

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF DUQUESNE LIGHT :
COMPANY FOR APPROVAL OF ITS : Docket No. R-00974104
RESTRUCTURING PLAN UNDER :
SECTION 2806 OF THE PUBLIC :
UTILITY CODE :

SURREBUTTAL TESTIMONY

OF

BARBARA ALEXANDER

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On Behalf of:

OFFICE OF CONSUMER ADVOCATE

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DECEMBER 1997

1 Q. PLEASE STATE YOUR NAME AND ADDRESS.

2 A. My name is Barbara R. Alexander, Consumer Affairs Consultant. I am located at 15
3 Wedgewood Dr., Winthrop, Maine 04364.

4 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

5 A. Yes, I filed direct and rebuttal testimony on behalf of the Office of Consumer Advocate.

6 Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

7 A. I am filing surrebuttal testimony in response to Duquesne Light Co.'s rebuttal filing.

8 Specifically, I am responding to the testimony of Frank A. Hoffman (Statement No. 6-R)
9 with respect to customer selection procedures, customer education, and code of conduct,
10 and the testimony of Fred R. Allison (Statement No. 8-R) with respect to application of
11 customer payments, billing format and options, and customer service procedures.

12

13 **Customer Selection**

14 Q. DUQUESNE CONTINUES TO RECOMMEND THAT RESIDENTIAL CUSTOMERS
15 BECOME ELIGIBLE FOR CUSTOMER CHOICE DURING THE PHASE-IN PERIOD
16 BASED ON GEOGRAPHICAL LOCATION. DO YOU AGREE WITH THIS
17 APPROACH?

18 A. I continue to recommend the use of the first-come, first-served approach for the reasons I
19 described in my direct testimony. The Company now suggests that the communities
20 should be eligible for customer choice based on the percentage of customers who sought
21 to enter the pilot program. This proposal is not equitable. These communities vary

1 greatly in population density and a quick review of the list of communities recommended
2 for Phases I, II and III in Mr. Hoffman's Exhibit FAH-3 shows that some communities
3 with over 15,000 volunteers for the pilot are relegated to Phase III because the volunteers
4 are a relatively small percentage of the community's population, while some communities
5 with less than 100 pilot volunteers are recommended for Phase I because these customers
6 represent a large percentage of a very small population. It is not fair for those larger
7 communities to be relegated to a later phase because their population base is large and it
8 would have required a very large group of volunteers to trigger a higher percentage and so
9 qualify for an earlier phase. It is more equitable to allow customers motivated to
10 participate in customer choice to be selected without regard to their geographic location.

11 12 **Consumer Education and Information**

13 Q. PLEASE RESPOND TO THE COMPANY'S REBUTTAL TESTIMONY
14 CONCERNING CONSUMER INFORMATION AND EDUCATION.

15 A. The Company still has failed to propose a concrete consumer education program with
16 goals and objectives, strategies, evaluation techniques or a budget. Duquesne continues
17 to present their consumer education program as evolving from its pilot program education
18 activities and experiences. While it is reasonable to build into any plan the opportunity to
19 revise it based on an evaluation of ongoing activities in the pilot program, to defer the
20 creation of the plan itself until after the conclusion of this proceeding is not reasonable.
21 The consumer education program accepted by the Commission as part of the Company's

1 pilot program compliance filing is not a substitute for a consumer education program to
2 implement customer choice beginning in 1999. Duquesne is under an obligation to
3 propose a program and there is nothing in the Company's filing which causes me to
4 change the list of deficiencies I identified in my direct testimony.

5 Q. MR. HOFFMAN CONTINUALLY REFERS TO THE COMPANY'S EDUCATION
6 PROGRAM AS A "PLAN" WITH "DISTINCT PHASES", "GOALS" AND
7 "STRATEGIES". DO YOU AGREE WITH THESE CHARACTERIZATIONS?

8 A. No, I do not. The Company has not submitted a plan. There was no plan submitted in
9 Mr. Hoffman's direct testimony. He has not submitted any plan in his rebuttal testimony.
10 In response to a data request, Mr. Hoffman stated that the plan would be developed and
11 submitted prior to January 1, 1998 (ENV-3-179). Mr. Hoffman's characterizations are
12 premature.

13 Q. DO YOU AGREE THAT THE COMPANY SHOULD RECOVER ONE-TIME
14 INCREASES IN CONSUMER EDUCATION EXPENSES AS A TRANSITION COST?

15 A. Yes. If the Company's plan (both with respect to its own education efforts and those it
16 may help fund at the statewide level) and its budget are determined to be reasonable and
17 are approved by the Commission and that budget calls for expenses beyond those normally
18 undertaken by the Company, I support the Company's proposal that consumer education
19 expenses above those normally incurred be recovered as part of its transition costs.
20 However, this certainly requires the Company to put forward a plan and a budget that can
21 be reviewed and approved in this proceeding, which it has not done.

1 Q. DOES THE COMPANY'S REBUTTAL TESTIMONY SUPPORT THE
2 DEVELOPMENT OF A STATEWIDE CONSUMER EDUCATION PROGRAM AS
3 PROPOSED IN YOUR DIRECT TESTIMONY?

4 A. Duquesne seems to support the ongoing work of the collaborative efforts of the PUC,
5 other utilities and customers. However, there is still no concrete plan or program that has
6 evolved from the Consumer Education Working Group nor has any rulemaking been
7 initiated by the Commission. As a result, I must continue to focus on this proceeding and
8 the Company's filing to evaluate Duquesne's compliance with the obligations of the
9 Customer Choice Act. If Duquesne indeed supports the development of a statewide
10 education plan and outreach effort, it should urge the Commission to take a leadership
11 role in hiring a consultant to create a coordinated statewide education program. As
12 discussed in my Direct Testimony, this program should be designed to occur in phases.
13 To elaborate on this phased implementation, Phase I will educate consumers about the
14 advent of consumer choice and stimulate public awareness and interest in the impending
15 changes to their electric service. This may require the use of specific phrases or slogans
16 designed to catch consumers' attention about this topic. This phase will require the use of
17 mass media (TV and radio spots, coordinated newspaper advertisements, local community
18 group newsletter inserts, etc.). These phrases and slogans should be coordinated so that
19 they are used consistently in a statewide multi-media campaign. This will create customer
20 interest and awareness of the topic in general. In effect, this phase will get customers
21 ready to read the brochures under development by the Commission and other parties.

1 Without this phase, however, customers may not read or want to read about customer
2 choice. Without creating this level of interest, customers are more likely to treat the
3 consumer education materials that appear in their bill or are offered to them at public
4 meetings or gatherings as just another bill insert and disregard it.

5 Phase II should focus on educating customers about the tools they need to
6 evaluate their own electricity needs and make informed decisions about their electric
7 supplier. This Phase should transmit information about key disclosures and characteristics
8 that will assist consumers in making their electricity supplier decision. During this phase,
9 consumers will receive more fact-oriented brochures and bill inserts. As a result of Phase
10 I, they will be ready to read these materials and hopefully be interested in learning how to
11 shop for electricity.

12 The purpose of the education program is not to sell the notion of changing
13 suppliers per se, but all utilities must understand that the ultimate objective of the
14 education plan is to increase awareness of a customer's right to choose their supplier.
15 This carries with it the obvious potential of customers changing their supplier from the
16 incumbent to a competitor. This potential outcome is exactly why the Commission must
17 play an active role as have the commissions in California, Vermont, Maine, Massachusetts
18 and New Hampshire, to demand a sophisticated and effective approach to consumer
19 education. Nonetheless, I fully agree that the purpose of the statewide education
20 campaign is not to market any particular supplier or to market the notion that customers
21 should in fact change their supplier. What should be marketed is the changing nature of

1 the electric industry, the customer's opportunity for different choices than in the past, and
2 the necessary tools for customers to make informed decisions. This concept should be
3 marketed because it must be presented in a manner designed to capture customer attention
4 and interest in hearing the rest of the message. In other words, I recommend that the
5 Commission and other parties put together an education program that uses the techniques
6 of marketing to capture customer interest and promote the educational vehicles that will
7 be available through the mail or in their communities.

8 Q HOW DOES THE COMPANY'S VISION OF A STATEWIDE EDUCATION EFFORT
9 COMPARE WITH THE SUGGESTIONS IN YOUR DIRECT TESTIMONY?

10 A The Company supports the work of the Consumer Education Working Group, but does
11 not describe the work product, estimated budget or overall goals or objectives for that
12 effort. While progress has been made on some issues, such as the development of
13 common terminology, there is not yet even the beginnings of a comprehensive consumer
14 education plan such as those developed in California, Vermont and those under
15 development in New Hampshire and Maine.

16 Q. WHAT WAS THE COMPANY'S REACTION TO YOUR PROPOSAL THAT MORE
17 COORDINATION AND PROGRAM DEVELOPMENT BE UNDERTAKEN WITH
18 COMMUNITY BASED ORGANIZATIONS?

19 A. Mr. Hoffman's rebuttal testimony endorses the involvement of community-based
20 organizations (CBOs), but the Company has not demonstrated actual interaction and
21 involvement. In response to data requests submitted after the filing of the Company's

1 direct testimony, the Company cited briefings of local organizations, but did not document
2 any consultation concerning either the development of the consumer education program or
3 concrete plans for coordination with CBOs during the implementation of the program.

4 [ENV-2-075-077] Mr. Hoffman does not describe any further concrete developments in
5 his rebuttal testimony. His suggestion that I have recommended targeted education
6 programs to low income, elderly and other at-risk populations because they are “less
7 intelligent or less capable” (at 13) is completely incorrect. Such customer groups may
8 need a different educational approach based on the institutions with which they interact,
9 the language they speak, their educational background, or their economic status. All or
10 any of these factors may have a significant impact on the type of message that works best
11 to transmit important changes in public policy. I presume Mr. Hoffman would agree that
12 not all customer groups will learn from the same educational vehicle and my testimony
13 continues to urge the Company to undertake the necessary research to determine how and
14 where to effectively communicate with these various customer groups. For example, it is
15 more likely that low income customers will learn more effectively about electric
16 competition through their local community organizations than through a reliance solely on
17 bill inserts or newspaper advertisements.

18 Q. HAVE YOU RECOMMENDED THAT DUQUESNE’S EDUCATION PROGRAM
19 SEEK TO MOTIVATE CUSTOMERS TO PARTICIPATE IN THE COMPETITIVE
20 MARKET?

21 A. I continue to support the use of marketing and motivational techniques to reach

1 customers, to get their attention, and to transmit basic messages about the coming of
2 electric competition. Mr. Hoffman's rebuttal testimony seeks to characterize this
3 recommendation as a call for marketing, which he associates with a call to customers to
4 switch their current supplier. This is not my intent. I believe that customers need to be
5 stimulated and excited about the possibilities of consumer choice so that they will be
6 interested in reading the brochures, bill inserts, and listening to speakers and community
7 forums that will be a part of a consumer education program. I agree with Mr. Hoffman's
8 response to an earlier data request as the appropriate objective: "Creating awareness of
9 the right to choose an electric supplier, and how to make such a choice, is an integral part
10 of Duquesne Light's customer education program. Duquesne Light's objective is to make
11 the majority of our customers aware of their right to choose their electric suppliers."
12 [OCA-2-024] It will be important to get customers to pay attention to the educational
13 messages.

14 Q. MR. HOFFMAN'S TESTIMONY INTERPRETS RECENT DUQUESNE SURVEY
15 DATA TO SUPPORT HIS CONCLUSIONS THAT THE COMPANY'S CUSTOMERS
16 ARE AWARE OF ELECTRIC COMPETITION AND SUPPORT DUQUESNE-
17 SPECIFIC EDUCATIONAL INITIATIVES. DO YOU AGREE WITH HIS
18 INTERPRETATIONS?

19 A. The local survey data upon which Mr. Hoffman relies is a monthly survey conducted by
20 Duquesne to obtain valid data concerning customer reaction to a variety of Duquesne
21 programs and customer opinions about the Company. This survey includes questions

1 about customer reaction to electric competition and Duquesne informational materials.
2 While a majority of Duquesne's customers have heard something about a recently adopted
3 electric restructuring law, the response to this question does not support the notion that
4 customers are already knowledgeable about what this legislation may mean for them or
5 what choices and options might be available in the future. With respect to Mr. Hoffman's
6 statement that customers respond favorably to Duquesne-specific educational materials,
7 the survey results show that over 70% of the customers have not heard about this law
8 from Duquesne, but most had heard from television and newspaper sources. Less than
9 20% had seen Duquesne's messages about the new law and a vast majority of those who
10 had seen the messages either thought that Duquesne opposed these changes or did not
11 know Duquesne's position on these changes. The issue that more customers associated
12 with Duquesne advertising in the past year was the pending merger with Allegheny Power
13 Co.

14 Mr. Hoffman also misinterprets the New Hampshire survey data. The N.H. survey
15 was conducted after the pilot program was initiated and was directed to those customers
16 who were selected to participate in the pilot program. The survey sought to determine
17 customer reaction to the information they received prior to the pilot, as well as their
18 preference for future sources of information. I attach the Executive Summary Report
19 from that survey as Exh. BA-S-1 to this testimony. The key conclusions from this
20 Summary support my recommendations that Pennsylvania should focus on the
21 development of a Commission-sponsored statewide program that is not identified with any

1 particular utility, and that this statewide program be supplemented by utility-specific
2 educational efforts at the local level. The key conclusions are:

3 • 36% of the individual customers who were selected to participate in the pilot program had
4 not chosen a supplier by the time of the survey;

5 • When asked who should be most responsible for educating consumers about retail
6 electricity competition in the future, 59% said that the NHPUC should be most
7 responsible. Only 10% said that the distribution utilities should be most responsible.

8 • While 68% of the customers indicated bill inserts would be effective, a majority (53%) of
9 customers indicated that direct mail would be very effective and 49% said a toll free
10 telephone number would be effective. Mr. Hoffman's description of these preferences
11 assumes that the utility is responsible for the content of these educational vehicles, but this
12 is not necessarily a correct assumption. These educational vehicles could be used by the
13 statewide educational campaign without reference to any particular distribution utility. In
14 fact, the California 1-800 education number is not operated by the utilities directly and the
15 information provided in response to customer calls is not identified with any utility. The
16 same is true of the direct mail pieces that are being delivered.

