

**Duquesne Statement No. 13-R**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**DUQUESNE LIGHT COMPANY  
DOCKET NO. R-00974104**

**Rebuttal Testimony  
of  
Thomas LaGuardia**

**Contents:**

**Response to Intervenor Testimony Regarding  
Fossil and Nuclear Decommissioning Costs**

## REBUTTAL TESTIMONY OF THOMAS S. LAGUARDIA

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. Thomas S. LaGuardia, 148 New Milford Road East, Bridgewater, CT 06752.

4 Q. Have you previously participated in this proceeding?

5 A. Yes. I submitted direct testimony on behalf of the Duquesne Light Company  
6 (Duquesne Light). A statement of my qualifications is contained in my direct  
7 testimony.

8 Q. What is the purpose of your rebuttal testimony?

9 A. My rebuttal testimony addresses issues pertaining to fossil and nuclear decommis-  
10 sioning raised in the testimony of Mr. Lane Kollen, on behalf of the Duquesne  
11 Industrial Intervenors ("DII"); Mr. Darren D. Gill, on behalf of the Office of Trial  
12 Staff ("OTS"); Mr. Thomas S. Catlin, on behalf of the Pennsylvania Office of  
13 Consumer Advocate ("OCA"); Mr. Bruce Biewald, on behalf of the Environmental-  
14 ists; and Dr. Robert B. Weisenmiller, on behalf of Hospital Shared Services, as  
15 follows:

- 16 • Validity And Accuracy Of The Cost Estimates To Decommission Fossil-Fired  
17 Stations (Mr. Kollen);
- 18 • The Need For, And Appropriateness Of, Contingency (Messrs. Gill and Catlin);

- 1           • "Uncertainty" Of Current Decommissioning Estimating Methods and the  
2           Experience Available from Which to Develop and Evaluate Decommissioning  
3           Cost Estimates (Dr. Weisenmiller and Mr. Biewald); and  
4           • Potential Value Of Retired Generating Sites (Mr. Catlin).

5 Q.    Would you please summarize your rebuttal in each of these areas?

6 A.    I disagree with the witnesses identified, and I believe that:

7           There is sufficient experience in the dismantling of fossil-fired stations, and  
8           in particular the major components of such stations as part of unit retrofits and  
9           maintenance, to accurately estimate site remediation costs. The Commission has  
10          recognized that large operating plant structures, even if not radiologically  
11          contaminated, created a "special" threat to public health and safety. As such, retired  
12          fossil-fired stations should be dismantled and removed promptly.

13          Contingency funds are expected to be fully expended throughout the  
14          program. It is not a "safety factor" or "cushion." An estimate without contingency,  
15          or from which contingency has been removed, can disrupt the orderly progression  
16          of events and jeopardize the financial success of the project. Contingency (in itself)  
17          does not offer protection against evolving costs and would be equally prudent on an  
18          estimate being planned in the near term as it would for future work. The accuracy  
19          of TLG's estimates (including contingency) has been confirmed in decommissioning  
20          activities undertaken at Yankee Rowe, Trojan, Shoreham, Pathfinder, and  
21          Cintichem.

1 Commercial utilities have demonstrated much of the technology required to  
2 decommission a nuclear power plant. The tooling and techniques relied upon in the  
3 replacement of large components or handling highly-activated material are similar  
4 to those required in the final dismantling process. The accuracy of current estimating  
5 tools can be shown in their ability to accurately predict the cost of decommissioning  
6 and decommissioning related activities that have been accomplished to date. Based  
7 upon these criteria, the ability to estimate and accomplish large-scale decontamina-  
8 tion and dismantling activities within budget has been demonstrated.

9 The property upon which Duquesne Light's generating units are sited only  
10 has value if sold or reused for new generation. The suitability of the current sites for  
11 future generation has not been determined and will depend upon the generating  
12 technologies available in the future, local load growth and demand, and the  
13 development of adjacent property. Consideration of property value would be  
14 speculative at best.

15 **II. FOSSIL DECOMMISSIONING**

16 Q. Do you agree with Mr. Kollen's characterization of TLG's fossil decommissioning  
17 studies as "inherently speculative and uncertain"?

18 A. No, not with the current site-specific cost estimates. The technology and knowledge  
19 required to dismantle a fossil-fired station is available today. Proper application of  
20 these "resources" reduces the level of uncertainty in planning and, consequently, in  
21 cost estimating. Some uncertainty in the ultimate cost of decommissioning is

1           unavoidable until the facility is ultimately shutdown and its final condition  
2           determined. Decommissioning plans and estimates are based upon known factors  
3           and conditions. "Unknowns" will most likely add to the cost of decommissioning.  
4           Consequently, it is unlikely that decommissioning costs are overestimated. The  
5           greater probability is that they are underestimated.

6    Q.     Do the retirement dates assumed in the TLG dismantling studies affect the cost  
7           calculated to dismantle a fossil-fired station?

8    A.     No. The dismantling studies represent the cost to dismantle the station as it is  
9           presently constructed and configured, with current technology and under existing  
10           regulations. Life extension or premature closure of a fossil-fired facility would not  
11           substantially alter the cost to dismantle the structures or remediate the site.

12   Q.     Mr. Kollen cites Commission precedent as consistently rejecting fossil decommis-  
13           sioning costs "because the costs are not known and measurable." Would you agree  
14           that the costs are not known or measurable?

15   A.     No. Currently, there is sufficient experience in the dismantling of fossil-fired  
16           stations, and in particular the major components of such stations as part of unit  
17           retrofits and maintenance, to accurately estimate site remediation costs. Utilities  
18           such as Public Service Electric & Gas Company and Florida Power & Light  
19           Company have actively dismantled retired fossil-fired stations.

1 Q. Has the Commission previously recognized the need for dismantling conventional  
2 structures?

3 A. Yes. As early as 1985, in Pa. P.U.C. v. Pennsylvania Power Company (Docket R-  
4 850267), the Commission evaluated the need to dismantle the non-radioactive  
5 portions of nuclear units and decided to include the costs of dismantling these  
6 structurally compromised, non-contaminated structures as part of the nuclear  
7 decommissioning costs. The Commission determined that such facilities will have  
8 to be dismantled or removed in order to adequately protect the public and meet  
9 applicable safety requirements imposed by local building ordinances. Thus, in Pa.  
10 P.U.C. v. Pennsylvania Power Co., 67 Pa. P.U.C. 91 (1988), the Commission stated:  
11 "Given current requirements both in Ohio and Pennsylvania regarding abandoned  
12 structures, the prudent course is to plan for the removal of all the structures." The  
13 Commission recognized that large operating plant structures, even if not radiologi-  
14 cally contaminated, created a "special" threat to public health and safety that merited  
15 an exception to its general policy of not funding prospective net negative salvage of  
16 utility property.

17 Q. Why is this extension of the definition of "special threat to public health and safety"  
18 important?

19 A. If retired fossil-fueled power plants are not secured and maintained with respect to  
20 site security, roof repair, painting, vegetation, animal control, etc., the buildings and  
21 site will become a hazard to the public health and safety. Asbestos insulation will

1 separate from the piping and components and become airborne, corrosion of  
2 structural steel support members will weaken the buildings, and corrosion of steel  
3 floor gratings will make them unsafe for any personnel traffic, much less for use in  
4 future dismantling activities.

5 Accordingly, these conditions represent a "special threat to public health and  
6 safety" that justify dismantling of fossil-fired plant structures. The cost of this  
7 dismantling should be handled in the same manner as the nuclear decommissioning  
8 expense, i.e., properly funded.

9 Q. Does the dismantling of fossil-fired stations involve any extraordinary safety  
10 problems?

11 A. Yes. Work in abating and removing asbestos, PCBs, acids and caustics is  
12 hazardous work for which trained professional companies must be employed.  
13 Asbestos removal work is, in many respects, more hazardous than radioactive  
14 equipment removal work. Federal and state regulations require workers to have  
15 complete medical examinations including electrocardiograms, x-ray examinations,  
16 and pulmonary function tests. All workers must successfully complete 32 hours of  
17 asbestos removal training (40 hours for supervisors, additional 8-hour courses for  
18 asbestos sampling technicians). Workers are required to wear full protective  
19 clothing (coveralls, boots, gloves, caps), use air purifying or supplied air masks for  
20 respiratory protection, and carry and monitor portable air samplers. All work must  
21 be performed in double-walled tents maintained under negative pressure. Upon

1 leaving an asbestos work area, workers are required to remove their protective  
2 clothing (but not their respirator) and shower to remove residual asbestos fibers.  
3 After showering, they enter a third enclosure to remove the respirator and change  
4 into street clothes. This process is repeated at least four times a day, considering the  
5 need for breaks and lunch. All materials brought out of the work area (asbestos  
6 materials, tools and equipment) and into a "cargo area" must be double bagged,  
7 stripped of the outer bag in the cargo area, and rebagged for disposal or storage.

8 Similarly, workers involved in cutting lead-painted surfaces by any cutting  
9 technique are required to have separate, but similar training for worker safety and  
10 lead contamination control.

11 In summary, this work is hazardous and "special" from the perspective of its  
12 potential impact on public health and safety. Accordingly, it should be handled  
13 from a financial planning standpoint in the same manner as nuclear power plant  
14 decommissioning; namely, by recognizing that it will be done and properly  
15 compensating utilities for these costs.

16 Q. Are the number of assumptions used in the estimates indicative of the overall  
17 accuracy of the reported costs?

18 A. No. TLG has made it a practice to clearly identify the bases for its estimates to  
19 eliminate any chance for confusion or misinterpretation. We have attempted to  
20 identify every major assumption that can affect the cost estimates either in a positive  
21 or negative manner. Clearly identifying each and every assumption minimizes the

1 degree of speculation as to what is, or is not included in the estimate. Mr. Kollen  
2 simply missed the point of our care for accuracy in these estimates. The number of  
3 assumptions identified as the basis for an estimate is an affirmation of the validity  
4 of an estimate, not a weakness.

5 **III. CONTINGENCY**

6 Q. What is meant by the term "contingency" as used in cost estimating?

7 A. In simplest terms, "contingency" is equivalent to "experience." Unit factors used to  
8 estimate work costs tend to be ideal numbers that must be adjusted to fit the real  
9 world of experience. Professional cost engineers use the term contingency to refer  
10 to these predictable costs confirmed through experience. TLG considers contingen-  
11 cies to be an integral part of the estimating methods it employs. Accordingly, TLG  
12 always recommends inclusion of a contingency in a decommissioning cost estimate.

13 Q. Is the application of contingency a long established approach to cost estimating?

14 A. Yes. The NRC standard formula for calculating decommissioning costs for nuclear  
15 units provides for contingency, and cost engineers routinely include contingency  
16 dollars in project cost estimates.

17 Q. What level of contingency is incorporated within the decommissioning cost  
18 estimates relied upon by the NRC for rulemaking?

1 A. A 25% contingency factor was applied to the costs estimated for decontaminating  
2 and dismantling the nuclear units used as model plants in the estimates prepared for  
3 the NRC. While their across-the-board contingency is certainly appropriate, in our  
4 studies we have used even more precise line-by-line contingencies.

