer’s bill will be limited to \$50.00).

20. The Cap Plus program is contingent upon the DPW’s new policy changes continuing to be required by DPW. If the DPW rescinds its policy change, Duquesne Light will reinstate the process of using LIHEAP grants to reduce CAP credits or the pre-program arrearage and discontinue the CAP Plus Plan.

21. In accordance with the rate case settlement, Duquesne Light has consulted with OCA, OTS and the BCS, and believes those parties are in concurrence with this Cap-Plus Plan proposal.

22. Duquesne Light believes the proposed CAP Plus Plan is just and reasonable for all residential customers and that it will create a positive incentive for CAP customers to apply for LIHEAP grants.

### III. CONCLUSION

WHEREFORE, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission grant this Petition for the Company to adopt a Cap Plus Plan as part of its Universal Service Program.

Respectfully submitted,

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MAR 29 2011

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



Gary A. Jack (I.D. No. 95066)

Kelly L. Geer (I.D. No. 206556)

Duquesne Light Company

411 Seventh Ave., 16-4

Pittsburgh, PA 15219

Phone: 412-393-1541

Fax: 412-393-1418

E-mail: [gjack@duqlight.com](mailto:gjack@duqlight.com)

E-mail: [kgeer@duqlight.com](mailto:kgeer@duqlight.com)

Dated: March 29, 2011

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**VERIFICATION**

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I, Frederick J. Eichenmiller, state that I am authorized to make this Verification on behalf of Duquesne Light Company, being a Director of External Affairs for the Company, and that the facts set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to penalties relating to unsworn falsification.

3/29/11  
Date

  
Frederick J. Eichenmiller

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MAR 29 2011

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