17 Finally, I am concerned about those customers, between 40-50%, who did not rate
18 bill inserts, direct mail or toll free telephone numbers high on their list of effective
19 educational vehicles. These customers must be identified and a program designed to
20 respond to their needs as well.

21 Q. HAVE THERE BEEN ANY FURTHER DEVELOPMENTS IN THE

1 IMPLEMENTATION OF ELECTRIC COMPETITION EDUCATION PROGRAMS IN
2 OTHER STATES THAT MAY BE RELEVANT TO THIS PROCEEDING?

3 A. Yes. California has now begun to implement its Consumer Education Plan with TV and
4 radio advertisements that began in October, 1997, a toll free Call Center, and direct
5 mailings to all residential and small customers served by the three investor-owned utilities
6 subject to retail competition which will begin on January 1, 1998. I have attached three
7 Fact Sheets released by the California PUC which briefly summarize the objectives, budget
8 and the phases for their consumer education plan as Exh. BA-S-2.

9 In addition, the Maine PUC has initiated a rulemaking to implement the
10 recommendations of its Consumer Education Advisory Board. The rule proposes a
11 budget of \$1.6 million or approximately \$1.60 per capita, "...which it determined was
12 *within the range of funding per capita for plans in other states.*"¹ This funding will be
13 provided by a special assessment on all electric and transmission and distribution utilities
14 which will be recovered in rates from all ratepayers. The rule also calls for the
15 Commission to issue a proposed consumer education plan and provide an opportunity for
16 public comment prior to its adoption. The plan recommended by the Advisory Board
17 contains several phases, starting first with an Awareness Effort designed to educate
18 customers generally that change is coming by means of mass media and public service
19 announcements, followed by an Understanding phase in which more detailed information

¹Maine Public Utilities Commission, Re: Public Utilities Commission Rulemaking, Chapter 302, Consumer Education Program, Docket No. 97-583, November 6, 1997, at 4.

1 is transmitted through direct mail, an Assurance phase to provide in-depth information on
2 particular topics by means of 1-800 call centers, Internet documents, and specialty topic
3 brochures, and an Acceptance phase designed to reach "special needs" consumers by
4 means of outreach by community-based organizations. I have attached the
5 Recommendations of the Maine Consumer Education Advisory Board to my surrebuttal
6 testimony as Exh. BA-S-3. The recommendations are similar to those adopted by the
7 Vermont Department of Public Service and the California Consumer Education Plan
8 attached to my direct testimony.

9 I recommend that Pennsylvania use these models to assist in the design and
10 implementation of a consumer education plan.

11 12 **CODE OF CONDUCT**

13 Q. DO YOU AGREE WITH DUQUESNE'S PROPOSED CODE OF CONDUCT EVEN
14 AS AN INTERIM MEASURE PRIOR TO THE ADOPTION OF FINAL RULES BY
15 THE COMMISSION?

16 A. No. The proposed Code of Conduct is inadequate and it should not be adopted in the
17 form proposed by Duquesne even as an interim approach until the Commission completes
18 its rulemaking. Mr. Hoffman is incorrect when he states (at 28) that no other customer
19 group other than suppliers opposed the Company's proposed Code of Conduct. I
20 discussed the Company's proposals and attached the Massachusetts Code of Conduct as
21 Exh. BA-4 to my direct testimony. I identified several defects in the Duquesne proposed

1 code of conduct. Those defects are still valid. It is important to realize that the policies
2 associated with the adoption of a Code of Conduct in Pennsylvania are similar to those
3 considered by other commissions and regulatory bodies. It is precisely because other
4 states have considered proposals from utilities, suppliers and customer groups and rejected
5 those similar to those proposed by Duquesne in this case as inadequate that I continue to
6 urge the Commission to adopt a Code of Conduct applicable to Duquesne similar to that
7 adopted in Massachusetts or California. While the Code of Conduct proposed by
8 Duquesne in this case reflects a consensus position of the electric utilities, it does not
9 reflect a reasonable balancing of legitimate competing concerns and should be substantially
10 modified to address those concerns.

11 12 **Unbundled Billing and Bill Format**

13 Q. THE COMPANY CONTINUES TO RESIST THE EXPLORATION OF THE
14 SUPPLIER-ONLY BILL OPTION. DO YOU AGREE THAT THIS ISSUE SHOULD
15 BE DEFERRED UNTIL AFTER THIS PROCEEDING?

16 A. No. The Commission stated in its July 11, 1997 Customer Services Order that utilities
17 should submit three billing options in their restructuring filings, one of which is a supplier-
18 only bill with associated customer complaint and contact procedures. Mr. Allison's
19 statement that the Commission has not "endorsed" the single supplier bill option (at 22)
20 does not tell the whole story. Duquesne has not submitted a proposal in this regard,
21 relying in part on the Commission's recent proposed rulemaking on metering. However,

1 the Commission's proposed rule concerning the metering function should not be read as a
2 change in the Customer Services Order's applicability to billing options. The two are not
3 inextricably linked and it is perfectly appropriate to consider a competitive billing option as
4 separate from unbundling the metering service.

5 Q. MR. ALLISON ALLEGES THAT YOUR RECOMMENDATIONS CONCERNING
6 THE UNBUNDLING OF CHARGES AND THEIR PRESENTATION ON THE
7 BILLING STATEMENT HAVE NOT BEEN ORDERED BY THE COMMISSION IN
8 ANY OF ITS RULEMAKINGS. IS THIS A VALID REASON FOR HIS
9 OPPOSITION?

10 A. Mr. Allison references my direct testimony at page 42 in which I discuss the need to
11 unbundle meter costs when a customer selects an alternative meter. This seems obvious to
12 avoid having the customer pay twice for the same service, once to the EDC for the
13 installed meter and again for the advanced meter. The Commission's recent proposed
14 rulemaking on metering confirms this obvious suggestion when it calls for customers who
15 select an advanced meter to pay only the "net" increased costs associated with the new
16 meter. This new charge, if paid for by the customer (as opposed to the customer's
17 supplier), will appear separately on the customer's bill as a surcharge. Proposed Rule
18 §57.252(c).

19 Furthermore, the Commission's recent proposed rule, Customer Information
20 Disclosure for Electricity Providers, requires that all charges for non-basic services must
21 be itemized on a customer's bill on a quarterly basis, at a minimum, and these charges

1 must be separated from the basic charges with a different total. Proposed Rule §54.4.

2 Q. DOES THE BILL FORMAT USED BY THE COMPANY DURING THE PILOT
3 PROGRAM COMPLY WITH THE COMMISSION'S GUIDANCE TO DATE
4 CONCERNING DISCLOSURES?

5 A. The residential bill format used for the pilot program (Exh. FRA-8, Appendix E) may be
6 acceptable for the pilot program, but it does not conform in all respects to the
7 Commission's guidance for price disclosure, most recently outlined in its Proposed
8 Rulemaking for Customer Information Disclosure. The bill must contain a "standard
9 pricing unit for electricity in cents per kWh, kW or other Commission approved standard
10 pricing unit." Proposed Rule §54.4(a). Duquesne's bill does properly separately state the
11 amount due and balance owed for both the supplier and regulated distribution company
12 portion of the bill, but there is no uniform method of price disclosure for the generation
13 portion of the bill. No matter what the rate design used by the supplier, the bill, whether
14 issued by the supplier or the distribution utility, must contain a cents per kWh disclosure
15 of the customer's basic generation charge. Duquesne's bill format should be ordered to
16 include such a disclosure and demonstrate how it will be presented in a graphically
17 separate manner from the amount owed by the customer.

18
19 **CUSTOMER SERVICE**

20 Q. MR. ALLISON STATES THAT DUQUESNE INTENDS TO CHARGE FEES FOR A
21 VARIETY OF SERVICES AND PROCEDURES ASSOCIATED WITH THE ONSET

1 OF CUSTOMER CHOICE, BUT WILL DO SO AT A LATER TIME. IS THIS
2 APPROPRIATE?

3 A. No. This is the restructuring proceeding that should address the Company's procedures,
4 tariff changes and fees, if any, associated with the move to retail electric competition. It is
5 unreasonable to suggest, as does Mr. Allison (at 19), that fees and charges for a specified
6 list of services will be charged at "net incremental cost" without Commission review. It is
7 the Company's responsibility to unbundle its services and allow the Commission to
8 determine whether fees should be charged and in what amount in this proceeding.
9 Furthermore, it may not be appropriate to charge any fee associated with some of these
10 services because they reflect costs incurred to change systems and adopt new procedures
11 for customer choice that will benefit all customers, not merely those that make use of
12 these services. While I agree that some of these services may be the subject of contractual
13 arrangements with suppliers, others are directed to customers themselves and should be
14 resolved in this proceeding.

15 Q. DOES THIS COMPLETE YOUR TESTIMONY?

16
17 A. Yes, it does.

18
19 44960

OCA Exhibit BA-S-1

***UNH Survey Center
Retail Electric Competition Pilot Program Survey Report***

EXECUTIVE SUMMARY REPORT

Newspapers Were the Most Important Source of Information Prior to the Pilot Program

Using an unaided question, respondents were asked how they first learned about the Pilot Program before they were selected to participate. One-half of respondents who participated in the Pilot Program first found out about the Pilot Program through a newspaper advertisement (21%) or an article in the newspaper (29%). An additional 20 percent first learned about the Pilot Program from a letter from their distribution utility. Only 6 percent said that they first learned about the Pilot Program from television news.

It should be emphasized that newspapers were mentioned as the most important source of information by those who volunteered for the Pilot Program and those who were selected because they reside in a Geographic Area of Choice (GAC).

Using an aided question, respondents were read a list of sources and asked whether they recalled seeing or hearing anything about the Pilot Program from each one before they were selected to participate in the program. Again, information from a newspaper reached over three-fourths of respondents (76%). Many also recalled seeing or hearing something from their distribution utility (41%) or the television news (41%). Twenty percent recalled seeing or hearing something from the New Hampshire Public Utilities Commission (NHPUC). It should be noted that while relatively few respondents recalled seeing or hearing something from the NHPUC, most recalled something in a newspaper - which could include the full-page announcements sponsored by the NHPUC.

Newspapers Were Also the Most Important Source of Information After Respondents Were Selected

After respondents were selected to participate in the Pilot Program, most recalled seeing, hearing, or receiving information about the Pilot Program from many different sources. Again, newspapers (75%) were the most common source of information, followed by information from respondents' distribution utilities (58%), and friends, neighbors and acquaintances (57%). Among those residing in a GAC, 44 percent said that they received something from their city or town.

Newspapers Articles Were Viewed as a Useful Source of Information

Nearly one-third of respondents (32%) who recalled reading a newspaper article about the Pilot Program said that the information was very useful. An additional 50 percent said that newspaper articles were somewhat useful. Although widely used, information from friends and acquaintances was considered not useful by many respondents (40%).

Many GAC participants (30%) said that the information they received from their city or town was very useful.

Virtually All Respondents Received Advertising from Several Power Suppliers

The average respondent received advertising from 10 different power suppliers. Only 5 percent of

respondents said that they did not receive advertising from any power suppliers. Interestingly, the amount of power supplier advertising is unrelated to how respondents were selected to participate in the Pilot Program or to the size of customers, as measured by the amount of electricity they use.

Some Respondents Expressed Concern About the Advertising They Received

One-third of respondents (33%) said that at least some of the advertising they received was unfair or deceptive. Middle-aged and higher income respondents were more likely to express concern about unfair advertising.

Most Respondents Said that They Understood the Pilot Program

Respondents were read a description of the Pilot Program, explaining the differences between the generation, transmission and distribution components associated with producing and distributing electricity. The question also included an explanation that the Pilot Program only allows competition in the area of generation, which is separate from the transmission and distribution components.

Over one-half of respondents (51%) said that they understood completely how the Pilot Program worked when they were deciding whether to switch power suppliers. An additional 34 percent said that they understood somewhat how the Pilot Program worked. Only 9 percent of respondents said that they did not understand the details of the Pilot Program.

These results were compared by the sources of information used by respondents to learn about the Pilot Program. The most striking finding is that newspaper articles appear to be an important source of information for helping respondents understand the Pilot Program. Among those who recalled reading a newspaper article about the Pilot Program, 55 percent said that they completely understood the details of the Pilot Program, compared to 36 percent of those who did not see anything in a newspaper.

Most Respondents Over-Estimated the Generation Component of Their Bill

Many respondents (40%) said that the generation component of their electricity bill was less than 20 percent of their total bill. Still, many (60%) believed that the generation component was more than 20 percent of their total electricity bill. The average respondent said that the generation component makes up 33 percent of their bill. Contrary to expectation, higher educated respondents were more likely to exaggerate the amount of their bill which goes toward the generation of electricity.

Many Respondents Understand the Specifics of the Pilot Program

In addition to an overall understanding question, respondents who switched providers were asked a series of specific questions about the Pilot Program. The overwhelming majority of respondents (84%) said that they would contact their distribution utility if their electricity goes out. In addition, relatively few respondents were unsure: 1) whether they were allowed to switch to another provider (19%); 2) whether they were required to stay with their current power supplier for a specific length of time (19%); or 3) whether they are charged a fixed or variable rate for their electricity (13%). These results suggest that most respondents who switched providers believe that they understand the terms of their relationship with their new power suppliers.

Many Pilot Participants Have Not Switched to a New Power Supplier

Many respondents (42%) who were selected to participate in the Pilot Program reported that they have

not switched to another power supplier. As expected, GAC participants (48%) are more likely not to have switched to a new power supplier than those who volunteered (36%) to participate. Still, it is important to emphasize that over one-third (36%) of those who voluntarily signed up for the Pilot Program and were selected to participate ended up not switching to a new power supplier.

Price is the Overwhelming Consideration Driving Customer Decision Making

Respondents who switched to another power supplier were read a list of factors and asked whether each one influenced their decision to choose a new power supplier. Seventy-one percent of respondents said that the total price of electricity offered by the power supplier had a strong influence on their decision. No other factor came close to matching the importance attributed to overall cost. About one-fourth of respondents (27%) said that the reputation of the power supplier had a strong influence on their decision. Twenty percent said that their decision was strongly influenced by the environmental message or image of the power supplier. But notice that most respondents (54%) said that this factor had no influence on their decision.

Respondents who did not switch to another power supplier were read a list of factors and asked whether their decision not to switch was or was not influenced by each one. The results suggest that apathy and indecision are important reasons why most respondents ended up not switching to a new power supplier. Over one-half of respondents (52%) said that it was easier to stay with their old power supplier. Thirty-eight percent said that the competing offers they received from different power suppliers were too confusing. About one-fourth of respondents (25%) said that they are still waiting for a better offer.