5 Q. Did TLG, as Mr. Kollen contends, use contingency to address future uncertainties?

6 A. Absolutely not. Contingency, as used within the TLG's estimates, addressed events  
7 occurring during the decontamination and dismantling process. Contingency is used  
8 in the estimation of decommissioning and decommissioning related activities  
9 regardless of the schedule for performance, i.e., contingency (in itself) does not offer  
10 protection against evolving costs and would be equally prudent on an estimate being  
11 planned in the near term as it would for future work.

12 Q. Mr. Gill eliminates contingency in his calculations of fossil decommissioning costs  
13 on the basis that the Commission had eliminated contingencies built into PP&L's  
14 nuclear decommissioning cost estimates in Docket No. R-00943271. Do you agree  
15 with this rationale?

16 A. No. Precedent, while appropriate in one instance, may be inappropriate given  
17 additional considerations or evidence to the contrary. Thus, in Pa. P.U.C. v.  
18 Pennsylvania Power Company (Docket R-850267), the Commission approved  
19 TLG's cost estimates for the Beaver Valley Unit 1 and Perry 1 nuclear power plants  
20 with the full knowledge that the estimates included a 25% contingency to account

1 for unanticipated difficulties which may be experienced. The Commission did not  
2 characterize contingency, in that context, as speculative or its inclusion as  
3 inappropriate.

4 The PP&L ruling needs to be considered in light of my comments in my  
5 direct testimony regarding the ALJ's and the Commission's misunderstanding of the  
6 nature and purpose of contingency.

7 Q. Is contingency generally recognized by regulators as a necessary component of a  
8 cost estimate?

9 A. Yes. Contingency is recognized, and its inclusion approved by the Nuclear  
10 Regulatory Commission, Federal Energy Regulatory Commission, and numerous  
11 state commissions including Alabama, Arizona, California, Connecticut, Florida,  
12 Iowa, Louisiana, Michigan, Minnesota, Missouri, North Carolina, New Hampshire,  
13 Texas, Virginia and Wisconsin. The California Public Utility Commission mandated  
14 a 50% percent contingency for Pacific Gas & Electric's Diablo Canyon estimates,  
15 which was later reduced for consistency with Southern California Edison's use of  
16 an approved 40% percent contingency in its estimates for the San Onofre nuclear  
17 units. While the level of contingency can vary, its inclusion is both prudent and  
18 financially responsible.

19 Q. Are the decommissioning estimates for Duquesne Light's nuclear units inflated  
20 through the use of contingency, as Mr. Gill contends?

1 A. No. Contingency funds are expected to be fully expended throughout the program. It  
2 is not a "safety factor" or "cushion." An estimate without contingency, or from which  
3 contingency has been removed, can disrupt the orderly progression of events and  
4 jeopardize the financial success of the project.

5 Contingency is not an overstatement of costs, but a recognition of actual costs  
6 incurred in recent experience with decommissioning activities that were not foreseeable  
7 in advance. TLG's actual field experience on large power plant decommissioning  
8 projects, including Shippingport, Pathfinder, Shoreham and Yankee Rowe, have shown  
9 that contingency dollars are needed to cover unforeseen costs of events that occur in the  
10 field, as I described in my direct testimony.

11 Q. Does contingency provide protection against future inflation and escalation of the  
12 estimates to decommission?

13 A. No, as I have stated previously, contingency in itself does not offer protection against  
14 evolving costs, including inflation and escalation of the estimates to decommission.

15 Q. Is Mr. Catlin's reduction of the contingency percentage to 10% appropriate and  
16 justified?

17 A. No. Mr. Catlin's use of a 10% contingency is below that recommended by TLG in its  
18 site-specific decommissioning cost studies. Funding to this lower level will ultimately  
19 produce a shortfall in the collections needed to decontaminate and dismantle Duquesne  
20 Light's generating units, based upon the total cost calculated by a site-specific estimate.

1           The Commission's *Proposed Policy Statement Regarding Nuclear Decommissioning*  
2           *Cost Estimate and Cost Recovery*, which Mr. Catlin uses to support his position, was  
3           never issued as a final policy statement.

4    Q.    Why is contingency, as applied within the decommissioning cost estimates,  
5           appropriate and justified?

6    A.    The basis for the inclusion of contingency is provided within my direct testimony.  
7           TLG's experience as the largest subcontractor in the decommissioning of the  
8           Shippingport Atomic Power Station provided a test for its cost estimating  
9           methodology, including the use of contingency factors. All work on this program  
10          was competitively bid and required the highest degree of accuracy in estimating  
11          individual activity costs. TLG relied upon this same cost estimating methodology  
12          in preparing its bids for Shippingport that it used in developing the decommission-  
13          ing estimates for Duquesne Light's generating units. Not only was TLG a successful  
14          bidder at Shippingport, but it was the only subcontractor to complete its assigned  
15          task(s) within budget and on schedule. This success provided field confirmation of  
16          TLG's empirical data base used to produce its estimates.

17                 The accuracy of TLG's estimates have also been confirmed in decommis-  
18                 sioning activities undertaken at Yankee Rowe, Trojan, Shoreham, Pathfinder, and  
19                 Cintichem. Each estimate contained a level of contingency appropriate with the  
20                 activities identified for the specified decommissioning program.

1 IV. COST ESTIMATING AND DECOMMISSIONING EXPERIENCE

2 Q. Do you agree with Dr. Weisenmiller's assessment that "there is almost no  
3 established track record associated with decommissioning large-scale utility nuclear  
4 power" [p. 74]?

5 A. No. First, the power output or physical size of a nuclear unit is not indicative of the  
6 difficulty that may be encountered in its decommissioning. The decommissioning  
7 of the Shippingport Atomic Power Station and Fort St. Vrain demonstrated "large  
8 scale" decommissioning technology and involved activities significantly more  
9 complex than at the larger Shoreham Nuclear Station. Second, Dr. Weisenmiller has  
10 chosen to ignore the very large data base accumulated from decommissioning-  
11 related activities. Steam generators have been removed (e.g., at North Anna, Surry,  
12 Turkey Point, Millstone 2, Yankee Rowe, Trojan, Point Beach, Palisades, and  
13 Robinson), reactor internals disassembled and segmented (e.g., at Shoreham,  
14 Millstone 2, St. Lucie, and Yankee Rowe), and reactor recirculation piping replaced  
15 (e.g., at Vermont Yankee and Nine Mile 1).

16 Commercial utilities have demonstrated much of the technology required to  
17 decommission a nuclear power plant. The tooling and techniques relied upon in the  
18 replacement of large components, e.g., steam generators, or handling highly  
19 activated material, e.g., in the disassembly of reactor vessel thermal shields, are  
20 similar to those required in the final dismantling process. Through system and  
21 equipment change-outs, backfits, and general plant modifications, the processes

1 required to decontaminate and decommission a commercial nuclear facility have  
2 been proven and refined.

3 The remote manipulator technology required to cut the reactor vessel and  
4 internals was originally developed by Oak Ridge National Laboratory for the Elk  
5 River Reactor dismantling. Controlled blasting concrete demolition methods are  
6 well developed and have been used extensively in the mining industry. These same  
7 techniques were successfully employed in the demolition of the Elk River Reactor,  
8 where eight-foot thick, heavily reinforced concrete sections of the biological shield  
9 were safely removed with explosives without damaging or interfering with the  
10 operation of adjacent operating power generating units.

11 Between 1960 and 1995, 103 licensed nuclear reactors in the U.S. were  
12 designated for decommissioning, or were in the process of being decommissioned.  
13 Of these, sixteen were designed as commercial nuclear power plants, four were  
14 demonstration units, eight were licensed test reactors, and 55 were research reactors.  
15 The remaining 20 were critical (non-power producing) reactors and/or critical  
16 facilities decommissioned or scheduled to be decommissioned. They have been or  
17 will be totally dismantled, and their licenses have been or will be terminated.

18 There has also been a substantial amount of work done in decommissioning  
19 industrial facilities and U.S. Department of Energy (DOE) surplus facilities.  
20 Information on the technologies used to support these decommissioning efforts is  
21 widely disseminated and generally applicable to decommissioning commercial  
22 nuclear power plants. The decommissioning of DOE facilities can be much more

1 complex that commercial facilities due to the need to address the substantial  
2 quantities of mixed waste (radiological and hazardous material together) generated  
3 by the decontamination processes, and the hazards posed by the transuranic  
4 elements.

5 Industrial facilities utilize many of the same decontamination and disman-  
6 tling technologies relied upon in the decommissioning of nuclear power plants.  
7 While the processes are comparable, the cost and schedule to terminate site  
8 license(s) are typically much less than for their commercial counterparts due to  
9 absence of spent fuel and the required costs associated with fuel storage and  
10 caretaking.

11 Decontamination and dismantling technologies used in decommissioning  
12 foreign reactors are generally consistent with those employed at U.S. facilities,  
13 although the differences in the radiological release criteria for radioactively  
14 contaminated material have allowed for more experimentation and diversity in  
15 material disposition. The International Atomic Energy Agency (IAEA) indicates  
16 that 147 decommissioning programs have been undertaken or completed by its  
17 member countries. France has decommissioned 13 reactors, Germany 6, Italy 8,  
18 Japan 7, Switzerland 2, United Kingdom 5, and Canada 2.

19 Certainly, one can expect continued advances in technology, but new  
20 technology will not necessarily decrease uncertainty and does not guarantee cost  
21 savings. There is a risk in forecasting decommissioning costs, as Dr. Weisenmiller  
22 states. However, based upon past experience, the expectation of additional

1 regulatory changes in the future and the significant uncertainties associated with  
2 both high and low-level radioactive waste management, the probability is  
3 significantly greater that the cost of decommissioning is being understated.

4 Q. Mr. Biewald uses an escalated 1975 estimate for decommissioning a large  
5 commercial reactor to support his claim that decommissioning cost estimating "is  
6 not a mature, stable undertaking." Is this a valid example?

7 A. No. Decommissioning estimates consist of three major elements of costs as  
8 properly identified by the NRC in its Decommissioning Rule (10 CFR Part  
9 50.75(b)(2). These are labor, energy and burial costs. The percentages of each  
10 element are specific to each plant and estimate. The appropriate inflation factor for  
11 labor, energy and burial differ significantly, and burial represents the largest  
12 difference of the three. Using a single inflation factor based on a national Consumer  
13 Price Index, or other similar factor is wrong and misleading.

14 Mr. Biewald ignores economic factors beyond general inflation in his  
15 manipulation of data. For example, disposal costs for low level radioactive waste  
16 in 1975 were less than \$2 per cubic foot for burial at the Barnwell, South Carolina  
17 facility. Today, costs at this facility exceed \$300 per cubic foot. Estimates performed  
18 today would have to recognize this increase. However, the increase in waste  
19 disposal costs does not, by any means, reflect upon the adequacy of the estimating  
20 tools or maturity of the estimating techniques used in assembling a decommission-  
21 ing estimate. The accuracy of current estimating tools can be shown in their ability

1 to accurately predict the cost of decommissioning and decommissioning related  
2 activities that have been accomplished to date. Based upon these criteria, the ability  
3 to estimate and accomplish large-scale decontamination and dismantling activities  
4 within budget has been demonstrated.

5 Q. Would you expect, as Mr. Biewald suggests, decommissioning costs to contain the  
6 same "institutional uncertainties" evident in nuclear power plant construction?

7 A. No. The trends of cost overruns exhibited in nuclear plant construction costs are not  
8 currently seen in recent decommissioning projects. Furthermore, construction costs  
9 of the 1970's and 1980's were plagued with NRC design and backfit changes that  
10 caused havoc with construction budgets and schedules. During the late 1970's,  
11 plants under construction were experiencing construction interest rates approaching  
12 20 percent. This fly-up in interest rates was a significant cause of plant construction  
13 costs exceeding their budgets, considering that the interest was almost 60 percent of  
14 the total costs.

15 Construction activities require each installed component, each weld, each  
16 startup test to be inspected and approved/verified with appropriate QA documenta-  
17 tion to demonstrate full compliance with its safety function. In decommissioning,  
18 once a component or pipe is cut, you are done. There is no going back to reweld it  
19 to cut it in a better manner. Accordingly, the problems facing construction costs are  
20 not likely to be encountered in decommissioning.

1 Q. Do you agree with Mr. Biewald that large increases in the estimated cost for  
2 decommissioning indicate a high degree of uncertainty in the current decommission-  
3 ing cost estimates which are developed in the same manner?

4 A. No. The large increases reflect changes in scope or inflationary factors which are  
5 accounted for in periodic updates to the estimate(s). They are not necessarily  
6 indicative of uncertainties in the estimate.

7 V. **LAND VALUE**

8 Q. Mr. Catlin presumes that the "value" of Duquesne Light's fossil generating sites  
9 "will serve to offset some, if not all of the decommissioning cost." Did TLG  
10 consider the market value of Duquesne Light's existing generating facilities and the  
11 associated property on which they are located?

12 A. No. The land and infrastructure associated with the fossil generating facilities was  
13 not considered to have a net value in the fossil dismantling studies prepared by TLG.  
14 The sites are not assumed to be completely restored (i.e., greenfield), with  
15 subsurface foundations and buried plant services abandoned. In addition, concrete  
16 rubble generated in the dismantling process is assumed to be used as fill for below-  
17 grade voids. Ponds will be closed and stabilized, however, their presence and the  
18 requirement for continuing monitoring restricts the future use of the site and any  
19 potential commercial value.

20 It is important to note that the dismantling studies addressed only the costs  
21 to remediate the primary generating facilities. No allowance was included for the

1 cleanup of possible site areas contaminated by fuel oil, PCBs or other hazardous  
2 materials that may be present in the soil from years of operation.

3

4 Q. Does the existing infrastructure, including access to the transmission grid, add to the  
5 value of the property?

6 A. Not necessarily. The property only has value if sold or reused for new generation.

7 The suitability of the current sites for future generation has not been determined and

8 will depend upon the generating technologies available in the future, local load

9 growth and demand, and the development of adjacent property. For example,

10 combustion turbines may or may not require the infrastructure of an existing

11 generating site. Typically, this equipment is optimally situated closer to the load or

12 demand points. An existing generating site may not be the most advantageous

13 location, depending upon the redistribution of industry and commercial customers

14 and load growth in the intervening years, i.e., since the original generating plant was

15 constructed.

16

17 Q. Do you agree with Mr. Catlin that "it would be inappropriate to require ratepayers  
18 to fund Duquesne's fossil decommissioning costs in advance."

19 A. No. The ratepayers who have benefitted from the power produced by the generating  
20 units should pay for their share of the decommissioning expense.

- 1 Q. Why should the Commission approve the funding of dismantling of fossil-fired  
2 stations in advance of the work being performed and not until the costs are actually  
3 incurred?
- 4 A. The establishment of a fund or reserve for fossil decommissioning will allow  
5 Duquesne Light to proceed in an expeditious manner once the stations are retired.  
6 The longer these units lay dormant, the more difficult and hazardous the process of  
7 dismantling becomes. As previously explained, asbestos becomes friable and the  
8 structural integrity of the buildings is compromised. The cost of dismantling  
9 increases due to these factors and increasingly stringent regulation from state and  
10 federal agencies such as EPA, OSHA and the Department of Labor. Prompt  
11 dismantling is the most cost-effective solution.
- 12 Q. Does the future use of a site have a bearing on the extent of site restoration assumed  
13 in the current decommissioning cost studies?
- 14 A. Whether or not new generation facilities are constructed and operated at the sites in  
15 the future does not alter the assumptions in Duquesne Light's decommissioning  
16 studies. Generation technology continues to evolve. It would be unreasonable to  
17 assume that facilities developed as much as 40 to 50 years ago will be able to adapt  
18 to the prototypical generating plant of the future. It simply is not prudent to expect  
19 that it would be technologically or economically feasible to mold a new, state-of-  
20 the-art generating plant to fit existing, antiquated facilities and equipment.

1 Q. Should collection of fossil decommissioning costs be deferred until Duquesne Light  
2 identifies a plan for ultimate reuse of the site(s)?  
3 A. It is neither realistic nor equitable to postpone recovery of such costs. Decommis-  
4 sioning activities must take place, and it is appropriate to make basic assumptions  
5 about the usefulness of the facilities which will have expended their useful life  
6 during the operation of a power plant. However, it is impractical, indeed not  
7 feasible, for utilities -- or other property owners for that matter -- to develop  
8 detailed, specific site plans for 30 to 40 years into the future. The uncertainty in  
9 forecasting detailed, specific site plans so far into the future simply renders such an  
10 undertaking impractical.

11 Q. Does this conclude your rebuttal testimony?

12 A. Yes.

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**Contents:**

**Response to Intervenor Testimony Regarding  
Universal Service Issues**

**REBUTTAL TESTIMONY OF JOSEPH P. FLYNN JR.**

1   **I.     INTRODUCTION**

2   Q.     Please state your name and business address.

3   A.     Joseph P. Flynn Jr., One Oxford Centre, MS 16-10, Pittsburgh, PA 15279.

4

5   Q.     For whom do you work and in what capacity?

6   A.     I am Duquesne Light Company's Director, Customer Programs.

7

8   Q.     Have you previously testified in this proceeding?

9   A.     No, I have not. I did, however, prepare the Company's Universal Service Plan  
10         submitted on November 3, 1997.

11

12  Q.     What is your experience with the design and implementation of universal service  
13         type programs?

14  A.     From 1980-1986, I was the US Department of Energy's Director of Weatherization  
15         Assistance Programs. In that capacity, I oversaw the work of 10 Federal regional  
16         offices, 50 state offices and the District of Columbia, and approximately 1,000 local  
17         agencies. I streamlined program regulations, increased production with an emphasis  
18         on quality, and initiated energy-related for-profit business development opportunities  
19         for the program's non-profit operators.

20

21         I joined Duquesne Light in November 1988 as Weatherization Coordinator  
22         responsible for the design, development, and implementation of the Company's low-  
23         income usage reduction program. In 9 years, the Smart Comfort Program has been  
24         recognized by the Pennsylvania Governor's Energy Office, the US Department of  
25         Energy, the Edison Electric Institute, and The Results Center for program innovation  
26         and results.

27

28         In 1994, I was given the responsibility for developing the Company's pilot customer  
29         assistance program (CAP). This 3-year pilot was approved by the Pennsylvania

1 Public Utility Commission in October 1994 and enrolled its first participant in  
2 September 1995.

3

4 Both the Smart Comfort program and the pilot CAP utilize community-based  
5 organizations (CBOs) and other contractors.

6

7 I have often been asked to make presentations at state and national conferences on  
8 low-income usage reduction.

9

10 Q. What is the purpose of your testimony?

11 A. I will respond to the testimony relating to universal service issues raised by Ms.  
12 Nancy Brockway on behalf of the Pennsylvania Office of Consumer Advocate  
13 (OCA); Mr. Roger D. Colton on behalf of the City of Pittsburgh, the Pittsburgh  
14 Branch of the NAACP, Low-income Advocate Parties, and Citizen Power, Inc.; Mr.  
15 Craig R. Kuennen on behalf of the Community Action Association of Pennsylvania  
16 (CAAP); Mr. Gayle Muench on behalf of Enron Power Marketing Inc. (Enron); Mr.  
17 John A. Wilson on behalf of the Community Action Association of Pennsylvania  
18 (CAAP); and Mr. Paul J. Yarolin on behalf of the Pennsylvania Public Utility  
19 Commission's (PUC) Office of Trial Staff (OTS).

20

21 Q. Mr. Flynn, please summarize your testimony.

22 A. The goal of the Company's universal service and energy conservation programs is  
23 to cost-effectively ensure that low-income, payment troubled customers have access  
24 to affordable energy. To achieve this goal, the Company will work with eligible  
25 customers to establish affordable payment arrangements which maintain electric  
26 service and move them toward self-sufficiency in paying their electric bill.

27

28 The Company will meet the unique needs of individual low-income, payment  
29 troubled customers by providing an array of services rather than limiting its solutions  
30 to prescribed, one size fits all programs. This array will include, but not be limited

1 to, usage reduction and payment assistance programs as well as the full range of  
2 customer protections called for in Chapter 56.

3  
4 Duquesne Light recognizes that customers are not easily divisible into “programs”  
5 and has begun to combine the efforts of its Smart Comfort program with those of its  
6 pilot Customer Assistance Program (CAP). The Company has attempted to offer its  
7 low-income, payment troubled customers appropriate “services” to deal with their  
8 unique situations. It will continue to emphasize holistic solutions to individual  
9 customers’ problems rather than achieving enrollment targets or reaching spending  
10 targets in specific programs.

11  
12 While raising a number of other issues which are addressed in this testimony, the  
13 intervenors’ two main points of contention are that the Company has neither sized  
14 nor funded universal service appropriately. Neither assertion has any merit.

15  
16 In general, intervenors argue for a larger eligible population than does the Company  
17 by using census or other data sources and relying only on income criteria. Similarly,  
18 they argue for increased funding based on either an inflated estimate of need and  
19 program operating costs or on an arbitrary, unsupported percentage of operating  
20 revenue.

21  
22 The Company estimated its eligible population based on a needs assessment  
23 conducted using program eligibility criteria approved by the PUC. The funding level  
24 corresponds to the PUC’s Guidelines and is sufficient to meet the commitment  
25 contained in Duquesne Light’s universal service goal. If additional funding should  
26 be required, the Company will approach the PUC for relief from its rate cap to meet  
27 the need.

28  
29 In summary, the Company has been and will continue to be a leader in providing  
30 customer-focused, quality-driven, results-oriented universal service and energy

1 conservation programs in a cost-effective manner. Its Universal Service Plan reflects  
2 this record and meets the requirements of the Guidelines on Universal Service and  
3 Energy Conservation Programs. Duquesne Light requests that its plan be approved  
4 without change.

5  
6 **II. Pennsylvania Public Utility Commission Guidelines**

7 Q. Please identify the policies, protections, and services described in the PUC's  
8 Guidelines on Universal Service and Energy Conservation Programs.

9 A. At page 29 of the Guidelines, the following existing policies, protections and services  
10 are identified:

- 11 1. The requirements of 52 Pa. Code Chapter 56 (Standards and Billing Practices for  
12 Residential Utility Service);
- 13 2. The requirements of 52 Pa. Code Chapter 58 (Low-Income Usage Reduction  
14 programs) *or other comparable program* (emphasis added);
- 15 3. The Commission's Policy Statement at 52 Pa. Code § 69.261 *et seq.* (Customer  
16 Assistance Programs) *or other comparable program* (emphasis added);
- 17 4. The Commission's Secretarial letter dated November 30, 1992 (CARES  
18 programs) *or other comparable program* (emphasis added);
- 19 5. The administration of hardship funds;
- 20 6. The Commission's Policy Statement at 52 Pa. Code § 69.251 (Plain Language);  
21 and
- 22 7. The Secretarial letters identified in Appendix C relating to collection activities.