Economic Considerations Were Central to Those Who Volunteered for the Pilot Program

Two-thirds of respondents (66%) who volunteered for the Pilot Program said that they did so to save money on their electricity bill. Only 5 percent volunteered to participate because they disliked their old distribution utility.

Almost one-half of respondents (46%) agreed that the savings from the Pilot Program were smaller than they expected. Still, many respondents (37%) disagreed with this statement. In fact, many respondents (41%) who said that the main reason they volunteered for the Pilot Program was to save money disagreed that the savings from the Pilot Program were smaller than what they expected.

Most Respondents Expressed Satisfaction with the Pilot Program

Over two-thirds of respondents (67%) said that they were at least somewhat satisfied with the Pilot Program. Only 21 percent of respondents said that they were dissatisfied. Small customers who volunteered for the Pilot Program expressed the highest satisfaction.

Forty percent of respondents said that the Pilot Program exceeded their expectations. Only one-third of respondents (36%) said that the Pilot Program fell short of their expectations.

Using an open-ended question, respondents were asked what they liked most about the Pilot Program. Over one-half of respondents (55%) mentioned lower electricity rates. Fifteen percent said that they liked the freedom to choose a new power supplier. These results suggest that most customers prefer savings to empowerment.

Using an open-ended question, respondents were asked what they liked least about the Pilot Program. Over one-third of respondents (35%) did not mention anything. Twelve percent said that they disliked

the way they are billed for electricity. Overall, no single issue stood out as a major problem with the Pilot Program.

Respondents were also asked an open-ended question about what they think needs to be done differently in the future to ensure that the introduction of competition among power suppliers serves the best interests of consumers. Again, no single issue stood out as a major source of concern. Eighteen percent said that consumers need more accurate information.

Few Respondents Reported Problems with Their New Power Supplier

Respondents who switched to a new power supplier were asked whether or not they have experienced any problems with their new supplier. Only 4 percent mentioned that they have had a problem.

Billing Does Not Appear to be a Source of Concern

Nearly three-fourths of respondents (74%) who have switched to a new power supplier reported that they receive two electricity bills each month. But this does not appear to have caused problems for most respondents. In fact, there is no difference in satisfaction reported by those who receive one bill and those who receive two.

Respondents Were Generally Satisfied With All Interested Parties

Eighty-four percent of respondents agreed with the statement that "supplier competition is good for the consumers of New Hampshire."

Most respondents also agreed that the NHPUC (57%), the new power suppliers (61%), and the distribution utilities (65%) have done a good job serving the interests of consumers who participated in the Pilot Program.

Many Respondents Perceived a Need for Limited Regulation

Although most respondents expressed satisfaction with the Pilot Program, many respondents (54%) agreed that "more regulation of the power suppliers is needed to protect the interests of consumers." Thirty percent of respondents disagreed with this statement. Lower income respondents expressed the strongest agreement that more regulation of the power suppliers is needed to protect the interests of consumers.

Eighty-four percent of respondents agreed with the statement that "power suppliers should be required to provide consumers with uniform information about the average price of electricity, taking into consideration customer changes, incentives, and gifts." Eight percent of respondents disagreed with this statement.

Eighty-seven percent of respondents agreed with the statement that "power suppliers should be required to provide consumers with comparable information in a standardized format about other service characteristics, such as fuel used to generate electricity, contract length, and environmental emissions." Six percent of respondents disagreed with this statement.

Most Respondents Believed that the NHPUC is Responsible for Educating Consumers

Respondents were asked who should be most responsible for educating consumers about retail electricity

competition in the future. Fifty-nine percent said that the NHPUC should be most responsible. Ten percent said that the distribution utilities should be most responsible, 19 percent identified the power suppliers, and 12 percent said consumers should be responsible for educating themselves.

Several Techniques Could be Used to Help Educate Consumers

Respondents were read a list of ways to educate consumers about retail electricity competition and asked whether they think each one would be very effective, somewhat effective or not effective. Over two-thirds of respondents (68%) said that a bill insert would be very effective. Over one-half of respondents (53%) said that direct mail would be very effective. Nearly one-half of respondents (49%) also said that a toll free 1-800 telephone number would be very effective.

Retail Electric Competition Pilot Program Survey Report

OCA Exhibit BA-S-2

FOR IMMEDIATE RELEASE

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STATE OF CALIFORNIA LAUNCHES "PLUG IN, CALIFORNIA!" TO INFORM CONSUMERS ABOUT ELECTRIC UTILITY INDUSTRY CHANGES

Three-part, Long-term Education Program
to Target Residents and Small Businesses

More Than \$13 Million Available to Community-based Organizations

SAN FRANCISCO, Sept. 25, 1997 -- The State of California Public Utilities Commission (CPUC) announced the launch of an \$89.3 million public education campaign to inform Californians about how coming changes to the state's electric utility industry will affect their energy choices. After Jan. 1, 1998, California will become the first state in the nation to introduce a competitive electric utility industry to allow consumers to choose their own electric service provider. The state's education effort will primarily target residential consumers, small businesses, and special needs populations to ensure they receive accurate, unbiased information about electric industry restructuring. The changes will only apply to customers of California's seven investor-owned utilities and to customers of the municipal utilities and special districts that choose to participate. The seven investor-owned utilities are: Pacific Gas and Electric, San Diego Gas and Electric, Southern California Edison, Southern California Water Company, Pacificorp, Kirkwood Gas and Electric, and Sierra Pacific Power Company. Pacific Gas and Electric, San Diego Gas and Electric, and Southern California Edison combined serve about 70 percent of the state.

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Plug In, California!

2-2-2

The consumer education program will have three components:

- I. A \$73.5 million intensive consumer education program, which will be known as, "Plug In, California!," will include television and radio advertisements, utility bill inserts, a live-operator information call center, and a variety of community outreach efforts. This program also includes \$3.6 million which will be distributed to community-based organizations (CBOs) to conduct grassroots education about choices that will be available to consumers after Jan. 1, 1998.
- II. A \$2 million program in which the CPUC's Consumer Services Division will incorporate electric industry restructuring information into its daily contact with the press and the public.
- III. A \$13 million Electric Education Trust (EET) which will conduct long-term education starting in 1998. This education effort includes up to \$10 million which will be distributed to CBOs to conduct extended education.

A major media launch, including television advertisements, is expected to begin in mid-October. The intensive customer education and grassroots program is expected to conclude by May 31, 1998. The EET will begin to gear up its program in March 1998. One of the EET's proactive activities will include distributing funds to CBOs to help facilitate the electric utility industry transition for residential and special needs audiences, including seniors, ethnic populations, physically challenged, rural, low-income and non-English speaking consumers. The CPUC's Consumer Services program will augment these efforts by communicating relevant consumer protection measures and other policies adopted by the Commission to consumers; local, state and federal officials; and other targeted audiences.

-more-

Plug In, California!
3-3-3

Focus group studies conducted by Plug In, California! have shown that California electric customers are most interested in learning about how change in the electric utility industry will affect their rates; how to make informed choices in the new environment; whether service, reliability and safety will be maintained; and their rights as consumers.

Plug In, California! will address these issues by presenting factual, unbiased information in plain, easy-to-understand language.

The CPUC and California's stakeholder and consumer groups have played a significant role in the creation of the Plug In, California! campaign action plans, and the CPUC will have full oversight of the campaign. As the program is implemented, it will be monitored for effectiveness and adjusted as necessary.

The Plug In, California! education program is being implemented by Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison, and Southern California Water Company (which provides electric service to mountain communities in San Bernardino County). The CPUC has established a goal for measuring the effectiveness of the Plug In, California! consumer education program.

By devoting resources to community outreach, Plug In, California! will take advantage of the extensive network of CBOs throughout the state. CBOs can apply for grants from \$5,000 to \$150,000 to educate their constituents about the electric industry restructuring by conducting Town Hall events, workshops and seminars, and distributing educational materials. Applicants must be California-based, non-profit organizations with valid 501(c) (3) status. Organizations that do not have 501(c) (3) status can collaborate with others that do. Applications can be requested by calling 800-830-2001.

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Plug In, California!
4-4-4

With the changes in the electric utility industry, energy customers who are currently served by investor-owned utilities will be able to buy electricity from another electric service provider, but consumers who choose to take no action will remain with their existing utility. Plug In, California! is designed so that customers have the information necessary to compare and select among current and new electric service providers and so that they can protect themselves from marketing practices that may be unfair or deceptive.

The CPUC will continue to serve in its oversight role over the electric utility industry, and will monitor and address any such abusive practices.

The CPUC is the state agency responsible for regulating the rates, safety and service of all privately owned telecommunications, electric, water, and natural gas utilities. Currently, the CPUC regulates more than 1,000 utilities, and its decisions affect nearly \$50 billion in utility-related economic activity.

Plug In, California! is one part of the CPUC's comprehensive approach to inform consumers about the changes in California's electric utility industry. The campaign is designed to provide Californians with accurate, unbiased, and user-friendly information, as well as resources for further information.

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Plug In, California!

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CALIFORNIA'S COMPREHENSIVE ELECTRIC EDUCATION PROGRAM

BACKGROUND

In 1996, the California State Legislature passed a law which will allow most Californians to choose which company will provide the electric portion of their electric utility service. Consumers in areas served by investor-owned utilities will have a choice of electric service providers after Jan. 1, 1998.

Because of this new competitive system, consumers will receive information from power companies seeking to win their business. The California Public Utilities Commission (CPUC), which regulates and oversees utility industries, recognizes that consumers should have unbiased information about the new competitive energy marketplace and the choices they can make.

THE CPUC'S THREE-PART EDUCATION CAMPAIGN

The CPUC is taking a three-pronged approach to educate California consumers with a comprehensive public education plan. The plan kicks off in September 1997 and will continue through June 1999. The plan consists of these separate but integrated components:

- I. Plug In, California!
- II. The CPUC's Outreach Program, coordinated by the CPUC Consumer Services Division
- III. The Electric Education Trust (EET)

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THE BUDGET

The budget for the entire education campaign, encompassing the three elements listed above, is \$89.3 million. Funding is being provided by Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison, and Southern California Water Company (which provides electric service to mountain communities in San Bernardino County). The \$89.3 million budget includes:

- \$73.5 million for Plug In, California!
- \$2 million for the 1997 - 1998 CPUC outreach efforts
- \$13 million for the EET

I. *Plug In, California!*

Primary Goal: To provide electric consumers with unbiased easy-to-understand information about their new electricity choices. This campaign also focuses on small businesses and hard-to-reach and special needs audiences, including, seniors, persons with disabilities, rural populations, ethnic community members, and non-English-speaking individuals.

Duration: September 1997 through May 1998

Budget: \$73.5 million, including \$3.6 million available for use by non-profit community-based organizations (CBOs)

II. *The CPUC's Outreach Plan*

Primary Goal: To utilize the CPUC's consumer protection office to maximize educational communications with the public, the press, governmental entities and their constituents, which the division interacts with on a daily basis.

Duration: Ongoing, the program will continue as long as the CPUC determines that the need exists

Budget: \$2 million

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III. The Electric Education Trust

Primary Goal: To ensure that the public education and community outreach process begun by Plug In, California! and the CPUC's Consumer Services Division continues over a sustained period of time. EET will be submitting a communication plan, including a CBO outreach plan, to the CPUC for approval by Oct. 15, 1997.

Duration: April 1998 through June 1999. (State legislation may extend the duration of the EET.)

Budget: \$3 million, plus up to \$10 million available for use by non-profit CBOs

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Plug In, California!

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PLUG IN, CALIFORNIA!

THE EDUCATION CAMPAIGN

Plug In, California! is one part of the California Public Utilities Commission's (CPUC) comprehensive approach to inform consumers about the changes in California's electric industry. The CPUC, as well as California's stakeholder, consumer advocacy and ratepayer groups, have played an instrumental role in the creation of the campaign's action plans. The campaign will be monitored for effectiveness and adjusted as necessary.

OBJECTIVES OF THE EDUCATION CAMPAIGN

To provide California's residential and small business electric customers -- including those who may be difficult to reach, such as economically disadvantaged or limited English-speaking populations -- with accurate, unbiased and user-friendly information, as well as resources for further information, so that they are able to:

- Compare and select among products and services provided in the electricity market
- Protect themselves from marketing practices that are unfair or abusive

THE RESEARCH

Focus group research was conducted by Plug In, California! among the general population, seniors, small business persons, small and family farmers, African Americans, Chinese, Filipinos, Koreans, Latinos, and Vietnamese.

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In addition to wanting factual, unbiased information in plain language, the California electric consumers involved in the research indicated that they are most interested in learning about:

- How changes to the electric industry will affect their rates
- How to make informed choices in the new environment
- Whether service, reliability and safety will be maintained
- What their rights as consumers will be

THE DURATION

The multi-faceted education campaign will begin in September 1997 and end May 31, 1998.

THE BUDGET

The campaign's budget of \$73.5 million includes \$3.6 million which will be available to non-profit community-based organizations that want to educate their constituents about how electric industry changes will affect them.

The campaign's budget is being provided by Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison, and Southern California Water Company (which provides electric service to mountain communities in San Bernardino County).

The CPUC has established a goal for measuring the effectiveness of the Plug In, California! consumer education program.

THE COMPONENTS

The statewide campaign will employ a wide variety of activities which have proven effective in communicating to California's diverse populations, including:

- *Advertising* in television, radio, and print media and on billboards
- *Direct mail* to customers of the participating utilities
- *Brochures* targeted to the needs of small businesses, residential customers, non-English-speaking populations, and low-literacy audiences
- *Public relations* efforts, which focus on actively educating editors and reporters at local and regional newspapers, magazines, radio and television outlets so that they can accurately communicate with their readers, listeners and viewers
- *Community outreach*, which includes providing \$3.6 million to qualified non-profit community-based organizations that will take on the responsibility of educating their own constituents at the grassroots level; and use of local and regional community, civic and cultural events to distribute literature and answer consumers' questions

- *An Internet website*
- *A toll-free multi-lingual customer call center*, operational Oct. 15, 1997, which can answer questions, forward printed materials, or direct electric consumers to other sources of information

THE AGENCIES

DDB Needham Los Angeles, a full-service advertising agency with substantial experience in developing and implementing public education programs that impact the state's varied consumer segments, has been hired to help carry out the program's objectives. DDB Needham's work in educational campaigns includes the highly successful California Department of Conservation campaign on beverage container recycling, which featured Danny DeVito and Rhea Perlman. In addition, the firm has handled educational efforts related to anti-litter, the diversion of landfill waste and the introduction of Caller ID and other next-generation calling services.

Partnering with DDB Needham on Plug In, California! are several public relations and marketing firms who provide specialized expertise in communicating to California's varied and hard-to-reach constituencies, such as seniors, the physically challenged, non-English speaking residents and economically disadvantaged families.

Rogers & Associates, a Los Angeles-based public relations agency, was selected as a key communications partner based on the firm's diverse public education experience, including work on behalf of the California Department of Health Services for the state anti-smoking and HIV/AIDS prevention campaigns.

DDB Needham and Rogers & Associates will work with several other advertising, public relations and marketing firms. The Plug In, California! team includes:

DDB Needham Los Angeles	Lead advertising and marketing firm
Rogers & Associates	Lead public relations and community outreach firm
Anita Santiago Advertising	Hispanic advertising
Carol H. Williams Advertising	African American advertising
Imada Wong Communications Group	Asian Pacific Islander advertising, public relations and community outreach
Durazo Communications	Hispanic public relations and community outreach
Young Communications Group	African American public relations and community outreach
Flair Communications	Promotions and direct marketing

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OCA Exhibit BA-S-3

**Recommendations for Development of a
Consumer Education Program
About Electricity Retail Access**

**Submitted by the
Consumer Education Advisory Board
on Electricity Retail Access**

**to the
Maine Public Utilities Commission**

October 2, 1997

**Members of the Consumer Education Advisory Board on Electricity Retail
Access**

Dan Allegretti, ENRON Power Marketing, Inc.

Dan Dauphinee, Northeastern Log Homes

Susan Benson, Dept. of Conservation

Ellie Bickmore, Maine Grocers Association

(Chair) Representative Donald Berry, Sr., Belmont, Maine

Eric Bryant, Public Advocate's Office

Debbie Burd, Exec. Dir., Western Mountains Alliance

Carla Dickstein, Coastal Enterprises, Inc.

Geoffrey Green, Central Maine Power Company

Pat Kosma, Mgr., KVCAP

John Knox, Readfield, Maine

Laurie LaChance, State Planning Office

John Marvin, AARP/AFL-CIO

Chet Oiler, Mgr., Kennebunk Light & Power Dist.

Matt Thayer, Dir., Consumer Assistance Division, Public Utilities Commission

I. Executive Summary

We, the Consumer Education Advisory Board on Electricity Retail Access, submit this report to the Public Utilities Commission (PUC) to fulfill the Legislature's charge in L.D. 1804, "An Act to Restructure the State's Electric Industry." L.D. 1804 restructures the electric utility industry, effective March 2000, by separating electricity generation and sales from transmission and distribution functions in many Maine utilities. As a result, Maine consumers will be able to purchase electricity from competing retail providers, a concept known as "retail access." Transmission and distribution services will continue to be provided by monopoly utilities.

The Legislature recognized the need to educate Maine consumers about the upcoming changes in the electricity industry and the new ways that consumers may purchase electricity in the future, and mandated creation of the Consumer Education Advisory Board on Electricity Retail Access. The Legislature directed the Board to advise the Commission on development of a consumer education rule, and created the Board, in part, to "investigate and recommend methods to educate the public about the implementation of retail access and its impact on consumers."

The Legislature charged the Board with making recommendations in several specific areas, some of which are summarized below. Complex or detailed recommendations follow in this report.

- **Program Goals:**
 - **Increase consumer awareness of retail access and related issues**
 - Facilitate informed consumer decision-making . . .
 - Provide an objective and credible source of information for consumers
- **Core Messages:** see "Core Messages for Education," beginning on p. 3.
- **Target Audience:**
 - residential consumers, including "hard to reach" consumers such as low income, elderly, lesser educated, and rural consumers;
 - commercial consumers, including municipal consumers;
- **Program Objectives:** develop measurable objectives against which program performance can be assessed, and to assist with program implementation and evaluation;
- **Means of Education:** use complementary educational methods in an integrated fashion;
- **Administrator:** the PUC, with assistance from a communications contractor;
- **Timeframe:** at various levels of intensity, from September 1998 to January 2001;
- **Authorized Funding Level:** \$1.6 million (this sum takes into account the complexities of the process by which, and timing when, authorized funding can be adjusted to respond to conditions that may require an increase in program intensity or duration);
- **Funding Source:** be funded by fees assessed on competitive electricity providers, and, to the extent that this funding source is not workable or adequate, funded by customers of transmission and distribution companies through a separate charge on customer bills.

We also recommend the PUC begin the contractor Request for Proposal process in February 1998, and hold a public proceeding to approve the education program *plan* in mid-1998.

II. Goals of Educational Effort

We recommend that the consumer education program (CEP) have at least the following goals:

- **Increase consumer awareness of retail access and related issues**
- **Facilitate informed consumer decision-making thereby achieving customer-preferred outcomes**

The definition of “informed” should be left to individual consumers as they consider whether they feel they have made informed decisions, and is envisioned as a neutral and inclusive term. “Informed” may include securing better electric rates, buying “greener” power, knowing about and contracting with aggregators, etc.

- **Provide an objective and credible source of information for consumers**

III. Core Messages for Education

As requested by the Legislature, we identify below the aspects of retail access about which consumers need education. We then recommend six core messages for the consumer education program (CEP) based on the list of aspects of retail access, messages that we believe consumers will want and need to know. We strongly recommend that the CEP deliver information on the core messages, not just on particular aspects of retail access or the mechanics of buying power in a restructured market. It is equally important for consumers to understand why these changes are happening and why they should care, as it is for them to know how to participate most effectively in a competitive market.

A. Aspects of Restructuring

Consumers will need education on at least the following *aspects* of restructuring: competitive generation and choice; regulated distribution; system reliability;¹ aggregation; standard offer service; itemized billing (referred to in L.D. 1804 as “unbundling”); stranded costs; uniform information disclosure; low income bill payment assistance programs; renewable/alternative energy; energy efficiency; the “Do-Not-Call” List; and the timeline for competition.

B. Core Messages

We propose *core messages* for the education effort, which at this point weave in many, but not all, aspects of restructuring about which consumers need education, as indicated below:

1. Why is Restructuring Occurring?

- What’s in it for me?
 - Choice of suppliers
 - Aggregation
- Potential benefits
 - Choice in energy supply (“green” energy)
 - Lower prices
 - Less reliance on regulation

2. Structure of the Industry

¹ Education about system reliability is important; reliability is the most important issue for Maine consumers, just ahead of low rates, according to the PUC’s 1996 electric restructuring consumer survey.

- **Flow of Electrons (could use a "swimming pool" analogy as suggested below)**
- Separation of generation from transmission and distribution services

3. Choice/Change is Coming

- Generation price
(This message could be in part: "Generation prices may change. The market will determine the prices available to you; you will determine the price you pay")
- Marketing is coming -- Inform yourself, know your choices.
Uniform information disclosure would help, if adopted.
Working with telemarketers / "Do-Not-Call" List
- Standard offer -- There will be a change *even* if you do nothing²
- Reduced/alternative regulation of suppliers
- How to purchase power in a competitive marketplace³

4. Reliability

- System reliability will be maintained at the distribution end by local transmission and distribution companies and their poles and wires and bucket trucks, under continued state regulation of these utilities.

5. Timeline for Retail Access

- *Itemized billing (in-statute referred to as "Unbundling")*
- Choice day (the first day of retail access, March 1, 2000)

6. Who to Call for More Information

- The PUC

² All customers who do not select a competitive provider will be placed on the Standard Offer

³ This message addresses the process for purchasing power from competitive providers and the standard offer (and should address aggregation), how to purchase power wisely (how to compare offers and what to consider when you do), how to read your bill, and basic consumer rights.

C. Other Recommendations about Messages

The “Price” Message. The message on electricity “price” must be handled very carefully. We should avoid a core message about the overall price under restructuring because at this point no one can determine whether the price will be lower for consumers than it is today. While lower electricity prices are a potential benefit, they are not guaranteed. Another challenge with the “price” message is that it may be difficult to determine unit costs for electricity in a way that is useful for consumer decision making. Any core message about price should focus strictly on the energy component and should advise consumers to follow methods recommended in the CEP to obtain the lowest cost electricity provider for their needs. Itemized billing (referred to in the statute as bill “unbundling”) and uniform information disclosure, if adopted, will help with education on price.

“Flow of Electrons” Message. Consumers will need understandable information on how the electric system actually works to understand their new role in purchasing generation. We believe a “swimming pool” analogy may be the best foundation for communication about system basics.⁴

“Itemized billing” Message. In order to help minimize consumer confusion, we recommend that bill “unbundling” be referred to as “itemized billing.” The term “itemized billing” will be more easily understood by consumers.

Bumps in the Road. We recommend that consumers be made aware that if initial bumps are anticipated in the road as retail access is implemented, they not interpret what can be determined to be only implementation hiccups as permanent conditions of retail access.

We recommend these core messages with the recognition that developing core messages is a large undertaking that will require additional attention by the communications professionals who help to design and implement the CEP. Consumer-based research methods including focus groups should

⁴ The “swimming pool” analogy is as follows:

The electric power grid is like a swimming pool. The poles and wires are analogous to the pool. Suppliers of electricity can be thought of as pumps pouring water into the pool, and each customer has a tap to draw water out. The poles and wires will remain a natural monopoly because it is too expensive to build a new grid. But you can pay the supplier of your choice to put power into the pool for you, even though the power you use may not physically come from that supplier. You can choose, in your selection of energy provider, which pump you want turned up, and can send signals (e.g., regarding the importance to you of “green” power, or of your desire to buy Maine products) to the marketplace by your selection of a provider.

be used to ensure that these proposed messages are those that will be most helpful for consumers, and to fine-tune the messages.

D. Message Development and Delivery

Tailor the messages. The core messages, aspects of retail competition about which consumers need education, and delivery media should be tailored to the various customer classes, so that residential, small business, low income consumers, and others, get the information they need to make a choice that meets their specific needs.

Raising expectations. In general, we recommend that any core messages, especially for topics as important to consumers as price, avoid raising expectations at the outset, in order to avoid disappointing consumers.

Deliver in progression. We recommend that messages be delivered in a progression. Because we recommend a CEP lasting about two years, starting a year and a half prior to retail access, there is time to provide information in a progression so that consumers can absorb it and gain an increased understanding of retail choice. We recommend, however, that the bulk of the activity take place just before, and when, the consumer is actually presented with a supplier choice.

IV. Target Audiences

The Legislature charged us with making recommendations for an "adequate" consumer education program. To meet our charge, we must first define "adequate." We define an "adequate" program ideally as one designed to reach *every* Maine consumer in the target audiences identified below. While it is not practicable to reach *every* consumer, we recommend that the PUC design the CEP to aim to reach all consumers, including those who may not be easily reached through traditional channels.

Residential consumers, including "hard to reach" and "special needs" consumers. We recommend that the CEP target residential consumers including "hard to reach" consumers, such as low-income consumers, senior citizens, disabled consumers, the illiterate or functionally illiterate, and residents who do not speak English or for whom English is not their first language. These consumers have educational needs different than those of other residential consumers and which should be accommodated in design of the CEP. Some of these consumers also spend a much greater portion of their limited household income on energy costs.

Small commercial consumers, including municipal consumers. We recommend that the CEP target small commercial consumers, including municipal consumers. We do not have a specific recommendation on how "*small* commercial" should be defined. We believe that all commercial customers should be targeted that are *not* apt to see the clear financial incentive or have the wherewithal to, on their own initiative, research the changes in the market necessary to make informed decisions. Some Board members feel this may mean that all but major industrial consumers should be targeted, since only these large customers clearly have the economic incentive and financial resources to research their options. To the extent a "bright line" is meaningful and needs to be drawn between commercial customers based on size to better define the target audience, we suggest that it may be appropriate for this purpose to define "*small* commercial" based on the number of employees.

While some residential consumers may be very effectively reached by the CEP through their education as commercial customers, the opposite may not be true, and a specific component for educating commercial consumers should be developed. In fact, we believe that residential consumers who make energy purchasing decisions for their commercial accounts may be more effectively reached through education aimed at them as commercial consumers because the potential savings on their commercial bills may be large enough to lead these consumers to want to learn about retail access issues. These consumers may then apply what they learn in energy shopping decision for their businesses to their residential purchasing decisions.

V. Challenges and Opportunities

Retail access is a complex subject and may be what is known as a "low-interest, low involvement" issue. "Low-interest, low involvement" issues are the most challenging type of issues to raise public awareness of and interest in, and around which to encourage active decision-making. The experience or skepticism of some consumers with deregulation in other industries, including banking, airlines, and telecommunications, will also make the educational effort more challenging.

The extent of consumer education on retail access will affect how well implementation of retail access goes, and the extent to which consumers feel enfranchised. Through the CEP, consumers will have a greater opportunity to become informed before implementation of retail access, and a real opportunity for access to unbiased information during implementation. We may therefore avoid the consumer experience (and disenfranchisement) that occurred during the deregulation of the "phone" industry in the 1980s, which had no similar consumer education effort.

VI. Communications Objectives

Establish measurable communications objectives for aided and/or unaided awareness. We recommend the PUC establish communications objectives to measure program effectiveness and provide a basis for increasing, decreasing or redirecting resources during implementation, as necessary. Establishment of objectives is important especially given the challenge of educating the public about a "low interest, low involvement" issue; messages and strategies may need modification during program delivery, but it is only with monitored results that CEP implementors will know what needs to be refined.

Objectives should be set for either, or both, achievement of aided and/or unaided awareness. Aided awareness is the level of awareness consumers display when asked by an interviewer about their knowledge of an issue and when provided some assistance through the use of lead-in questions. Unaided awareness is the level of awareness consumers display when *not* asked any lead-in questions that provide specific information.

We recommend that the PUC attempt to establish other measurable objectives for monitoring the CEP's success, modifying the program, and assessing ultimate program success.

Evaluate CEP effectiveness by monitoring attainment of communications objectives. The PUC should evaluate CEP effectiveness using periodic surveys of awareness levels, and any other communications objectives, so the program's messages, level of intensity, and target audiences can be refined during program implementation. Meaningful refinement is possible based on results of initial and periodic follow-up surveys. A final survey should be done to assess overall program effectiveness.