23  
24 Also, three proposed universal service and energy conservation policies, protections,  
25 and services are identified on page 30 of the Guidelines:

- 26 1. Provider of last resort;
- 27 2. Renewable resources; and
- 28 3. Consumer education.

29  
30 Q. What eligibility guidelines did the PUC establish?

1 A. At page 31 of the Guidelines, the following statement appears:  
2 "In general, these universal service and energy conservation programs shall be  
3 available to electric customers whose household income is at or below 150% of  
4 federal poverty guidelines *and who meet other non-income criteria*" (emphasis  
5 added).  
6  
7 On pages 32-34, the following additional eligibility criteria appear:  
8 *Chapter 56 regulations* apply to all residential electric customers.  
9 *Low-Income Usage Reduction Program (LIURP)* eligibility is a two-part requirement  
10 based on income and high energy usage.  
11 *Customer Assistance Program (CAP)* eligibility requires an applicant to be a verified  
12 ratepayer or new applicant; have verified household income at or below 150% of the  
13 Federal poverty guidelines, and be payment troubled, *i.e.*, be a household which has  
14 failed to maintain one or more payment arrangements. When determining if a CAP  
15 applicant is payment troubled, an electric distribution company (EDC) should select  
16 one of the following priorities for payment troubled:  
17 A household whose housing and utility costs exceed 45% of the household's total  
18 income. Housing and utility costs are defined as rent or mortgage/taxes and gas,  
19 electric, water, oil, telephone, and sewage;  
20 A household who has \$100 or less disposable income per month after subtracting *all*  
21 household expenses from all household income;  
22 A household who has a reasonable arrearage as defined by the EDC; or  
23 A household who has received a termination notice or who has failed to maintain one  
24 or more payment arrangements.  
25 *Customer Assistance and Referral Evaluation Services (CARES)* eligibility may be  
26 targeted to special needs customers which may include those who have experienced  
27 a family crisis such as loss of income, divorce, disability, or major illness.  
28 *Hardship fund eligibility* shall be determined by the administrators of the hardship  
29 funds.  
30 *Plain language policy statement* applies to all residential customers.

1           *Secretarial letters related to collection activity* express direction for all residential  
2 customers.

3

4 **III. Existing Duquesne Light Universal Service Policies, Protections, and Services**

5 Q. Please describe any existing policies, protections, and services offered by Duquesne  
6 Light which meet the definition of “universal service and energy conservation”  
7 contained in the Electricity Generation Customer Choice and Competition Act (the  
8 “Competition Act”).

9 A. The Company currently offers the following universal service policies, protections,  
10 and services: Chapter 56 policies and protections; Smart Comfort, its LIURP; a pilot  
11 CAP; CARES; and a hardship fund administered by the Dollar Energy Fund. The  
12 Company applies the plain language requirements to its customer communications  
13 and follows the various Secretarial letters related to collection activity.

14

15 Q. Do these activities comply with PUC requirements?

16 A. Yes. The Company’s billing and collection practices are regularly reviewed by the  
17 Commission through its complaint and mediation processes. The Company’s Smart  
18 Comfort and pilot CAP were approved in detail by the Commission and are subject  
19 to the PUC’s on-going review. In its recent Activity Report, the PUC’s Bureau of  
20 Consumer Services indicated that Duquesne Light’s CARES program “reflect(s) the  
21 guidelines in the Commission’s Secretarial letter.” The Company has been a long-  
22 time participant in the Dollar Energy Fund. The Company conducts a plain language  
23 review before issuing its customer communications.

24

25 Q. What funding level does the Company propose for funding universal service and  
26 energy conservation programs in the future?

27 A. Duquesne Light is committed to maintaining existing funding support for universal  
28 service programs. Should it determine that additional needs exist requiring  
29 additional funding, the Company will seek Commission approval for rate cap relief  
30 to collect those moneys through its universal service charge.

1 Q. Is this funding level consistent with the PUC's Guidelines?

2 A. Yes, it is. On page 28 of the Guidelines, the PUC notes "that neither the Act nor  
3 these guidelines specify any particular spending level for universal service and  
4 energy conservation as a whole. No inherent increase or decrease in spending is  
5 mandated, provided that the total level of resources directed to universal service and  
6 energy conservation is 'appropriate' and the benefits are made 'available.'"

7

8 The Company's proposed funding level meets this test.

9

10 **IV. Duquesne Light's Universal Service Program Proposal**

11 Q. Has the Company proposed a Universal Service Program?

12 A. Yes. It was served on the parties to this proceeding on November 3, 1997, and it is  
13 attached to my rebuttal testimony as Exhibit JPF - 1.

14

15 Q. What is the goal of the Company's universal service and energy conservation  
16 programs?

17 A. The goal of the Company's universal service and energy conservation programs is  
18 to cost-effectively ensure that low-income, payment troubled customers have access  
19 to affordable energy.

20

21 To achieve this goal, the Company will work with eligible customers to establish  
22 affordable payment arrangements which maintain electric service and move them  
23 toward self-sufficiency in paying their electric bill. The Company believes that its  
24 responsibility to offer assistance is matched by the customer's responsibility to use  
25 electricity wisely and efficiently and to make agreed upon payments for its  
26 consumption.

27

28

29

30 Q. Did the Company conduct a needs assessment as required by the Guidelines?

1 A. Yes, the Company conducted the required needs assessment using its customer  
2 information system, which contains income and expense information provided by its  
3 customers. The Company sought to identify the number of its customers who are  
4 low-income and payment troubled, as defined by the Commission.

5  
6 Q. What were the results of this assessment?

7 A. The detailed results can be found in the Company's November 3, 1997 universal  
8 service program filing. In short, the Company identified 115,055 customers who are  
9 "low-income, payment troubled." Of these, 5,731 appeared eligible for its CAP;  
10 21,226 appeared eligible for Smart Comfort. When a 3-month delinquent balance  
11 eligibility requirement is added, the total eligible pool drops from 115,055 to 26,277.  
12 The Company did not conduct an analysis of the impact of this requirement on its  
13 CAP/Smart Comfort pool.

14

15 Based on its CAP and Smart Comfort enrollment experience, the number of  
16 customers enrolling in CAP may be as low as 2,349; the number accepting Smart  
17 Comfort may be as low as 12,000.

18

19 Q. How does the Company respond to those parties who disagree with the Company's  
20 findings regarding the level of need?

21 A. Ms. Brockway and Messrs. Colton, Kuennen and Wilson suggest that the Company  
22 is not addressing the universe of need as they define it. Typically, they use census  
23 or other data sources to establish a much larger number of eligible customers based  
24 only on income criteria.

25

26 Neither the Competition Act nor the Guidelines for Universal Service and Energy  
27 Conservation Programs require that *all* customers with household income at or below  
28 150% of the Federal poverty guideline be eligible for *all* universal service and energy  
29 conservation policies, protections, and services.

30

1 Section 2804 of the Competition Act requires that such activities be “appropriately  
2 funded and available in each distribution territory . . . subject to the administrative  
3 oversight of the Commission which will ensure that the programs are operated in a  
4 cost-effective manner.”

5  
6 The Commission’s Guidelines specifically include “other non-income criteria” in the  
7 definition of eligibility. Accordingly, the Company has included such criteria to  
8 enable it to better target its resources and to maximize the likelihood of  
9 accomplishing its stated universal service goal. CAP eligibility, for example,  
10 requires a minimum balance, a 45% or greater expense to income ratio, and 12  
11 months residency at the current address. Smart Comfort requires a range of daily use  
12 and a minimum number of payments in the year preceding service. A fuller  
13 discussion of eligibility criteria for Duquesne’s universal service and energy  
14 conservation programs can be found in its Universal Service Plan, attached as Exhibit  
15 JPF - 1.

16  
17 Q. How does the Company respond to those parties who disagree with the Company’s  
18 findings regarding funding requirements?

19 A. Ms. Brockway and Messrs. Colton, Kuennen, and Wilson all call for significantly  
20 increased funding of Duquesne Light’s universal service and energy conservation  
21 programs. Typically, this call is based on an excessively inflated estimate of the  
22 universe of need and program operating costs.

23  
24 As stated above, the Company disagrees with an approach to estimating need based  
25 solely on income. Nowhere in the original CAP policy statement, the Competition  
26 Act, or the PUC’s Guidelines on Universal Service and Energy Conservation is there  
27 an expectation that *all* low-income customers receive the complete range of  
28 “universal services.” The standard is “appropriate” and “available” and that is what  
29 Duquesne Light proposes to meet.

30

1 The Company has established additional non-income criteria, which were approved  
2 by the PUC, for its two largest funded programs, Smart Comfort and CAP. It intends  
3 to continue using these criteria.

4  
5 The Company's funding level for Smart Comfort was negotiated with the PUC. It  
6 has been sufficient to meet the number of customers seeking its assistance. There is  
7 no indication of a current need to raise the amount allocated for this program.

8  
9 Similarly, CAP funding was based on an estimate of costs associated with the pilot.  
10 Operating costs, including write-offs, have been lower than estimated despite  
11 reaching full enrollment. In fact, the expansion of the program planned for the  
12 Spring of 1998 will not require an increase in the annual operating budget.

13  
14 Other universal service programs are also sufficiently budgeted.

15  
16 If the Company determines that the funding is insufficient to meet its universe of  
17 need, then it will approach the PUC and seek relief from the rate cap for the  
18 additional funds. At the current time, there is no indication that this step will be  
19 necessary.

20  
21 Q. What steps will the Company take should it require additional funding for Universal  
22 Service and Energy Conservation Programs?

23 A. If the Company determines that it needs funds beyond those currently allocated for  
24 universal service and energy conservation programs, it will request that the PUC  
25 permit it to exceed the rate cap to recoup these costs.

26  
27 Q. How does the Company respond to the description of its universal service proposal  
28 as "dramatically different in approach" and "risky?"

29 A. The Company is proud of the fact that its efforts are recognized as "dramatically  
30 different in approach." They are that way for a good reason -- the Company is

1 committed to finding ways to work with its low-income, payment troubled customers  
2 to enable them to maintain electric service while maximizing the revenue collected.  
3 This commitment to cost-effective program design was the basis for the redirection  
4 of the Company's successful Smart Comfort program from heating to baseload -- a  
5 change which itself was "dramatically different in approach" from all other electric  
6 utilities and an approach which is today being adopted by many if not all such  
7 utilities.

8  
9 For too long, programs have been evaluated on "head count" criteria. The Company  
10 wishes to move from a "one size fits all" paradigm of program management to one  
11 which focuses its resources on the needs of individual customers. The approach  
12 outlined in our universal service plan does this.

13  
14 As to risk, the Company does not accept the premise that CAP is a "tried and true"  
15 approach to assisting customers. The pilot which the Company began in 1995 has  
16 shown promise of delivering cost-effective results but neither it nor its evaluation is  
17 yet completed. If begun today, the pilot would be implemented differently.  
18 Controlled risk, i.e., risk with a potential upside, is part of doing business  
19 successfully.

20  
21 The Company finds the three risks identified by Ms. Brockway on pages 11-12 of her  
22 testimony to be without merit.