We recommend that the PUC set target levels with reference to results in other education efforts in other industries or areas of the country, to the extent such results are available and relevant for for this education program. Other such programs include the California retail access CEP, and the California Caller ID consumer education program.

VII. Most Effective Methods of Education

A. General Recommendation

Implement a CEP that uses complementary educational tools in an integrated fashion. We recommend that a variety of consumer educational tools be used. Our review of educational techniques suggests that many means of education are complementary, and that when used in an integrated fashion as recommended below, can be very effective. We recommend that the program include, but not be limited to, the following means of consumer education in an integrated fashion:

- media coverage (free) as a result of press releases, other press outreach, etc.
- advertisements and reduced-rate public service announcements on TV, radio, newspaper, and possibly other media
 - education delivered by Community-based Organizations (CBOs)
 - informational brochures, fact sheets (including effective distribution)
 - restructuring newsletter⁵
 - direct mail and perhaps bill inserts
 - information clearinghouse at PUC
 - Internet / World Wide Web Homepage
 - speakers' bureau
 - outreach to (and by) opinion leaders
 - outreach through large employers
 - public meetings
 - workshops for consumers; or particular groups of consumers
 - toll-free 800 hotline for questions
 - New England uniform information disclosure (if all New England states adopt it)

We provide more detail on the recommended techniques and their components in our discussion of the funding level necessary for the educational program.

Complementary nature of techniques. We believe that many of these educational techniques are complementary because they reinforce one another in reaching consumers and increasing consumer understanding. Some techniques raise general awareness, other techniques promote the deeper understanding and assurance about processes and tools for making choices that is necessary for informed decision-making, while others raise awareness among and provide detailed information to "harder to reach" consumers. The integrated approach also allows for delivery of

⁵ The newsletter could be directed to key community influencers such as legislators, town and county officials, other community leaders, residential and business consumer advocates, etc., and issued one or more times before and during implementation of retail access.

messages in a "multimedia" fashion, which we believe many people find improves their level of understanding. We therefore believe these techniques are especially effective when used in an integrated and simultaneous fashion.

The California and Vermont CEPs are based on a similar concept of consumer outreach in which progressively deeper levels of understanding are achieved through simultaneous use of complementary methods in an integrated approach. The California PUC's approach, as articulated by their CEP communications contractor,⁶ is as follows:

<u>Level of Education</u>	<u>Method of Education</u>
Awareness -- widespread knowledge that some changes are coming	Mass Media (news coverage and public service announcements)
Understanding -- knowledge of some of the substance and details of changes	Brochures, Direct Mail
Assurance -- the even greater depth of knowledge and assurance regarding particular concerns that comes from interactive communication	800 number, Internet / e-mail
Acceptance -- helps to reach consumers generally, and especially "hard to reach" and "special needs" consumers who either have not heard or not paid attention to the changes, to understand and accept the changes, and provides them with tools they need to make informed decisions	Community-based Organizations

B. Selected Core Elements

Adopt Advertising and Public Service Announcements as a core component. Advertising is an important means for raising widespread consumer awareness that retail access is coming and that additional information on the changes is available. We believe advertising is an important component of an integrated CEP. Some education on specifics and "how to's" of retail access may be done through advertising and public service announcements, but a significant focus of advertising should be on raising basic awareness that changes and choice are coming.

We note that there is an important distinction between advertising that is for marketing as

⁶ DDB Needham Worldwide Communications Group, Inc.

opposed to educational purposes. Advertising by competitive providers (marketing) should not be considered a substitute for CEP-sponsored educational advertising. Marketing is designed to elicit particular responses from consumers, whereas education is designed to provide consumers with neutral or unbiased information. We are concerned that, as New Hampshire consumers found, marketing may be unfair or deceptive,⁷ and believe that educational advertising is an important component of the CEP.

Maintain a Toll-free 800 Consumer Hotline. A toll-free 800 consumer hotline should be another core aspect of the CEP. Many consumers will both want and need an opportunity to receive information from and interact with a neutral information provider. The Board recommends that the toll-free hotline be housed at and staffed by the PUC.

Adopt education by Community-based Organizations (CBOS) as a core component. We recommend that a core component of the CEP be direct education of individual consumers by community-based organizations (CBOs). CBO's are membership-based or service-oriented organizations such as Rotary Clubs, Chambers of Commerce, and Community Action Associations. Adult basic education and similar programs should also be considered CBOs for the purpose of providing consumer education under the CEP.

We believe that CBOs are often seen as highly credible by those in their service areas and often have ready access to their members and/or the communities they serve, important characteristics that CBOs can bring to the consumer education effort. California, Pennsylvania, Colorado and possibly other states have previously used CBOs in utility-related consumer education efforts. California and Vermont both include outreach by CBOs as important components of retail access consumer education. This approach makes sense, and we recommend that the Commission design a strong CBO outreach component into the program. We emphasize the importance of compensating CBOs for their work for the CEP; many CBOs have limited financial resources and are not in a position to conduct pro-bono outreach and education for the CEP. As part of development and implementation of the CEP, the PUC will need to determine the appropriate level of compensation for individual CBOs.

We recommend that the PUC pay careful attention to the process for soliciting the interest and involvement of CBOs. Some Board members who have experience working with CBOs note that "Request for Proposal" based funding mechanisms may be administratively burdensome for many smaller non-profits. Proposals in response to RFPs can be sufficiently time consuming and

⁷ One-third of New Hampshire residents who participated in a recent survey of their experience with electric competition reported that competitor-sponsored advertising was unfair or deceptive. Middle-aged and higher income respondents were more likely to express concern about unfair advertising. (Source: New Hampshire PUC Electric Competition Pilot Program Survey Report.)

difficult to prepare that a process that is administratively manageable for smaller nonprofit CBOs should be developed to ensure interest by these organizations. Direct grants are one way to administer support. The Commission should develop a method when contracting with CBOs that ensures deliverables are produced and that CBOs are held accountable for their work. The ability to assist in this effort should be a criterion in contractor selection.

Adopt uniform information disclosure, on a New England-wide basis, as a method of consumer education. We recommend that the Commission continue to explore development of New England-wide uniform bill disclosure standards and formats. The New England states have expressed interest in adopting a uniform billing disclosure for bills issued by all generation providers. The uniform disclosures could cover generation price, consumption, contract commitments, fuel mix, and associated air emissions.

We feel that disclosures would serve as an important source of consumer information. Uniform billing disclosures could facilitate the comparison of purchases made from various generators. We recommend that, if a format is agreed upon by the New England states, the Commission adopt this standard for Maine. We expect that uniform billing disclosures can be one of the most cost-effective methods for educating consumers, and if a New England-wide disclosure format is adopted, that CEP funding might be able to be reduced, as determined appropriate by the PUC.

Include Program Research, Monitoring and Evaluation. We recommend that the CEP have a strong research component to ensure the program is based on sound information about its target audiences and that messages have been fine-tuned through consumer-based research techniques such as focus groups. Monitoring and evaluation should be done during implementation, perhaps every 3-4 months, to ensure that the program is meeting its objectives and to allow for informed refinement of messages or possible resource reallocation amongst educational methods. Program evaluation should be done at the end of the program to assess its overall effectiveness, and to provide a basis to inform the design of any future consumer or social education programs the State may wish to undertake. Surveys conducted as part of this research and evaluation effort might be done in omnibus surveys if it would be more cost-effective. Program research, monitoring and evaluation should be one of the issues raised in the Request for Proposals.⁸

We provide additional recommendations on the CEP in Section XI, on page 24.

⁸ Responses to the RFP should include the names and qualifications of any subcontractors that will be involved in the project, e.g. advertising agencies and marketing research firms.

VIII. Entities to Conduct the CEP

We recommend that the Commission conduct the education effort, and that it hire a professional communications contractor to assist it in design and implementation of the CEP. Consumer education is a communications project that would benefit from the involvement of a communications contractor.

The Commission should seek the advice of experts, if a proposal by a contractor involves areas in which the Commission does not have expertise on staff, to aid the Commission in evaluation of competing proposals.

We also recommend the Commission consider forming an advisory board to assist it in implementing the CEP. The group should have broad-based representation including from CBO's, media, opinion leaders, and consumers. The proposed board should also include communications managers from transmission and distribution utilities to promote uniform messages and coordinated delivery should any of these utilities conduct independent outreach in their service territories while the CEP is in operation.

IX. CEP Timeline

A. Program Phases

We recommend four phases to the consumer education program:

Phase I	Program Research and Development	May '98 - Aug '99
Phase II	Implementation for Itemized Billing	Oct '98 - Mar '99
Phase III	Implementation for Retail Access	Sept '99 - Sept '00
Phase IV	Post-program Follow-up	Oct '00 - Mar '01

Phase I is the research and development necessary ensure the program is based on sound information about its target audiences and that messages have been fine-tuned through consumer-based research techniques such as focus groups. Phase II will educate consumers about upcoming changes with the implementation of competition and will use the introduction of itemized billing as a vehicle for raising consumer attention. Phase III will continue the effort begun in Phase II, starting six months before implementation of retail access, and will address special issues as competition begins, such as confusion in the event of misleading marketing. Phase IV involves responding to telephone inquiries by consumers and working with the media.

The program will be monitored against predetermined objectives during phases II, III and IV to determine degree of success and help inform decisions about needed refinements. The RFP should require recommendations from potential contractors about the number, timing, and sample size of surveys. A benchmark survey should be conducted during Phase I.

B. Getting the Program Going

The Commission-approved CEP Plan should be in place by early August 1998 to allow project implementation to begin in Autumn 1998. With the need to select the contractor, develop a proposed CEP Plan, and possibly have a proceeding to receive public comment on the proposed CEP Plan, all by early August 1998, the Commission needs to initiate the RFP process in February 1998.

X. Funding Level and Appropriate Funding Sources

A. Recommended Funding Level

To our knowledge, the Maine Commission is the only commission that will likely establish a cap on funding for the CEP in an agency rule that requires approval by, and more importantly may only *be amended* with approval from the Legislature, rather than simply in an Order by the Commission.⁹ This situation influences our recommendations. The Legislature will be out of session for much of the period of implementation of the CEP, including a period when a crucial decision must be made on whether current market circumstances and marketing developments, or other factors, warrant program extension. This unusual circumstance directly affects our recommendation on the level of the funding cap that the Commission should include in the consumer education rule it submits to the Legislature, provided of course that the rule will include a funding cap.

Authorize \$1,600,000 for the CEP in the consumer education Rule. We recommend that the Public Utilities Commission authorize itself to invest up to \$1,600,000 in the Consumer Education Program, provided that the Commission includes a funding cap in the rule. Our estimated funding level for an adequate educational program is \$1,565,000; this estimate includes two contingency funds totaling \$400,000 to ensure program success in the event of unanticipated developments that may occur while the Legislature is out of session

At least three factors could affect the funding level actually necessary for the CEP. First, our estimate is based on our recommended program, as develop over the past two months. This is *not* a consumer education program *plan*; a detailed budget will be developed during development of the CEP *plan* next year, and could vary from our estimate. Second, inflation alone in the time between this estimate, and the beginning of implementation of the most active and expensive phase of the program, could add \$95,000 to the program cost.¹⁰ Third, the extent to which "unfair and deceptive" marketing practices such as those reported by New Hampshire consumers in their electric retail access pilot program are experienced in Maine, and generate confusion that the CEP should educate for or respond to, will affect program cost.

As mentioned above, the Maine PUC is the only Commission of which we are aware that is likely to establish a **cap** on program costs in a rule that may only be amended by approval from the

⁹ This type of rule, known as a major substantive rule, requires approval by the Legislature before becoming effective or being amended.

¹⁰ This estimate assumes a 3% inflation rate for two years on potential program costs of \$1.6 million; the largest expenses for the CEP will be incurred two to three years from now.

Legislature, rather than simply in an Order by the Commission.¹¹ Because the Legislature will be out of session for much of the period of the CEP, including time when key decisions about program supplementation and extension must be made, the Board recommends that the Commission seek authority in the rule for contingency funding to allow it to respond to consumer needs based on results of our monitoring while the Legislature is out of session. Without this authority, the Commission may not be able to ensure that program goals and objectives are satisfied in the face of unexpected changes in consumer understanding or other important factors. While we hope that the Commission will not need to use the two contingency funds, in the amount of \$200,000 each, we recommend that the Commission reserve the authority to tap the contingency reserves to respond to unexpected but potentially high monitored levels of consumer confusion or other unexpected problems caused by misleading marketing or other developments that can not be predicted with certainty at this point.

The first contingency fund provides for supplementing the proposed CEP, if necessary, prior to the CEP's anticipated end-date of September 2000. The second contingency fund provides for extension of the CEP past the anticipated end-date, if monitoring data suggests and/or the Commission determines that an extension is warranted, and until January 2001 when the Legislature is back in session and the Commission could submit an amended rule for approval. Without the second contingency reserve, the PUC might not be able to extend the CEP, even in the face of evidence of the importance of continued education.

If a funding cap that does *not* include the contingency reserves is established in the consumer education rule approved by the Legislature, the CEP would not have funding to be extended until the Legislature returned in January 2001. This could result in a significant loss of momentum, and ground gained in terms of consumer understanding, possibly making total CEP costs higher than that if the Commission were able to continue the program uninterrupted. If program supplementation or extension is necessary, for example because of "unfair or deceptive" marketing practices such as those experienced by New Hampshire consumers in their pilot program, there might be a direct financial cost to Maine consumers for not having the necessary consumer education resources available to them during the period between when program funding runs out and when the Legislature reconvenes to consider program extension.

If the contingency funds ultimately do not need to be spent, we estimate that the level of funding for an adequate educational campaign will be \$1,165,000, at 1997 price levels.¹² We, however,

¹¹ This type of rule, known as a major substantive rule, requires approval by the Legislature before becoming effective or being amended.

¹² As mentioned earlier, inflation in the period between development of our estimate and expenditure of the bulk of program funding (between two to three years) could increase nominal program costs by about \$95,000, based on the \$1.6 million funding cap and assuming a 3%

recommend that for the above reasons both contingency funds be approved as recommended.

Level of Funding in Other States. The estimated level of funding in other states that have proposed or approved retail access CEPs is about \$1/resident, with the exception of California. Approved funding for the California Public Utilities Commission CEP is about \$3/resident. Based on a direct per-capita application of these estimates to Maine, the cost of the Maine CEP would be between \$1.2 million to \$3.6 million. The Board believes that for several reasons the per-capita funding for the California plan is more than that needed in Maine. The Board's own estimated funding level of up to \$1,600,000, or approximately \$1.30 per capita, is at the lower end of this range. While many factors influence the funding necessary for the Maine CEP, the Board found in its review of other states' plans that its own proposal is in the same "ballpark" as plans in other states.

We believe that our recommended funding level of \$1.6 million is reasonable especially considering the potential savings and other benefits that we expect an educated consumer may realize over a consumer who is less-well informed about available options and changes in the marketplace.

Flexibility for the Commission. We recommend that the Commission retain the authority to reallocate resources amongst individual educational techniques as appropriate, in design of the detailed CEP plan. The recommended funding level is for the overall, integrated CEP. In calculating the overall funding, we identified estimated funding levels for individual educational techniques. We note that while the recommended techniques and the level of funding associated with individual techniques certainly reflects our view of the relative emphasis that should be placed on individual techniques, our intent is not to suggest that the Commission's hands be tied with respect to the funding of individual techniques.

We note that we have recommended that interested consumers have the opportunity to comment on the Commission's CEP in a proceeding to adopt a CEP Plan next year, which will provide the public with an opportunity to comment on resource reallocation.

Other Funding Issues. We recommend that a toll-free consumer information hotline be a core component of the integrated CEP, and recommend that the hotline be housed at and staffed by the PUC. Funding for PUC hotline staff is not included in the CEP budget. The PUC will need to ensure that adequate staffing is provided to ensure live call answering for callers to the retail access hotline.

inflation rate for only two of the three years of the intervening period.

**Summary Recommendation -- Level of Funding
Electric Competition Consumer Education Program**

<u>Preprogram Implementation</u>	<u>Feb '98-Sept '98</u>	<u>PUC funded</u>
Seek Legislative Approval of Consumer Education Rule		
Prepare RFP		
Select contractor		
Conduct proceeding to approve detailed Plan		
<u>Phase I: Design</u>	<u>May '98-Aug '99</u>	<u>\$86,000</u>
Planning	May '98-Dec '98	\$5,000
Research; Establishment of Benchmarks	Jan '99-Mar '99	\$31,000
Comprehensive Program Design and Feedback	April '99-Aug '99	\$50,000
<u>Phase II: Implementation of Itemized Billing</u>	<u>Oct '98-Mar '99</u>	<u>\$22,000</u>
Media Relations	Oct '99-Mar '00	\$12,000
Opinion Leader Communications	Oct '99-Mar '00	\$10,000
<u>Phase III: Implementation of Retail Access</u>	<u>Sept '99-Sept '00</u>	<u>\$1,257,000</u>
Media Relations	Sept '99-Sept '00	\$36,000
Advertising	Feb '00-May '00	\$424,000
Opinion Leader Communication	Jan '00-Sept '00	\$20,000
Community Relations	Jan '00-Sept '00	\$277,000
Outreach by Community Organizations	Jan '00-Sept '00	\$250,000
-- including grants to community groups		
Monitoring and Program Changes	Sept '99-Sept '00	\$50,000
Program contingency	Sept '98-Sept '00	\$200,000
--for unexpected issues during planned program period such as extensive misleading marketing		
--correct consumer confusion / additional advertising?		
<u>Phase IV: Post Program Follow-up</u>	<u>Sept '00-Mar '01</u>	<u>PUC funded</u>
-Manage telephone inquiries		
-Respond to field impressions		
-Work with marketers/media relations		
Post-program contingency	Oct '00-Jan '01	\$200,000
--for extension of active program if necessary		
<u>TOTAL</u>		<u>\$1,565,000</u>

B. Communications Mechanisms and Associated Funding Levels

PROGRAM PLANNING (\$5,000)

- Work with participating utilities to develop program parameters
- Develop standardized procedures and documents
- Plan for coordinated educational roll-out

PRE-PROGRAM RESEARCH; ESTABLISHMENT OF BENCHMARKS (\$31,000)

Research is vital to developing a message the public will understand and accept. It is the tool which can lead to the most effective overall program.

- Focus groups - with business people, homeowners, policy makers and others who could help inform program and message development (\$10,000)
- Surveys - a telephone survey of 500 households (\$15,000) to determine pre-program levels for program objectives
- Analysis - of the information gained and implications for the development of a public education program (\$3,000)
- Determination - of program phases and timing (\$1,000)
- Development - of program messages (\$2,000)

COMPREHENSIVE PROGRAM DESIGN AND FEEDBACK (\$50,000)

- Identify community organizations to assist in program implementation
- Plan for the development of all outreach mechanisms
- Prepare a media and advertising plan
- Conduct periodic evaluative survey research

MEDIA RELATIONS (for Phases II and III) (\$48,000)

The media must be educated in a proactive manner prior to any campaign. Relationship building with this group is critical to good media coverage. A primary objective should be to maximize free media wherever possible. The media relations programs include many/all of the following:

- Press kits with key background informational materials / regular press releases
- Informational editorial board meetings (include TV stations)
- Public affairs programs - features on policy issues
- Local radio talk shows
- Public Service Announcements - often in conjunction with media buys

- Letters to the editor - a useful tool which requires some management
- Op-ed pieces - the voice of non-media experts written and placed in key newspapers

ADVERTISING / PUBLIC SERVICE ANNOUNCEMENTS (\$424,000)

- All-inclusive media buys with 10, 30 and 60 second spots for television and radio¹³
- Educational newspaper ads, with emphasis on weeklies
- Video Public Service Announcements - coordinated with media buys
- Adds on transit vehicles

OPINION LEADER COMMUNICATION (for Phases II and III) (\$30,000)

Communication with Legislators and Other Opinion Leaders

- Breakfast/lunch meetings with presentations
- Development of resource materials
- Regular correspondence/communications to keep this group informed

COMMUNITY RELATIONS AND OUTREACH BY COMMUNITY-BASED ORGANIZATIONS (\$527,000)

- Toll free information line (\$36,000)
 - staffed Monday - Friday, 8:00 - 5:00
 - monitored for accuracy and objectivity
- Informational clearinghouse at PUC (consider identification of a spokesperson) (\$35,000)
- Internet Communication (\$10,000)
 - design clear and useful home page
 - include Internet address on all materials
 - ensure adequate response to queries
- Informational brochures, fact sheets and other handout materials (\$20,000)
 - success of printed material is dependent on effective distribution (i.e. community groups, libraries, banks, mortgage companies, bill inserts, grocery stores, fairs, trade shows, etc.)
- Partnerships with key communicators (\$5,000)
- Statewide steering committee (\$25,000)
- Community breakfasts with opinion leaders to assemble a statewide committee with representatives from each community to assist with relationship building and communications

¹³ This public service announcement budget is calculated based on bulk-rate purchase of advertising time and includes contribution of "in-kind" advertising time that it is reasonable to expect will be available as part of a public education project like the CEP. Information provided to us indicates that this budget should reach 75% of consumers 3+ times over three months. A general guideline is that an ad needs to be seen three times to "sink in" for consumers.

efforts throughout the state (\$18,000)
- held throughout the state

- resource materials might include articles for reprint in employee and organization newsletters
- Develop a complete Speakers Bureau of all service/business clubs (\$5,000)
 - schedule
 - slide show presentation
 - resource material handouts
- Hands-on community outreach and program delivery through or by the Chambers of Commerce, Community Action Program agencies, adult education programs, Community Development Services Agencies, SCORE, SBA, and other community-based organizations (\$303,000)
 - presentations to members at all possible forums
 - train key individuals in organizations
 - serve as local, credible source of information and answers
 - writing and publishing articles in newsletters
 - providing members with resource materials such as videos, handouts, overheads, slides and worksheets
 - holding public meetings co-hosted by statewide committee
 - includes up to \$250,000 as grants to community-based organizations for outreach by these local organizations (measurable objectives to be developed)
- Communicate inside largest employers (\$25,000)
 - write articles for employee newsletters
 - hold informational meetings
 - distribution of literature with paychecks
- Targeted direct mail with proper follow-up (\$25,000)
- Attend town meetings with prepared speakers (\$5,000)
 - scheduling and presentation
- Display for use at trade shows, malls, fairs and festivals (\$15,000)

MONITORING AND PROGRAM CHANGES (\$50,000)

Once the program is underway:

- Monitor the program success (via surveys and other tools), to allow for program refinement
- Keep a statewide committee operational as a link to grassroots feedback
- Develop an interactive mechanism for communicating the public's response to utilities doing business in Maine

PROGRAM CONTINGENCY for during proposed program (\$175,000)

- For possible use to address unexpected developments through program end-date of Sept '00
- Additional resources to respond to, for example, consumer confusion from high levels of misleading marketing

PROGRAM CONTINGENCY for extension of portions of proposed program (\$175,000)

- For possible program extension beyond proposed end-date of Sept '00, and until beginning of next Legislative session (when approval for additional investment could be sought if monitoring suggested it's necessary).

C. Recommended Source of Funding

We believe that the CEP should be funded from a fee paid by electricity competitive providers; customers of distribution utilities should be charged for any unrecovered balance to the extent that assessment of fees on generation providers appears impracticable or the fees are inadequate to fully recover the costs of the CEP, over a proposed several year recovery period. The need for the several year recovery period is discussed in more detail below

The fee on competitive providers to support the CEP should come either from a portion of licensing fees dedicated for the CEP, or from a separate dedicated fee. The amount of the "consumer education program" fee required of each competitor could be a portion of a standard licensing fee, or could be determined based on the number of customers that each provider has as of a date certain, or at particular intervals during the initial years of retail access in Maine.

We believe that a funding mechanism that places the costs of the CEP on competitive providers and/or their customers, the companies and individuals that will benefit from retail access, is the most appropriate mechanism provided that the Commission determines that it is workable and that it would not be a "barrier to entry" into the market for competitive providers. The Commission should determine an equitable method for funding from competitive providers that will avoid the creation of incentives for competitive providers to influence the size of their customer base near the time of assessment of the fee to support consumer education.

If a portion or all of program costs are charged directly to consumers of distribution utilities, we recommend that these costs be billed through a charge on customer bills that is identified either as a charge for consumer education or at least as part of a "public goods" charge.

One challenge in our recommended method is that many CEP costs may be incurred before many competitive providers are licensed in Maine. Our recommended mechanism to bridge the gap between program expenditure and cost recovery is to receive an up-front payment of program costs by transmission and distribution utilities, who would be reimbursed from fees that we recommended the Commission assess on competitive providers. If the PUC or other state agency can borrow funding for initial program costs at a more favorable rate than that which the distribution utilities would have to pay to provide up-front funding, the Commission should use public funding.

We considered other funding sources, including assessments on transmission and distribution utility revenues, and tax-based funding.

XI. Additional Recommendations

We make the following additional recommendations regarding the CEP:

- Have a logo, color scheme and "slogan" to help consumers "link" individual informational materials and messages together and to associate them with the CEP;
- Consider having a Spokesperson for the campaign;
- Deliver messages in a "multimedia" fashion. Focus on how people learn, and recognize the importance of graphics; and incorporate graphics into education materials;
- Focus on "sound bites" in delivering some messages, and especially messages to make consumers aware that change is coming. Use television and radio for awareness raising;
- Consider literacy levels when developing materials, and target messages at a 3rd-4th grade reading level;
- Meet the needs of rural residents, who some Board members have indicated-feel left out of most educational efforts. Have educators speak in rural areas and meet with rural residents. The CEP should partner with rural groups to get the word out in rural areas.
- Consider having the advertisements in Phase III say "You're hearing from marketers; pay attention, and if you have questions, then call 800... for the information you need to make the right decision." Prepare the market; marketers should not be relied on to deliver the message.
- Require competitors to provide rates for publication to PUC;
- Have the Commission approve all CEP messages to ensure consistency of messages.

Public proceeding to adopt CEP Plan. Finally, we recommend that the Commission hold a proceeding to seek input on the detailed CEP plan, which should be developed next spring or summer, to allow interested citizens to comment on the Plan before approval by the Commission.

XII. Summary

In summary, we recommend that the PUC establish and conduct a consumer education program that uses complementary educational techniques in an integrated fashion. The techniques should include advertising and public service announcements, outreach by community-based organizations, and other techniques as identified in this report. The program should target both residential and small business consumers. We recommend that the PUC be authorized to invest up to \$1.6 million in this program, and that it assess competitive electric providers for program costs, or as an alternative assess some or all CEP costs to transmission and distribution utility customers. We recommend that a communications contractor be selected to advise the PUC on detailed program development and to implement the program.

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Application of:

**DUQUESNE LIGHT COMPANY
FOR APPROVAL OF ITS RESTRUCTURING
PLAN UNDER SECTION 2806 OF THE
PUBLIC UTILITY CODE**

*
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* **Docket No.**
* **R-00974104**
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DIRECT TESTIMONY AND EXHIBITS OF

NANCY BROCKWAY

CONCERNING UNIVERSAL SERVICE ISSUES

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Prepared for

**Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA
November 1997**

INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. My name is Nancy Brockway. My business address is Suite 400, 18 Tremont
3 Street, Boston, MA.

4 **Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?**

5 A. I am testifying on behalf of the Pennsylvania Office of Consumer Advocate.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to recommend a Universal Service program for
8 Duquesne Electric Company's restructuring plan. My testimony will cover 5 areas:
9 Universal Service generally and under the Competition Act, the Company's CAP
10 proposal, the Company's LIURP proposal, cost allocation and rate design for
11 universal service costs, and the experience of other states with universal service
12 in electric industry restructuring.

13 **Q. PLEASE DESCRIBE YOUR QUALIFICATIONS.**

14 A. I am an attorney and utility analyst with over 20 years of experience in the fields of
15 poverty issues, public utility regulation, low-income affordability programs, and low-
16 income conservation. I have been employed by the National Consumer Law Center
17 since 1991. In this capacity, I have testified numerous times on issues related to

RE: Duquesne, R-00974104
Direct Testimony of Nancy Brockway
on behalf of Office of Consumer Advocate

1 universal service, including specifically low-income bill affordability programs and
2 usage reduction programs. I am invited frequently to speak to national and regional
3 forums on universal service issues, and have written extensively on electric industry
4 restructuring and low-income electric consumers. I am the primary author of
5 *Stranded Benefits in Electric Industry Restructuring*, a publication of the National
6 Council on Competition and the Electric Industry. A copy of my resume and vitae
7 is attached as Exh. NB-Duquesne-1.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 A. Yes. I presented testimony on behalf of low-income intervenors in the Bell Atlantic
10 Chapter 30 Alternative Regulation docket, Docket No. P-930715 , and on behalf of
11 the Office of Consumer Advocate in the Universal Service docket, Docket No. I-
12 00940035. I recently filed testimony in Docket No. R.-00973953, the PECO Energy
13 Company's restructuring docket, Docket No. R-00973954, the PP&L restructuring
14 docket, Docket No. R-00974008, the Met Ed restructuring docket, and Docket No.
15 R-00974009, the PenElec restructuring docket.