23  
24 *First*, she believes that the Company does not match its commitment to tailored  
25 customer services with an adequate budget commitment.

26 Response: Earlier, I described the Company's response to the issue of program  
27 funding. The Smart Comfort Program has for 5 years been customer focused, quality  
28 driven, and results oriented. The Company's approach to universal service will be  
29 similarly driven. Based on its needs assessment, the Company believes that the  
30 proposed budget is sufficient to deliver on its commitment.

1           *Second*, she believes that the failure to adopt target enrollment and benefit amounts  
2 leaves too much uncertainty about actual levels of CAP service under the Plan.

3           Response: In Section 2803 of the Act, “universal service and energy conservation”  
4 is defined as “policies, protections and services that help low-income customers to  
5 maintain electric service.” (Emphasis added.)

6

7           Building on this definition and the PUC’s goals found on page 42 of the Guidelines,  
8 the Company’s goal is “to cost effectively ensure that low-income, payment troubled  
9 customers have access to affordable energy.”

10

11           None of these goal statements implies or requires enrollment targets for any universal  
12 service and energy conservation policy, protection, or service.

13

14           In the listing of universal service and energy conservation programs in its Guidelines,  
15 the PUC identifies the Commission’s Policy Statement at 52 Pa. Code § 69.261 *et*  
16 *seq.* (Customer Assistance Programs) *or other comparable program* (emphasis  
17 added) as a requirement. There are no required “target enrollment and benefit  
18 amounts.” The Company has long supported this language as a way to permit  
19 continued development of alternative approaches to the issue of affordability and  
20 collectability.

21

22           CAP is a tool which works for some, not all “eligible” participants. There are  
23 numerous other approaches to establishing “affordable” payments. The Company  
24 intends to create “an array of services” aimed at “affordability.” A CAP enrollment  
25 target does not guarantee more commitment to maintaining electric service than does  
26 the Company’s goal.

27

28           *Third*, she believes that some of the concepts for “additional services” proposed in  
29 the Plan sound like punitive or counterproductive measures that degrade the quality  
30 of service a participant receives.

1 Response: The Company rejects the notion that its “additional services” are  
2 “punitive or counterproductive.” Its goal, again, is “to cost-effectively ensure that  
3 low-income, payment troubled customers have access to affordable energy.” It is  
4 committed to working with customers to establish “affordable payments.” Nothing  
5 contained in its proposal is or will be administered in a “punitive or  
6 counterproductive” manner. That service limiters and pre-payment meters are  
7 disliked by some is not a reason for the Company to revise its proposal.

8  
9 Earlier in her testimony, Ms. Brockway states that “(i)t is possible that Duquesne’s  
10 holistic approach will be successful.” She goes on to state that the “plan does not  
11 contain adequate assurances that it will be operated in such a way as to meet the  
12 objectives of the statute and the Commission’s (final order).” Given the above view  
13 of risk, the Company is hard put to offer “adequate assurances.” It should be  
14 remembered that the Company will be required to regularly report to, and its  
15 performance will be periodically reviewed by, the PUC. The Company simply  
16 believes that a fair reading of its plan and a review of its past practice would  
17 demonstrate its commitment to its stated goal and alleviate the concerns of most  
18 parties.

19  
20 Q. How does the Company respond to the CAP program elements recommended by Ms.  
21 Brockway, on behalf of the Office of Consumer Advocate?

22 A. Beginning on page 29 of her testimony, Ms. Brockway identifies 13 program  
23 elements to be included in a CAP. Many of these, she acknowledges, are already  
24 incorporated in Duquesne Light’s CAP plan. I will respond to each point she makes.

25  
26 1. A copayment calculated to require only what is affordable, e.g., 5% of income  
27 from general use customers, and 8% of income from primary electric heating  
28 customers.

29 Response: The Company’s pilot CAP, with PUC approval, offers 4 alternate  
30 payment plans — percent of income, percent of bill, minimum payment, and average

1 annual payment. The first three are contained in the PUC's original CAP guidelines.  
2 The fourth recognizes that CAP participants should not necessarily be able to pay  
3 less in CAP than they paid in the year prior to enrollment. In addition, the  
4 Community Based Organization (CBO) enrolling the CAP applicant may propose an  
5 alternate payment if, in its judgment, none of the calculated payments is appropriate.

6

7 The Company believes that this approach provides adequate opportunities to  
8 establish "affordable" payment arrangements.

9

10 2. Optimal use of low-income community-based organizations for outreach, intake,  
11 and service delivery.

12 Response: Ms. Brockway acknowledges that this point is incorporated into  
13 Duquesne's plan.

14

15 3. Responsiveness to, and interaction with, participants in the CAP, particularly  
16 during the first year of any given program.

17 Response: Ms. Brockway acknowledges that this point is incorporated into  
18 Duquesne's plan.

19

20 4. Reasonable efforts to achieve a 50% participation rate of the eligible low-income  
21 households.

22 Response: Ms. Brockway sets an enrollment target of 24,000 households over three  
23 years. This number does not square with the Company's estimate of need. Rather,  
24 it is based on the number of customers which could be accommodated if the budget  
25 was set at 0.5% of gross operating revenues (a number for which she provides no  
26 further justification) and per customer costs matching those of the pilot's experience  
27 to date.

28

29 The issue here seems to be the definition of "eligible." The Company's needs  
30 assessment, using eligibility criteria approved by the PUC for its pilot, identified less

1 than 6,000 potentially eligible households. Given its experience in verifying  
2 eligibility and in customers' enrollment patterns, the Company estimates that about  
3 2 in 5 will actually enroll, or about 40% of those eligible.

4  
5 5. Overall CAP billing deficiency budget sufficient to meet the need.

6 Response: Again, it is asserted that the Company's budget cannot meet the need,  
7 though the "need" is undefined. Experience to date suggests that the combination of  
8 payments, energy assistance, and usage reduction has worked to constrain the amount  
9 of billing deficiency being written-off for CAP participants, including those who  
10 default. Until such time as the Company determines that its participant estimates are  
11 low, its budget estimates are reasonable. It sees no reason to adjust its budget to  
12 meet an undetermined future possibility which may not materialize.

13  
14 6. Eligibility limited to customers with incomes at or below 150% of the Federal  
15 Poverty Guidelines.

16 Response: Ms. Brockway acknowledges that this point is incorporated into  
17 Duquesne's plan.

18  
19 7. Targeted program offering and program to payment-troubled households among  
20 the eligible population.

21 Response: The Company is waiting for the results of its pilot impact evaluation to  
22 determine areas where it can better target its CAP. Another interim report is due to  
23 Duquesne Light in late January 1998. The final impact evaluation is due in 1999.  
24 When its results are available, the Company will review its customer targeting  
25 approach, and conduct another round of CAP enrollment in the Spring of 1998 based  
26 on lessons learned.

27  
28 Regarding the concerns voiced by Ms. Brockway about the income to expense ratio  
29 and Duquesne's eligibility requirement for a \$500 bill delinquency, it should again

1 be noted that these eligibility requirements were approved by the PUC. Their  
2 purpose was and is to target available resources to those with a demonstrated need.

3  
4 The income to expense ratio is one of several approaches to priority setting endorsed  
5 by the PUC in its Guidelines. It has the advantage of treating a customer's electric  
6 bill as an important obligation, not as the last bill to be paid. Its virtually cost-free  
7 calculation is performed electronically within the Company's customer information  
8 system, is based on customer-provided information, and is available on-line to the  
9 CBOs implementing CAP. CBOs are able to verify customer income and expenses  
10 during the customer's enrollment visit. This verification results in an immediate  
11 recalculation of the income to expense ratio and the customer's CAP payment  
12 options.

13  
14 The purpose of the \$500 delinquency was to ensure continued eligibility for energy  
15 assistance payments, a key element in the cost-effective delivery of the program.  
16 Even as energy assistance eligibility requirements change, the screen is still useful  
17 to enable the Company to better target its resources.

18  
19 CAP is not for everyone who is low-income. The Company believes other  
20 approaches may be more cost-effective when dealing with low delinquencies. It  
21 proposes to provide these under its approach to universal service. In fact, these  
22 alternative approaches may enable the Company to reach more customers than would  
23 CAP.

24  
25 8. Coordination with effective LIURP services to achieve potential usage (and  
26 related bill) reduction via persistent savings measures.

27 Response: Ms. Brockway acknowledges that this point is incorporated into  
28 Duquesne's plan.

29  
30 9. Benefits available regardless of the supplier of generation to the customers.

1 Response: Duquesne Light CAP participants who choose an alternate supplier will  
2 receive assistance in dealing with their non-generation electric charges. Like the  
3 PUC, we encourage alternate suppliers to develop and offer universal service  
4 programs for their low-income customers with their own resources.

5  
6 10. Incentives for customers to maintain on-time, full payments of their copayment  
7 obligations.

8 Response: As indicated by Ms. Brockway, the Company offers frozen arrearage  
9 forgiveness for full and timely payments. It also writes off billing deficiency  
10 balances. However, the Company's believes that a \$5 payment toward a customer's  
11 arrearage as part of a CAP payment is reasonable when it is included in a payment  
12 arrangement.

13  
14 11. Advisory input from key stakeholders on an ongoing and effective basis.

15 Response: Ms. Brockway acknowledges that this point is incorporated into  
16 Duquesne's plan.

17  
18 12. Coordination and cooperation with stakeholders in other service areas, to achieve  
19 cross-fertilization of design concepts and evaluation material, and efficiencies in  
20 service delivery.

21 Response: The Company has, and will continue to, support appropriate opportunities  
22 for the exchange of ideas. It will continue to work with its stakeholders, CBOs and  
23 the PUC to improve its universal service plan and the beneficial impact it has on its  
24 low-income, payment troubled customers.

25  
26 It is important to note that such coordination and cooperation among "stakeholders  
27 in other service areas" is likely to become less frequent in an era of competition.  
28 Yesterday's colleagues are today's competitors. A company's approach to supplying  
29 quality customer service is becoming more and more proprietary as competition for  
30 customers increases.

1 13. Periodic evaluation against the goals of universal service.

2 Response: It was and is premature to file a detailed evaluation plan at this time. The  
3 Company agrees that an evaluation plan should be developed before new or  
4 expanded programs are implemented. This is the method it used when changing its  
5 approach to LIURP and when implementing its pilot CAP. The Company would  
6 hope, however, that this time, unlike with the pilot CAP, it is able to complete its  
7 evaluation before additional changes are mandated.

8

9 Q. How does the Company respond to the changes to its universal service program  
10 recommended by Mr. Colton, on behalf of the City of Pittsburgh, the Pittsburgh  
11 Branch NAACP, et al.

12 A. Mr. Colton is unclear in consistently identifying his “recommendations.” At several  
13 locations in his testimony, he presents “recommendations” for “universal service”  
14 and for “LIURP.” In Exhibit RDC-7, he provides a “Summary of Universal Service  
15 Recommendations” containing references to “universal service” and to “LIURP.”  
16 However, not all recommendations are restated in the summary.

17

18 A basic difficulty with Mr. Colton’s testimony is that he seems to equate “universal  
19 service” with CAP, or rate affordability, but does not include LIURP or other  
20 appropriate policies, protections, or services in his definition. It is more commonly  
21 accepted that “universal service and energy conservation” programs encompass the  
22 list found on pages 29-30 of the Commission’s Final Order Re: Guidelines for  
23 Universal Service and Energy Conservation Programs.

24

25 “Universal Service and Energy Conservation” is defined in the statute as:  
26 Policies, protections and services that help low-income customers to maintain  
27 electric service. The term includes customer assistance programs;  
28 termination of service protection(;) and policies and services that help low-  
29 income customers to reduce or manage energy consumption in a cost-  
30 effective manner, such as the low-income usage reduction programs,

1 application of renewable resources and consumer education. (Punctuation  
2 added.)

3

4 It is upon this definition that the Company has built its approach to “universal  
5 service.”

6

7 I will respond to the list of recommendations contained in Exhibit RDC-7. In doing  
8 so, I am not necessarily agreeing to any other recommendations which may be found  
9 elsewhere in Mr. Colton’s testimony.

10

11 1. Define universal service as affordable service for all customers, including low-  
12 income customers.

13 Response: Neither the Electric Generation Customer Choice and Competition Act  
14 nor the Guidelines for Universal Service and Energy Conservation Programs require  
15 that all customers with household income at or below 150% of the Federal poverty  
16 guideline be eligible for all universal service and energy conservation policies,  
17 protections, and services.

18

19 Section 2804 of the act requires that such activities be “appropriately funded and  
20 available in each distribution territory . . . subject to the administrative oversight of  
21 the Commission which will ensure that the programs are operated in a cost-effective  
22 manner.” The Commission’s Guidelines specifically include “other non-income  
23 criteria” in the definition of eligibility.

24

25 As described earlier in my testimony, the Company’s universal service goal and its  
26 eligibility criteria are consistent with the Act and the Guidelines and do not need to  
27 be changed.

28

29 2. Define “affordable” service as having two components, including an “absolute”  
30 component and a “relative” component.

1 Response: The Company's pilot CAP, with PUC approval, offers 4 alternate  
2 payment plans -- percent of income, percent of bill, minimum payment, and average  
3 annual payment. The first three are contained in the PUC's original CAP guidelines.  
4 The fourth recognizes that CAP participants should not necessarily be able to pay  
5 less in CAP than they paid in the year prior to enrollment. In addition, the CBO  
6 enrolling the CAP applicant may propose an alternate payment if, in its judgment,  
7 none of the calculated payments is appropriate.

8  
9 The Company believes that this approach provides adequate opportunities to  
10 establish "affordable" payment arrangements which enable low-income customers  
11 to "have enough" electricity and "to bear the cost without serious detriment."

12  
13 3. Adopt an "income supplement" component to the rate affordability program,  
14 including implementation of a BOSS system and implementation of an EITC  
15 promotion.

16 Response: This concept is worthy of further review. The BOSS system appears to  
17 systematize referrals to other social service support. Whether it actually provides an  
18 "income supplement" appears to lie in the definition. The Company currently relies  
19 upon the CBOs engaged in Smart Comfort and CAP to make appropriate referrals of  
20 customers to other sources of support.

21  
22 Similarly, Duquesne relies upon CBOs to remind program participants of the  
23 opportunity to apply for the EITC. An expansion of Duquesne's EITC efforts into  
24 a larger campaign will be considered.

25  
26 4. Adopt an expansion of the company's rate affordability program, to be funded at  
27 \$14.750 million.

28 Response: As discussed elsewhere in this testimony, the Company does not believe  
29 that funding proposals which require set levels of dollars or persons in each program  
30 are appropriate.

1           5. Contract administration of the universal service program to a non-profit  
2 community-based organization.

3           Response: Mr. Colton has not given any valid reason to accept this proposal. In fact,  
4 on page 16 of his testimony, he answers, "No" when asked "So you are not  
5 criticizing the structure or operation of the Duquesne Light Smart Comfort  
6 Program?" The same management team leading that effort also leads CAP, the  
7 apparent equivalent of "universal service." The use of CBOs will continue as long  
8 as they remain cost-effective means of delivering these services.

9  
10           Although not contained in his summary, Mr. Colton's proposed creation of a LIURP  
11 Oversight Committee does require comment. As part of its Universal Service Plan,  
12 the Company will create an advisory committee to assist in the design,  
13 implementation, and evaluation of its universal service activities. It will not,  
14 however, turn over program management approval authority to a third party as  
15 recommended by Mr. Colton.

16  
17           6. Maintain CARES and Hardship Fund efforts at existing funding levels, provided  
18 that Duquesne shareholders continue their existing level of matching funds for the  
19 Hardship Fund.

20           Response: Duquesne has already addressed this concern. In the November 3, 1997  
21 filing of its proposed universal service plan, the Company indicated its commitment  
22 to continue funding CARES at current levels and to maintain its Dollar Energy Fund  
23 contribution at present levels at least through 1998.

24  
25           7. Adopt an expansion of the company's LIURP efforts, to be funded at 0.20% of  
26 total gross revenues (\$2.214 million).

27           Response: As discussed elsewhere in this testimony, the Company does not believe  
28 that funding proposals which require set levels of dollars or persons in each program  
29 are appropriate.

30

1 8. Make an explicit tie between LIURP and the rate affordability program, by  
2 automatically referring all high use participants in the rate affordability program for  
3 LIURP treatments.

4 Response: The Company has already begun efforts to strengthen the linkage between  
5 its Smart Comfort and CAP efforts. CAP participants are referred to Smart Comfort  
6 for appropriate in-home service. CAP and Smart Comfort staff meet regularly to  
7 discuss better ways of targeting their individual efforts in contacts with CAP  
8 participants. They have also observed each other's customer interactions. This  
9 interaction will continue under universal service.

10

11 9. Assure personal follow-up with high use rate affordability participants to ensure  
12 that those de facto electric heating or water heating cases are receiving the services  
13 they need in order to get their central heating or water heating restored.

14 Response: Both the Company's CAP and Smart Comfort programs contain  
15 provisions for regular follow-up with its participants. This will continue into the  
16 future.

17

18 10. Incorporate a renewable pilot project as part of the company's LIURP efforts.

19 Response: As discussed in its universal service plan, the Company will investigate  
20 new technologies that appear promising, but will not include a renewable pilot  
21 program at this time.

22

23 11. Adopt the recommended 11-part consumer education program.

24 Response: The Company's response to this proposal will be found in Mr.  
25 Hoffmann's rebuttal testimony.

26

27 Q. How does the Company respond to the recommendation of Mr. Wilson, on behalf of  
28 the Community Action Association of Pennsylvania, to establish separate budgets  
29 for Electric Competition Consumer Information and Customer Assistance, Training  
30 and Technical Assistance, and Research and Development?

1 A. Mr. Wilson, at page 7 of his testimony, sets the stage for his argument to establish  
2 these funding categories when he discusses the need for DQE to fund and provide  
3 “these programs . . . through the same agencies that provide existing low income  
4 energy services.” Later on the same page he speaks of “the network of independent  
5 low income assistance agencies.”

6  
7 Duquesne Light delivers its Smart Comfort and pilot CAP programs through CBOs  
8 which are *not* part of this network. Our success in both programs comes from the  
9 emphasis we place on continued communication, training, and exploration of new  
10 approaches and technologies with our Smart Comfort and CAP contractors, the vast  
11 majority of whom are not part of Mr. Wilson’s “network.” The strength of the  
12 Company’s low-income assistance programs, in fact, lies in its close and continuing  
13 working relationship with those contractors who support its efforts.

14  
15 The Company will not establish separate budgets as suggested by Mr. Wilson.  
16 Rather, it will continue to provide the resources to enhance the capability of its  
17 internal and external staff.

18  
19 Q. How does the Company respond to the recommendations of Mr. Muench, on behalf  
20 of Enron Power Marketing, Inc., regarding the portability and pro-rata allocation of  
21 universal service support to each component of a low-income customer’s electric  
22 bill?

23 A. I note that Mr. Colton also supports “portability.” The Company believes that the  
24 observations of both Mr. Muench and Mr. Colton are based on a misconception about  
25 the source of “universal service support.” This “support,” e.g. program operating  
26 costs and frozen arrearage and billing deficiency write-offs, comes from Duquesne  
27 Light’s ratepayers and shareholders. Further, on page 40 of its Guidelines, the PUC  
28 has determined that “Universal service and LIHEAP benefits should be assigned to  
29 the EDC.” Finally, absent a contrary determination by the PUC, the Company will

1 be the provider of last resort. Therefore, there is no basis for any “pro-rata  
2 allocation” of this support.

3

4 Nor is there any “support” which is portable. The Company’s low-income customers  
5 who choose an alternate electric supplier will continue to incur transmission and  
6 distribution costs. The Company will continue to offer them an opportunity to  
7 participate in its universal service and energy conservation programs.

8

9 Should an alternate supplier wish to assist low-income customers to pay the  
10 generation portion of their bill, then that alternate supplier may wish to establish its  
11 own universal service and energy conservation programs with its own resources.

12

13 Q. How does the Company respond to the recommendation of Mr. Yarolin, on behalf  
14 of the Office of Trial Staff, that the universal service charge be shown as a separate  
15 line item on the customer’s bill?

16 A. I note that Mr. Colton takes an opposite position on the issue of separating the charge  
17 as a line item on the bill. The Proposed Rulemaking Order Re: Customer  
18 Information Disclosure for Electricity Providers, 52 Pa. Code, Chapter 54, Docket  
19 No. L-00970126, defines Distribution Charges as follows:

20 Basic service charges for delivering electricity to the home or business.

21 These charges include basic service under section 56.15(4) (relating to  
22 Billing Information) and universal service.

23

24 Therefore, Duquesne proposes to include universal service charges in the bundled  
25 Distribution Charge consistent with this proposed rulemaking.

26

27 Q. How does the Company respond to the comments or recommendation of Ms.  
28 Brockway and Messrs. Colton and Yarolin on the appropriate method for charging  
29 and collecting the universal service charge?

1 A. The Company's desired approach to collecting the universal service charge is by rate  
2 class on a per kWh basis based on allocated distribution costs for each rate class.

3

4 Ms. Brockway has her own preferred alternative but states that the Company's  
5 proposal "would appear not to be inconsistent with the Commission's directives in  
6 the *Final Order*."

7

8 Mr. Colton asserts that the Company should recover its costs "through distribution  
9 charges" which should "remain bundled." The Company's approach is based on  
10 distribution costs and I agree that it should remain bundled.

11

12 Mr. Yarolin prefers that the charge be collected as a fee on a per customer basis  
13 rather than cents/kWh. While operationally simple, the Company does not believe  
14 that this approach is the most equitable way of distributing or sharing the costs of  
15 universal service. The effect would be to have a low-income family and a major  
16 corporation making the same monthly payment. Therefore, there is no reason to  
17 change Duquesne's proposed method of charging and collecting the universal service  
18 charge.

19

20 Q. How does the Company respond to those calling for it to initiate renewable energy  
21 projects, particularly photovoltaic demonstration projects?

22 A. In its discussion of its Final Order establishing the Guidelines for Universal Service  
23 and Energy Conservation programs, the Commission states that it "will include  
24 language to allow for pilots" but "will not require the inclusion of any particular  
25 renewables program." The Company concurs with this permissive approach.