RE: Duquesne, R-00974104
Direct Testimony of Nancy Brockway
on behalf of Office of Consumer Advocate

1 **PART I:**

2 **ESSENTIAL ELEMENTS OF A UNIVERSAL SERVICE PROGRAM.**

3 **Q. WHAT IS A UNIVERSAL SERVICE PROGRAM?**

4 A. A Universal Service Program is an effort to make electricity service available on
5 affordable terms to all households in a particular service area, regardless of
6 income. There are two aspects to the concept of universal service: the extent
7 households have affordable access to service, and the level of service to which
8 households have affordable access.

9 The ordinary meaning of the word "universal" is: "including or covering all
10 or a whole collectively or distributively *without limit or exception*" (Webster's New
11 Collegiate Dictionary)(emphasis supplied). Thus, the goal of a universal service
12 program is that service be extended to every household, regardless of income.

13 The word "service" should also be considered in light of its ordinary meaning.
14 The legislature did not qualify the types of services as to which it intended low-
15 income Pennsylvania families to have universal access. Thus, we should
16 understand the concept to refer to the kinds of electricity services the average
17 household receives. Today, Duquesne offers single phase, 60 mHz, alternating
18 current, delivered to the home on an all-requirements basis, with certain standards
19 for distribution reliability, billing based on energy measured by monthly kWh

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1 meters, and associated customer services. This basic energy and delivery service
2 (with its implicit capacity commitment) is the core of the service definition, and
3 should be the basic service to which all Pennsylvania households have affordable
4 access.

5 In Pennsylvania, the General Assembly has specifically defined universal
6 service to include services "that help low-income customers to maintain electric
7 service." 66 Pa.C.S. § 2803, 2804(9). These services may include a Customer
8 Assistance Program (CAP) and Low Income Usage Reduction Program (LIURP).
9 The Electric Generation Customer Choice and Competition Act states as a
10 declaration of policy that:

11 The public purpose is to be promoted by continuing universal service and
12 energy conservation policies, protections and services...
13 66 Pa.C.S. §2802(17).

14
15 To carry out this public purpose, the General Assembly declared that

16
17 The Commonwealth must, *at a minimum*, continue the protections, policies,
18 and services that now assist customers who are low-income to afford electric
19 services.
20 66 Pa.C.S. §2802(10)(emphasis supplied).

21
22
23
24 **Q. WHAT ARE THE KEY BARRIERS TO ACHIEVING UNIVERSAL SERVICE?**

25
26 A. As the legislature has indicated, by its choice of universal service program features,
27 the primary barrier to achieving universal service is the inability of households of
28 low income to afford their essential electricity service. As Pennsylvania moves from

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1 a monopoly structure for its electricity system to a mixed system, with competitive
2 provision of electric energy and capacity, additional factors will come to the fore as
3 determinants of access to service. Electricity vendors will have greater choice of
4 customers than the monopoly utilities have had up until now. Vendors are likely to
5 be reluctant to supply customers whom they perceive to pose greater risks or
6 present fewer profit opportunities than other customers.

7 Some of this reluctance is rational, as in the case of customers who use little
8 electricity. In that example, the cost of marketing to such a customer and handling
9 the account may be high relative to the profits possible, given the thin margins
10 expected from energy sales in the future. In other cases, the reluctance is
11 irrational, as in the case of racial or ethnic bias. In either case, customers sharing
12 the perceived risk factor will have a more difficult time securing energy supplies on
13 reasonable terms and conditions.

14 Inability to navigate the more complicated waters of electricity choice may
15 be an additional barrier to universal service under competition. Ignorance, fear,
16 confusion, lack of education, lack of simple bases for comparison, high information
17 costs relative to low or unclear benefits, and other factors, can contribute to a
18 failure of many customers to be able to do meaningful comparison shopping. To
19 the extent this results in at-risk customers purchasing energy that is more

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1 expensive than need be, the extra cost will put additional pressure on low-income
2 families seeking basic electricity service.

3 **Q. HAS THE COMMISSION SET FORTH THE GOALS FOR UNIVERSAL SERVICE**
4 **EFFORTS OF PENNSYLVANIA ELECTRIC DISTRIBUTION COMPANIES?**

5 A. Yes. In its *Final Order Re: Guidelines for Universal Service and Energy*
6 *Conservation Programs*, issued July 11, 1997, the Commission established the
7 following goals for universal service programs, including energy conservation for
8 low-income consumers:

- 9 1. To protect low-income consumers' health and safety by ensuring that electric
10 service is available;
- 11 2. To provide for affordable service, by making available payment assistance
12 to low-income customers;
- 13 3. To assist low-income consumers conserve energy, and reduce residential
14 utility bills; and
- 15 4. To ensure that universal service and energy conservation program
16 components are cost-effective.

17 **Q. WHAT ARE THE MAJOR TOOLS FOR ACHIEVING UNIVERSAL SERVICE?**

18 A. The major tools for achieving universal service include the following:

- 19 1. Low-Income bill assistance.
- 20 2. Low Income Usage Reduction

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- 1 3. Strong customer service (credit, billing and termination) protections.
- 2 4. Effective, low-cost suppliers of last resort, or default, service.
- 3 5. Effective competition for supply sales, particularly in the residential
- 4 class.
- 5 6. Consumer education.
- 6 7. Low residential rates, including "standard offer" and default service.

7 In addition, utilities have traditionally offered voluntary services, such as
8 LIHEAP outreach, stockholder contributions to fuel funds, and CARES (counseling
9 and referral services). These programs and services help at-risk customers secure
10 resources to pay their bills, and identify options to prevent termination. They will
11 continue to be useful in these ways under a competitive system.

12 **Q. DO THESE TOOLS ALL ADDRESS THE SAME BARRIERS TO UNIVERSAL**
13 **SERVICE?**

14 No. For example, enforcement of anti-discrimination laws and of the credit
15 and termination provisions of Chapter 56, together with the provision of reasonably
16 priced default service, are tools for overcoming the "perceived-risk" barriers to
17 universal service under a competitive regime. Reasonable residential rates,
18 together with low-income targeted CAP and LIURP are the major tools for
19 addressing the unaffordability barrier to universal service. My testimony will focus

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1 on the issue of unaffordability. It is my understanding that other OCA witnesses will
2 address some of the other more generic universal service concerns.

3 **Q. PLEASE COMPARE THE GOALS OF A UNIVERSAL SERVICE PROGRAM AND**
4 **THE GOALS OF THE CAP AND LIURP PROGRAMS RUN BY UTILITIES UNDER**
5 **COMMISSION GUIDANCE IN THE PAST.**

6 A. CAP and LIURP are each programs that have developed historically to serve a
7 specific set of purposes under traditional regulation. In large part, CAP grew out
8 of the concerns of the Commission and some utilities about the growing level of
9 uncollectible accounts, and the need to determine if there were a more cost-
10 effective way to manage credit and collection activities, especially in relation to low-
11 income payment-troubled households. LIURP has shared this emphasis on credit
12 and collection cost reduction, but has had the added objective of managing energy
13 use wisely. The Commission has also recently noted the broader societal benefits
14 of LIURP, including improved community relations for utilities, economic
15 development, improving the condition of Pennsylvania's housing stock, and several
16 worthwhile benefits from the perspective of low-income customers.

17 These purposes are consistent with the objective of universal service.
18 Indeed, the reduced threats of disconnection and greater sense of mastery over
19 high utility bills are benefits from a CAP program whether its purpose is to achieve
20 universal service or to lower uncollectible costs. Similarly, LIURP expenditures

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1 produce improved comfort levels, safer living conditions, more moderate and
2 manageable utility bills, and increased availability of affordable housing, whether
3 they are made to reduce uncollectible costs or to achieve universal service.

4 While cost-effective credit and collections are an important goal, and one
5 that can be achieved via effective universal service programs, the Commission's
6 July 11 *Final Order* made clear that the primary objective is to protect health and
7 safety, to make service affordable, and to assist low-income consumers to conserve
8 energy. All these goals must be achieved in a cost-effective manner.

9 **Q. PLEASE EXPLAIN THE RELATIONSHIP BETWEEN THE TOOLS USED IN A**
10 **UNIVERSAL SERVICE PROGRAM, AND THE HISTORIC COMPONENTS OF CAP**
11 **AND LIURP PROGRAMS.**

12 A. A universal service program will likely use the same tools as CAP and LIURP,
13 because in each case one objective is to lower the bill of the customer to an
14 affordable level. CAP and LIURP promote this goal to achieve more cost-effective
15 credit and collections activities, and to ensure wise energy use. The broader
16 universal service goal will also concentrate on affordability, and enabling all
17 residential households to afford access to essential electric service. In the process,
18 payment patterns are improved, energy is used wisely, and resources of different
19 kinds are more efficiently used, and these are welcome benefits.

1 **Q. HOW SHOULD SUCCESS BE DETERMINED IN A UNIVERSAL SERVICE**
2 **PROGRAM?**

3 A. The measure of success of a universal service program is the extent to which low-
4 income households are not denied service, offered service only on unreasonable
5 terms or conditions, threatened with loss of service, or disconnected from service,
6 on account of lack of income. These results should be achieved in the most cost-
7 effective way possible, achieving the maximum savings in credit and collection
8 costs, as well as resource costs.

9
10 **Q. DUQUESNE HAS RECENTLY DEVELOPED A PROPOSED UNIVERSAL**
11 **SERVICE PLAN. WHAT DOES THIS PLAN PROPOSE CONCERNING**
12 **UNIVERSAL SERVICE PROGRAMS?**

13 A. On November 3, 1997, Duquesne filed a supplemental response to
14 interrogatory OCA-V-003, consisting of the Company's new "Universal Service and
15 Energy Conservation Programs" Plan ("Plan"). This plan contains (a) a description
16 of applicable legislative and regulatory requirements, (b) an overview of Duquesne
17 Light Company's universal service and energy conservation goals and approaches
18 to achieving these goals, (c) a detailed itemization of Duquesne's existing policies,
19 protections and services, (d) Duquesne's proposed response to three new
20 requirements necessitated by the unbundling of service elements and the

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1 introduction of competition (e) a universal service needs assessment, (f) a review
2 of current universal service and energy conservation expenditures, (g) a description
3 of proposed universal service and energy conservation programs operations, (h)
4 program delivery mechanism proposals, (i) cost recovery proposals, and (j)
5 proposals on reporting, evaluation, and advisory panels.

6 Duquesne's proposal is dramatically different in approach from that of other
7 utilities.

8 **Q IN WHAT WAYS IS DUQUESNE'S CAP PROPOSAL DIFFERENT FROM THAT**
9 **OF OTHER UTILITIES?**

10 A. There are three key differences between Duquesne's proposal, and that of
11 other utilities. The *first* is that Duquesne proposes to combine the efforts of its
12 LIURP program (Smart Comfort) with those of its pilot Customer Assistance
13 Program (CAP). As the Company puts it in their November 3 plan, at Duquesne
14 Light, "customers are not easily divisible into 'programs'..." Other companies have
15 proposed linkage to a greater or lesser degree in their CAP and LIURP programs,
16 but Duquesne appears to be going further and stating that CAP and LIURP services
17 will become two options in a basket of options to offer to individual low-income
18 payment-troubled customers.

19 Second, in a related proposal, the Company states that it will "continue to
20 emphasize holistic solutions to customers' problems, *not achieving enrollment*

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1 *targets in specific programs.*" (Plan at 5, emphasis supplied). The Company states
2 that it does not intend to offer "stand-alone" programs. In other words, the
3 Company's goal is not to achieve an enrollment target for a given program." (Plan,
4 at 14-15).

5 The *third* major difference between the Duquesne universal service proposal
6 and the traditional universal service programs is that the Company proposes to
7 dispense with a separate CAP program goal to provide bill reduction based on
8 percent of income. Rather, for any given household in the new universal service
9 effort, an array of tools (not limited to bill assistance or arrearage forgiveness)
10 would be used "to make electricity affordable, to return customers to a 'current'
11 state as soon as possible, and/or to head off a customer's payment problems before
12 they occur." (Plan at 18). In its proposed plan, the Company explains:

13 We further believe that the best way to meet the unique needs of individual
14 low-income payment-troubled customers is by providing an array of services
15 rather than limiting solutions to prescribed, one-size fits all programs. (Plan
16 at 15).

17
18 The Company further explains its proposed approach, saying:

19 Existing services will form the foundation of the array. We will monitor
20 enrollment and performance as we do currently. Our purpose, however, will
21 be to blend the impact of the services to maximize benefits to the customer
22 and the Company rather than fill slots in a program. Similarly, we will blend

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1 universal service funding into one operating fund from which services will be
2 supported. (Plan at 17-18).

3
4 **Q. WILL THE COMPANY'S UNIVERSAL SERVICE PLAN MEET THE**
5 **COMMISSION'S OBJECTIVES, AS SET FORTH IN THE JULY 11, 1997 FINAL**
6 **ORDER, AND THE OBJECTIVES OF THE COMPETITION ACT?**

7 A. It is possible that Duquesne's holistic approach will be successful. Duquesne has
8 an enviable track record on innovation in at least one low-income universal service
9 area, that of low-income usage reduction. In the Company's Smart Comfort
10 program, high levels of savings have been achieved in the mostly baseload usage
11 of Duquesne low-income customers. The Smart Comfort program rejects any
12 prescriptive list of conservation measures, and rather relies on the judgment of staff
13 present in a given customer's home to unearth potential savings opportunities and
14 fashion an individualized package of proposed conservation measures.

15 Unfortunately, the successful use of this tailoring approach in the LIURP
16 program may not translate well to address the bulk of the non-payment problems
17 for which CAPs have been designed. While Duquesne's holistic approach is
18 commendable, the Duquesne plan does not contain adequate assurances that it will
19 be operated in such a way as to meet the objectives of the statute and the
20 Commission's *Final Order on Universal Service and Energy Conservation*.