26

27 As to the specific photovoltaic proposal propounded by Ms. Brockway, the Company  
28 does not believe that its universal service goal is furthered by the expenditure of  
29 moneys on a technology which, by the proponent's own analysis, is not cost-effective  
30 and which has a payback more than 3 times that of its current efforts. It is worth

1           noting that 1995 meteorological data for the Greater Pittsburgh Airport shows that  
2           Pittsburgh, well known as a cloudy city, received 42% possible sunshine, meaning  
3           that it was cloudy 58% of the time. With so little sunshine in the Pittsburgh area, a  
4           photovoltaic demonstration has little likelihood of being successful, let alone being  
5           cost-effective.

6

7   Q.    Does this conclude your rebuttal testimony?

8   A.    Yes, it does.

**DUQUESNE LIGHT COMPANY**  
**Universal Service and Energy Conservation Programs**

**I. INTRODUCTION**

**A. Legislative and Regulatory Requirements**

In The Electricity Generation Customer Choice and Competition Act, the General Assembly found and declared that:

The Commonwealth must, at a minimum, continue the protections, policies and services that now assist customers who are low-income to *afford electric service*. (Emphasis added.)

Later in the Act, the General Assembly said:

The public purpose is to be promoted by continuing universal service and energy conservation policies, protections and services; and full recovery of such costs is to be permitted through a non-bypassable rate mechanism.

Still later, the General Assembly defined Universal Service and Energy Conservation as:

Policies, protections and services that help low-income customers to maintain electric service. The term includes customer assistance programs; termination of service protection(;) and policies and services that help low-income customers to reduce or manage energy consumption in a cost-effective manner, such as the low-income usage reduction programs, application of renewable resources and consumer education. (Punctuation added.)

Finally, the General Assembly charged the Pennsylvania Public Utility Commission (PUC) with ensuring "that universal service and energy conservation policies, activities and services are *appropriately funded and available* in each electric distribution territory (emphasis added).

The PUC issued its Final Order Re: Guidelines for Universal Service and Energy Conservation Programs on July 11, 1997. In these Guidelines, the Commission put forth its goals, its requirements in implementing the above legislative mandates, and the general structure for electric distribution companies to follow in submitting their universal service and energy conservation programs plan.

The PUC's goals, as found in the Guidelines, are:

- To protect low-income consumers (sic) health and safety by ensuring that electric service is available;
- To provide for affordable service by making available payment assistance to low-income customers;
- To assist low-income consumers conserve energy and reduce residential utility bills; and
- To ensure that universal service and energy conservation program components are cost-effective.

Against this backdrop, Duquesne Light submits its Universal Service and Energy Conservation Programs plan.

## **B. Duquesne Light Company Overview**

The Company has been and will continue to be a leader in providing customer-focused, quality-driven, results-oriented universal service and energy conservation programs in a cost-effective manner. This commitment is best demonstrated by its award winning Smart Comfort program.

The goal of the Company's universal service and energy conservation programs is: to cost-effectively ensure that low-income, payment troubled customers have access to affordable energy.

To achieve this goal, the Company will work with eligible customers to establish affordable payment arrangements which maintain electric service and move them toward self-sufficiency in paying their electric bill.

We continue to believe that to be meaningful universal service<sup>1</sup> should impose both a requirement on the electric distribution companies (EDC) "to offer assistance" and a responsibility on customers "for wise consumption and prompt payment." This is particularly true because the universal service charge is non-bypassable and will be paid by all low-income customers. We are encouraged, therefore, by the PUC's assertion that "the consequences of nonpayment should be loss of service."

We will meet the unique needs of individual low-income, payment troubled customers by providing an array of services rather than limiting our solutions to prescribed, one size fits all programs.

At Duquesne Light, we recognize that customers are not easily divisible into "programs" and have begun to combine the efforts of our Smart Comfort program with those of our pilot Customer Assistance Program (CAP). We have attempted to offer our low-income, payment troubled customers appropriate "services" to deal with their unique situation. We will continue to emphasize holistic solutions to customers' problems, not achieving enrollment targets in specific programs.

In the following sections of this paper, we will identify Duquesne Light's existing policies, protections, and services; provide an assessment of the expected needs for the identified services; identify existing funding; and discuss Duquesne Light's approach to meeting the legislative and regulatory requirements for providing universal service.

## **II. DETAILED ITEMIZATION OF EXISTING POLICIES, PROTECTIONS AND SERVICES**

In addition to the following universal service programs, all customers, including those who are low-income and payment troubled, receive the appropriate protections of Chapter 56. We will continue, though perhaps with modification, all of these universal service activities. The primary delivery vehicles for all these services have been community-based organizations (CBOs). We will continue to use CBOs as long as they remain a cost-effective means of service delivery.

### **A. Pilot Customer Assistance Program**

Duquesne Light is in the third year of its pilot CAP. The pilot program targets customers who have been a resident at their current address for one year, have gross household income less than 150% of the

---

<sup>1</sup> Through the remainder of the paper, unless specified otherwise, "universal service" includes energy conservation programs.

poverty level, have housing expenses more than 45% of their gross income, and have at least a \$500 arrearage on their electric bill. In this pilot, the customer's arrearage at the time of enrollment will be written off over three years if the customer makes full and timely monthly payments. The program also helps the customer to lower electric consumption so that at the end of the program the customer can have an affordable electric bill.

Funding--\$550,000/year

Participant level--1,600

#### **B. CARES**

The purpose of Duquesne Light's HELP Program (CARES) is to assist payment troubled 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 poverty guidelines and senior citizens, although no needy customer will be turned away. The goal is to have an outreach worker or community agency act 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. An outreach worker contacts 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.

Funding--\$60,000/year

Participants--approximately  
4,500/year

#### **C. Smart Comfort**

Smart Comfort is Duquesne Light's low-income usage reduction program (LIURP). It targets customers who have been a resident at their current address for one year, whose gross household income is less than 150% of the poverty level, and whose electric usage is 125% above the average customer usage. This program evolved from strictly weatherization to an "end use" strategy. As such, reduction measures include cost effective appliance and lighting replacements.

Funding--\$700,000/year

Participants--approximately 700/year

#### **D. Hardship Fund**

Duquesne Light's hardship fund is a partnership with the Dollar Energy Fund.

Funding--The company's stockholders match customer contributions up to \$325,000 annually. In addition, the Company contributes 10% of the total contributions (\$65,000 in 1996) to provide administrative support.

Participants--approximately 2,500/year

#### **E. Consumer Credit Counseling Service**

Duquesne Light has contracted with Consumer Credit Counseling Service (CCCS) to provide counseling and debt management support to our customers who are in serious financial trouble. The program offers free help to debt-troubled consumers to rehabilitate their finances and assists the Company in maintaining customer loyalty and avoiding losses to charge-off or bankruptcy.

Funding: \$6,000

Participants--approximately 710/year

#### **F. New Requirements**

As stated in the Guidelines, the Act introduces three additional efforts: provider of last resort, renewable resources, and consumer education.

### **1. Provider of Last Resort**

Duquesne Light will fill this role by default unless the PUC approves an alternate provider of last resort. We expect that low-income, payment troubled customers will be afforded the opportunity to obtain electricity from alternate suppliers like all other customers. Should they cease obtaining electricity from an alternate supplier, we will sell them electricity until such time as they choose another alternate supplier.

### **2. Renewable Resources**

Duquesne Light has no existing renewable resource programs in place nor does it have plans for any at this time. As we continually look for new technologies for our Smart Comfort program, we will explore such approaches if we determine there is a likelihood of successfully integrating them into our energy conservation programs.

### **3. Consumer Education**

Participants in Duquesne Light's universal service programs have been permitted to enter the customer choice pilot<sup>2</sup> and will be permitted to choose alternate generation suppliers when retail choice is phased in for all customers beginning in 1999. We will use CBOs to explain the options and decisions necessary to fully participate in choice.

Our basic outreach strategy with universal service participants will be to utilize points of individual contact to answer questions and explain the options available to them. As appropriate we will use multi-lingual communication and other targeted educational opportunities.

## **III. NEEDS ASSESSMENT**

We have used DISCuS, our customer information system, as the source of information in conducting our needs assessment.

We initially ran three queries: the total population which is low income and payment troubled as defined in the Guidelines; the subset of the total population which meets existing CAP eligibility criteria; and the subset of the total population which meets existing Smart Comfort eligibility criteria. Later, we asked for data on low-income, payment troubled customers with a current balance equal to or greater than three times their average bill.

These are the results of that assessment. Please note that the initial table showing a potential universal service customer pool of 115,055 is based on the Guidelines' definition of low-income (at or below 150% of the federal poverty guideline) and payment troubled (a customer who has failed to maintain one or more payment arrangements.) This number includes customers who are and have been current but who, at one time, broke a payment arrangement with us.

We currently have 25,413 active low income customers who are delinquent. It is from this customer pool that universal service participation should and is most likely to come.

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<sup>2</sup> Thirteen were chosen in the lottery.

Total Low-Income, Payment Troubled Customers								
Poverty Level	# Eligible Customers	Annual Bills (\$000)	Annual Payments (\$000)	Annual Energy Asst Payments (\$000)	Current Account Balance (\$000)	Current Arrearage Balance (\$000)	Annual Electric Usage (000 kWh)	Daily Electric Usage (kWh)
0-50%	68,221	58,117	48,610	1,029	14,659	9,638	434,237	17
51-100%	24,733	20,242	16,353	775	12,857	11,013	152,244	17
101-150%	22,101	19,040	16,696	216	9,700	7,921	144,178	18
Total	115,055	97,399	81,659	2,020	37,216	28,572	730,659	
Low-Income, Payment Troubled Customers with a Current Account Balance equal to or greater than 3 times the average bill								
Poverty Level	# Eligible Customers	Annual Bills (\$000)	Annual Payments (\$000)	Annual Energy Asst Payments (\$000)	Current Account Balance (\$000)	Current Arrearage Balance (\$000)	Annual Electric Usage (000 kWh)	Daily Electric Usage (kWh)
0-50%	9,129	7,011	4,238	648	9,210	8,542	51,193	15
51-100%	9,858	8,309	5,892	480	11,220	10,411	62,549	17
101-150%	7,290	6,339	5,130	139	7,900	7,272	47,868	18
Total	26,277	21,659	15,260	1,267	28,330	26,225	161,610	
CAP Eligible (from Total Eligible Count)								
Poverty Level	# Eligible Customers	Annual Bills (\$000)	Annual Payments (\$000)	Annual Energy Asst Payments (\$000)	Current Account Balance (\$000)	Current Arrearage Balance (\$000)	Annual Electric Usage (000 kWh)	Daily Electric Usage (kWh)
0-50%	2,255	2,284	1,532	248	3,639	3,425	17,063	21
51-100%	2,294	2,313	1,801	183	3,811	3,589	17,921	21
101-150%	1,182	1,227	1,045	48	1,864	1,741	9,328	22
Total	5,731	5,824	4,378	479	9,314	8,755	44,312	
Smart Comfort Eligible (from Total Eligible Count)								
Poverty Level	# Eligible Customers	Annual Bills (\$000)	Annual Payments (\$000)	Annual Energy Asst Payments (\$000)	Current Account Balance (\$000)	Current Arrearage Balance (\$000)	Annual Electric Usage (000 kWh)	Daily Electric Usage (kWh)
0-50%	12,119	12,268	10,689	235	3,204	2,107	99,456	22
51-100%	4,644	4,715	4,083	210	3,192	2,754	37,712	22
101-150%	4,463	4,552	4,204	59	2,270	1,839	36,706	23
Total	21,226	21,535	18,976	504	8,666	6,700	173,874	
Eligibility is based on income as reported/verified and the PUC's definition of 'payment troubled,' i.e. having had at least one broken payment arrangement.								

In filling our pilot CAP, we found that only 41% of customers referred to a CBO actually enrolled in the program. Nearly 2 in 5 of those referred, expressed no interest or failed to keep an appointment. 1 in 5 were rejected for being over income or having an income to expense ratio below that required.<sup>3</sup>

<sup>3</sup> In initially determining eligibility, we used the income provided by the customer in their last contact with the company. To enroll a customer, the CBO actually verified income and expenses,

Similarly, in Smart Comfort we find that we must schedule 50 appointments to visit 30 customers. Keeping in mind that this is a voluntary program usually unrelated to immediate payment problems, the 21,226 potentially eligible customers might produce approximately 12,000 visits.

As warranted, we will phase-in program expansion over the three years in which choice is introduced to our customers. We will modify eligibility requirements and administrative procedures as we continue to learn from our implementation experience and evaluations.

#### IV. CURRENT UNIVERSAL SERVICE AND ENERGY CONSERVATION EXPENDITURES

Duquesne Light is committed to maintaining existing funding support for universal service programs as directed in The Electricity Generation Customer Choice and Competition Act. In 1996, approximately \$12,275,000 was allocated for these programs and is the amount which will be recovered in the non-by-passable universal service charge. The 1996 budget and actual expenditures are shown below.

Universal Service and Energy Conservation Policy, Activity, and Service		
Policy, Activity, and Service	1996 Budget	1996 Actual
Pilot Customer Assistance Program <sup>4</sup>	\$550,000	\$385,163
CARES	\$60,000	\$59,538
Smart Comfort (LIURP)	\$700,000	\$788,460
Hardship Funds—Administration	\$65,000	\$65,000
Low Income Collection Costs, including labor <sup>5</sup>	N/A	\$5,000,000
Low Income Write-offs <sup>6</sup>	N/A	\$5,804,226
Consumer Credit Counseling Services	\$6,000	\$6,335

catching any discrepancies.

<sup>4</sup> Expenses include, but are not limited to program start-up, labor, equipment, programming and evaluation costs. Billing deficiency write-offs are included here. Frozen arrearage write-offs are included below in Low-income write-offs.

<sup>5</sup>The amount expended for low income collections is part of the overall collection budget. Duquesne Light does not divide the budget into low-income vs. non-low-income. Based on this, the listed funding amount is estimated in a manner similar to the Equitable Gas top down approach which is recommended in the Final Order on Universal Service and Energy Conservation Programs. The \$5,000,000 includes allocated expenses such as mainframe computer operation time, building rents, utilities, etc. These amounts may not be available to fund other programs. All Duquesne Light labor costs associated with supporting all of the listed low income programs, except Smart Comfort and CAP, are included in this number.

<sup>6</sup> Budgeted write offs are based on actual write offs in prior years. Write offs associated with low income customers is not a criteria for budgeting future expected write offs. Based on this, Duquesne Light is unable to provide this data.

## V. UNIVERSAL SERVICE AND ENERGY CONSERVATION PROGRAMS OPERATIONS

### A. Overview

The Company is committed to continuing to provide customer-focused, quality-driven, results-oriented universal service programs in a cost-effective manner.

The goal of our universal service and energy conservation programs is:

To cost-effectively ensure that low-income, payment troubled customers have access to affordable energy.

To achieve this goal, the Company will work with eligible customers to establish affordable payment arrangements which maintain electric service and move them toward self-sufficiency in paying their electric bill.

Universal service programs are not for everyone. Generally, they will be targeted to low-income, payment troubled customers. These people will generally have gross household income at or below 150% of poverty and have at least one broken payment arrangement, as defined in the Guidelines.

We do not intend to offer stand alone programs i.e. our goal is not to achieve an enrollment target for a given program. Rather, we will attempt to build a bridge that enables an eligible customer to move out of a collection mode and become a regular paying customer.

To be meaningful, universal service should impose both a requirement on the EDCs "to offer assistance" and a responsibility on customers "for wise consumption and prompt payment." This is particularly true because the universal service charge is non-bypassable and will, therefore, be paid by all low-income customers. Like the PUC, we believe that "the consequences of nonpayment should be loss of service."

Universal service participants must learn that failure to maintain their agreement will result in swift and sure consequences, following the procedures in Chapter 56, including termination of service with a full catch-up payment and, potentially, a security deposit needed to restore service. The PUC, then, will be a partner in this process by affirming through its actions its statement that "the consequence of nonpayment should be the loss of service." Customers must know that universal service policies, protections, and services are the "best game in town" and that failure to maintain an agreement will be not be supported by the PUC.

We further believe that the best way to meet the unique needs of individual low-income, payment troubled customers is by providing an array of services rather than limiting solutions to prescribed, one size fits all programs. However, when we work with customers to meet their unique needs, we expect the customers to fully participate and work toward self-sufficiency i.e. the ability to make a full, affordable payment for their electric service.

In meeting with community-based stakeholders, an overriding concern of theirs was that we not make customers dependent on us for assistance. Rather, they asked that we provide improved communications and training for them so they can work with customers to move them toward self-sufficiency.

At Duquesne Light, we have begun to increase the impact of our Smart Comfort and pilot CAP activities by combining their efforts in recognition of the fact that our customers are not easily divided into "programs." We have attempted to offer them the appropriate "services" which deal with their unique situation. We will

continue to emphasize holistic solutions to customers' problems rather than enrolling numbers in specific programs.

### **B. An Array of Services**

Duquesne Light will establish an array of services to enable its staff and supporting CBOs to work with individual customers to meet their individual needs in establishing and making regular, affordable payments to maintain electric service.

Existing services will form the foundation of the array. We will monitor enrollment and performance as we do currently. Our purpose, however, will be to blend the impact of the services to maximize benefits to the customer and the Company rather than fill slots in a program. Similarly, we will blend universal service funding into one operating fund from which services will be supported.

We expect to build upon the experience we are gaining in the integrated delivery of CAP and Smart Comfort as we go forward into the competitive future.

### **C. Duquesne Light Policies, Protections, and Services**

#### **1. Policies**

It is the general policy of Duquesne Light Company to work with low-income, payment troubled customers to enable them to maintain electric service by making affordable payment arrangements. Such payment arrangements will be based on the customer's household income and will require the customer's active participation in controlling their electric use and obtaining available energy assistance grants.

Universal service programs have been and will continue to be designed to assist low-income, payment troubled customers to maintain electric service. The way into these programs will be through an effort to make affordable payments. These programs will not be available merely on the basis of income but will be used to make electricity affordable, to return customers to a "current" state as soon as possible, and/or to head-off a customer's payment problems before they occur.

#### **2. Protections**

Low-income, payment troubled customers, like all customers, are covered by Chapter 56 and will receive the appropriate protections contained therein. Continued participation in any universal service program offered by Duquesne Light will require the customer's active participation and maintenance of all agreements. As suggested by the PUC, the consequence of nonpayment may be loss of service.

#### **3. Services**

##### **a. Basic Existing Services**

The three primary universal service programs i.e. CAP, CARES, and LIURP (Smart Comfort) will continue and be funded at current levels. Modifications will be made as appropriate to increase and/or re-target their beneficial impacts.

We will offer CAP and Smart Comfort as part of an integrated effort to enable eligible customers to maintain electric service. We will monitor, evaluate, and report on performance but will not strive to enroll a target number in any one program. We will attempt to maximize the positive impact of these programs on as many customers as possible, recognizing that customers do not usually have easily compartmented energy problems.

We are committed to current funding of our Dollar Energy Fund partnership through 1998. Future funding will depend on business conditions at that time.

#### **b. Potential Opportunities**

Duquesne Light will continue its efforts to identify new services and programs which will enable its low-income, payment troubled customers to make affordable payments for the electric service they use.

Examples may include matching programs which more rapidly reduce arrearage balances or creative payment arrangements which recognize temporary customer problems. Our intent is to take into account a customer's past performance with us while finding ways to increase revenues collected and reducing collection costs.

In addition, we will continue to explore the introduction of new energy conservation measures and may choose to explore alternate metering or usage control devices which will help make the customer's payment for electric service more affordable.

#### **D. Program Operations**

To maximize the beneficial impact of universal service programs, Duquesne Light will continue to augment the efforts of its own staff with those of CBOs.

Customer service representatives will be trained in the programs' costs, benefits, and targeted audience. These representatives will take time with the customers to better understand their needs in order to offer those services which will enable the customer to have and maintain an affordable payment for electric service.

CBOs will verify income and expenses for any customer receiving service resulting in a payment which is less than the current bill.<sup>7</sup> They may be involved in the direct delivery of some programs, e.g. Smart Comfort. They will provide case management support to customers enrolled in CAP who choose to select alternate generation suppliers and refer universal service participants to other social service agencies and forms of assistance.

#### **E. Cost Recovery**

The following table identifies the universal service charge per kWh for each rate class under Duquesne's current tariff. The charges were calculated based on the allocated distribution costs for each rate class. Rate classes GS/GM, GMH, GLH, GL and L pertain to both commercial and industrial class customers. Rate class HVPS pertains to industrial customers.

<b>Rate Class</b>	<b>Description</b>	<b>Charge per kWh</b>
RS	Residential Service	\$0.0018
RH	Residential Service Heating	\$0.0014
RA	Residential Service Add-On Heat Pump	\$0.0014
GS/GM	General Service Small and Medium	\$0.0011
GMH	General Service Medium Heating	\$0.0010
GLH	General Service Large Heating	\$0.0005
GL	General Service Large	\$0.0005

<sup>7</sup> A current bill includes the budget payment plan.

L	Large Power Service	\$0.0005
HVPS	High Voltage Power Service	\$0.0003
AL	Architectural Lighting	\$0.0013
SE	Street Lighting Energy	\$0.0047
MTS	Municipal Traffic Signals	\$0.0010
SM	Street Light Municipal	\$0.0093
SH	Street Lighting Highway	\$0.0028

#### **F. Reporting and Evaluation**

Duquesne Light will provide appropriate bi-annual reports to the PUC. Similarly, we will meet the required evaluation guidelines.

#### **G. Advisory Panels**

In developing this plan, we sought the assistance of CBOs in our service territory. Some of them have worked with us in CAP and Smart Comfort; others have not. We will establish an advisory panel made up of similar organizations, customer representatives, and Company staff to advise us on the scope, design, and administration of our universal service programs.

### **VI. CONCLUSION**

Duquesne Light will continue to be a leader in the development and delivery of universal service to low-income, payment troubled customers.

We will continue to fund universal service policies, protections, and services at current levels.

Our goal is to cost-effectively ensure that low-income, payment troubled customers have access to affordable energy. To achieve this goal, the Company will work with eligible customers to establish affordable payment arrangements which maintain electric service and move them toward self-sufficiency in paying their electric bill.

We will expect participating customers to use electricity wisely and to make prompt and full payments. Failure to comply with our programs' requirements will return a customer to routine collections procedures with the real likelihood of termination of service for failure to maintain a payment arrangement. In this, we will expect the support of the PUC in affirming its position that "the consequences of nonpayment should be loss of service."

**END**