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1 **Q. WHY IS THERE A RISK THAT THE COMPANY'S APPROACH WILL NOT BE**
2 **SUCCESSFUL?**

3 A. There are three reasons why the Company's approach is risky for the
4 Commission and the low-income customers in the Duquesne Light service area.
5 *First*, the Company does not match its commitment to tailored customer services
6 with an adequate budget commitment. *Second*, the failure to adopt target
7 enrollment and benefit amounts leaves too much uncertainty about actual levels of
8 CAP service under the Plan. *Third*, some of the concepts for "additional services"
9 proposed in the Plan sound like punitive or counterproductive measures that
10 degrade the quality of service a participant receives. Absent further clarification
11 from Duquesne on these points, it would not be prudent to approve the Company's
12 proposal.

13 **Q. PLEASE DISCUSS THE ISSUE OF BUDGET COMMITMENTS FOR BILL**
14 **ASSISTANCE.**

15 A. The Company proposes that its Universal Service Plan budget be set equal to its
16 current universal service spending. With respect to billing assistance (the CAP
17 component), this suggests a CAP budget of \$550,000 (Plan at 6, 13, 18). The
18 Company presently offers only a pilot CAP, and thus its bill assistance offerings are
19 limited to only a small fraction of the customers potentially in need and suitable to
20 receive such assistance (1,600 households, out of 25,000 to 115,000 potentially

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1 eligible customers)(Plan at 6, 10). Given the chronic mismatch between affordable
2 income burdens and actual bills, a successful Duquesne universal service plan will
3 necessarily include a substantial level of bill assistance. Assume for the purpose
4 of rough estimation that the program were ramped up so that the bill assistance
5 component of the Company's plan were expanded to 50,000 customers, and that
6 each of these customers received the average per-customer bill assistance benefit
7 received by pilot participants (actual spending of \$385,000 divided by actual pilot
8 participant number 1,600 = \$241 per participant). The result would be a budget
9 requirement for this component of the overall Duquesne universal service plan of
10 approximately \$12,050,000. Such a level of commitment is not reflected in the
11 Company's proposed funding for its new, holistic universal service program.

12 The Company does not state that it will deny needy customers bill
13 assistance. And the Company states that modifications to the budgets "will be
14 made as appropriate". However, its failure to budget any specific amount for
15 ramping up the number of bill assistance recipients draws into question the
16 commitment to include bill assistance at the level required to meet the needs of all
17 low-income customers.

18 Further, the Company proposes to include the entire amount of identified
19 low-income-related collection costs, and low-income-related account write-offs, in
20 its universal service policy budget (Plan at 13) thus reducing the amount of funds

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1 available to assist low-income customers. The Company could intend to
2 "reprogram" this money as it deems appropriate over time to bill assistance (CAP).
3 However, the Company makes no specific commitment to do so. As a result, while
4 I acknowledge the excellent track record of the Company on Smart Comfort, there
5 is little basis for the Commission to accept on faith that the holistic, individualized
6 approach favored by the Company will produce bill assistance services in the
7 needed amount. Rather, from the face of the budgets presented, one could
8 conclude that the Company intends to continue charging a large portion of its
9 potentially eligible low-income customers unaffordably high bills, and reflect a
10 universal service "benefit" only in the form of write-offs.

11 Along these same lines, the budget figures reflect a continued expenditure
12 on collection costs (and indeed the Company asserts that allocated expenses "may
13 not be available to fund other programs" (Plan at 13, n. 5).

14 Thus, the broad goals of the Plan suggest that if faithfully observed, the
15 resulting services would include a significant expansion of CAP services, and
16 associated budget retargetting and bill assistance expansion. However, there are
17 no concrete assurances or targets laid out, the budget figures suggest that current
18 levels of effort on CAP will be maintained, and the Company asserts in general
19 terms that it is limited in its ability to reprogram collection expenses.

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1 **Q. PLEASE ELABORATE ON YOUR CONCERN THAT THE COMPANY PROPOSES**
2 **NOT TO SET ENROLLMENT TARGETS FOR EXPANDED CAP (BILL**
3 **ASSISTANCE) SERVICES UNDER ITS UNIVERSAL SERVICE PLAN.**

4 **A.** The Company rejects the concept of enrollment targets. It has prepared a
5 needs assessment, with three different measures of the number of low-income
6 customers who need universal service assistance of one kind or another. The
7 Company initially developed estimates based on three sets of parameters: (a) the
8 total number of households that are both low-income and payment-troubled, as
9 defined in the Commission's Guidelines; (b) the subset of that total population that
10 meets the Company's current CAP pilot eligibility criteria; and (c) the number of low-
11 income, payment-troubled customers with a current balance equal to or greater than
12 three times their average bill (Plan at 10). The results of that assessment are
13 reproduced below in Exhibit NB-Duquesne-2. As can be seen from this chart,
14 between 6,000 and 115,000 low-income customers could potentially be assisted by
15 CAP bill assistance. [This is a wide range of potentially eligible customers. It is
16 possible that the low end of the range represents the limiting effect of some of the
17 non-income preconditions for CAP pilot participation, such as the requirement of an
18 account balance of over \$500 and housing expenses greater than 45% of the
19 customer's gross income. (Response to OCA's Request for Information on
20 Universal Service, question 5, p. 2)]. However, even the low end of the range is

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1 several times the current 1,600 customer participation level in the CAP Pilot. Thus
2 choosing even this limited value for a full-scale program goal would necessarily
3 involve ramping up the program.

4 The Company does suggest that its own target for bill assistance services
5 is about 25,000 customers:

6 We currently have 25,413 active low-income customers who are
7 delinquent. It is from this customer pool that universal service
8 participation should and is most likely to come. (Plan at 10).

9 The Company likewise recognizes that low-income customers who have failed to
10 maintain one or more payment arrangements (115,055 by the Company's
11 estimation) are potential candidates for universal service CAP services (Plan at 10).

12 Thus, the Company's own estimates show a need to expand the CAP
13 services considerably beyond the current Pilot levels. However, the Company
14 consistently declines in its Plan to make a commitment to identify a target group of
15 customers, and to offer them bill assistance. The language used by the Company
16 in its proposed Plan supports only the Company's insistence that the types of
17 services to be provided to any given customer, and hence the number of CAP
18 participants, will be determined on a case-by-case basis:

19 As warranted, we will phase-in program expansion over the three years in
20 which choice is introduced to our customers. We will modify eligibility
21 requirements and administrative procedures as we continue to learn from our
22 implementation experience and evaluations. (Plan at 12).

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Q. WHAT ARE SOME OF THE NEW SERVICES THE COMPANY WOULD ADD TO THE TRADITIONAL CAP AND LIURP TYPES OF SERVICES TO FILL OUT ITS PROPOSED ARRAY?

A. The Company identifies a number of potential approaches to be used on a case-by-case basis, including (a) matching programs which more rapidly reduce arrearage balances, (b) creative payment arrangements which recognize temporary customer problems, (c) new energy conservation measures, (d) alternate metering and alternate usage control devices “which will help make the customer’s payment for electric service more affordable.” (Plan at 19).

Q. WHY DO YOU INCLUDE THIS PROPOSAL TO EXPAND SERVICE OPTIONS AS A POSSIBLE RISK FACTOR IN THE COMPANY’S PROPOSED UNIVERSAL SERVICE PLAN?

A. The description of these possible “service” additions is cryptic, and so it is possible that they represent advances in thinking on how to accomplish universal service. However, the listed item (d), alternate metering and usage control devices, sounds like a possible reference to prepayment metering and service limiters. Neither prepayment meters nor service limiters are sound measures to use as universal service tools in the homes of low-income customers. In both cases, a low-income customer is at risk of loss of service without advance warning in person by

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1 Company or CAP program personnel (as when a "smart card" runs out, or when
2 temporary usage over the limit trips the service limiter). The devices avoid the
3 problem of determining the nature of the underlying problem that has caused the
4 household to fall into arrears. They also remove the Company's incentive to
5 address that underlying problem.

6 Both devices must be carefully applied and utilized only in extremely limited
7 circumstances where the very access to service that a universal service policy is
8 designed to guarantee is not put at risk by use of the device. The Company's
9 proposal seeks in effect a *carte blanche* to use these measures, or others the
10 Company develops, subject only to advice from a to-be-formed Advisory Committee.
11 This would not be a reasonable result in this case.

12 **Q. YOU HAVE POINTED OUT THAT THE COMPANY RUNS AN EXCELLENT**
13 **BASELOAD USAGE REDUCTION PROGRAM, AND THAT THIS PROGRAM**
14 **OWES MUCH OF ITS SUCCESS TO THE FLEXIBILITY THE COMPANY**
15 **EMPLOYS IN MATCHING PARTICULAR USAGE REDUCTION SERVICES TO**
16 **EACH INDIVIDUAL PARTICIPANT'S CIRCUMSTANCES. WHY SHOULD THIS**
17 **FLEXIBILITY NOT ALSO BE ACCORDED TO THE COMPANY IN ITS CHOICE OF**
18 **UNIVERSAL SERVICE MEASURES?**

19 A. It was largely the creative and committed Duquesne management team that made
20 Smart Comfort a success (see, for example, glowing references to the program in

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1 ACEEE, *Energy Efficiency Programs For Low-Income Households: Successful*
2 *Approaches for a Competitive Environment*, August 1996). However, LIURP
3 program challenges and CAP bill assistance program challenges are different in a
4 number of respects. Further, the Commission's consideration of universal service
5 issues in this docket will set the framework for the Company's activities for the next
6 five to ten years. In the last three years, the Company has disconnected service
7 to 22,464 accounts (OCA-V-017). The average length of time these residential
8 customers went without electricity was over one month (33.5 days - OCA-V-017).
9 The stakes are high in terms of safety and health, especially for vulnerable low-
10 income customers. No Company, however competent in one area of Universal
11 Service programming, should be left without guidance from the Commission on key
12 elements of universal service programs. Also, the Company is proposing an
13 approach that is untested, and appears to be downplaying the significance of tried-
14 and-true approaches such as CAPs with target enrollment goals and standardized
15 copayment estimation matrices. The Company's tailoring concept may have merit,
16 but the Commission should not endorse it without further demonstration of its
17 practical and safe application.

18 **Q. WHAT DO YOU CONCLUDE ABOUT THE COMPANY'S RECENTLY**
19 **ANNOUNCED PROPOSED UNIVERSAL SERVICE PLAN?**

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1 A. I recommend that the Commission establish a goal for expansion of the CAP
2 component of the Company's Universal Service program, along the lines discussed
3 in the next section of my testimony. This goal should recognize the extent of unmet
4 need for bill assistance in the Duquesne service area, while balancing maximum
5 budget targets for customer support and the objective of permitting the Company
6 to pilot its alternative approach while the standard CAP program is ramping up.

7 The Company should be asked to provide more detail on the types of
8 additional services and measures that it might include in packages of universal
9 service approaches, and on the circumstances in which it is likely to use these new
10 approaches. The Company should be required to implement its new proposal for
11 individualized and tailored Universal Service options to a subset of the low-income
12 payment-troubled population on a pilot basis initially. The pilot should be
13 conducted on the basis of a more detailed plan that has the approval of the
14 Advisory Committee to be formed by the Company. Evaluation protocols should be
15 observed at every stage of the pilot, including the planning phase, so that it will be
16 possible to compare the results of the Company's proposed individualized approach
17 with those of the more traditional set of Universal Service programs.

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1 **PART II - CUSTOMER ASSISTANCE PROGRAM ISSUES**

2
3 **Q. PLEASE DESCRIBE THIS SECTION OF YOUR TESTIMONY.**

4 A. This section of my testimony covers the following topics:

- 5 1. The purpose of the Customer Assistance Program component of a
6 universal service program.
- 7 2. The associated design parameters of a successful CAP.
- 8 3. The budget requirements of a successful CAP in the Duquesne
9 service area.
- 10 4. The extent to which Duquesne's proposed CAP meets the design
11 requirements and budget requirements of a successful CAP.
- 12 5. Recommendations for improvements in Duquesne 's CAP.

13
14 **Q. WHAT IS THE PURPOSE OF THE CUSTOMER ASSISTANCE PROGRAM**
15 **COMPONENT OF A UNIVERSAL SERVICE PROGRAM?**

16 A. The primary purpose of the CAP component of a universal service program is to
17 lower the bills of income-limited residential households to the point where the
18 burden the bill places on the household budget is affordable. An important related
19 purpose of CAP is to enable credit and collection costs to be reduced or
20 reprogrammed into more productive uses.

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1 **Q. WHAT KIND OF CUSTOMER ASSISTANCE PROGRAM WILL BEST ACHIEVE**
2 **THE AFFORDABLE BURDEN OBJECTIVE OF UNIVERSAL SERVICE?**

3 A. In my opinion, a program that addresses the percentage of income that low-income
4 households must devote to electricity costs is the most efficient approach. While
5 discount rates, customer charge waivers, and other forms of low-income bill relief
6 contribute to lowering the burden of electric bills to affordable levels, a "burden-
7 based" program (in which an at-risk customer's bill payment requirement is tied to
8 a meaningful extent to the percentage of their income they can afford over time) is
9 the type of program that will best achieve the universal service objective of reducing
10 the burden of electricity bills for low-income customers to an affordable level.

11 A "straight Percentage of Income Payment Plan" (PIPP) is the classic
12 example of a burden-based kind of program, but there are a number of burden-
13 based programs that have been developed. Pennsylvania has been a national
14 leader in exploring the ways in which competing program designs can be
15 accommodated, while keeping the primary focus on affordable payment burdens.

16 Such programs by definition seek to reduce burdens to a target percentage
17 of the customer's income. To the extent the program is designed to reduce the
18 burden to an affordable percentage of income, the customer should, under ordinary
19 circumstances, be able to afford to make current, timely and complete payments of
20 their copayment responsibilities.

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1 **Q. IS THERE ONLY ONE FORM OF BURDEN-BASED PROGRAM THAT CAN**
2 **ACHIEVE UNIVERSAL SERVICE GOALS?**

3 A. No. There are a number of forms of burden-based program, and all can be effective
4 in achieving universal service goals. In fact, PIPPs per se are not the only forms
5 of bill assistance that can be useful in pursuing universal service goals. Low-
6 income rates, such as National Fuel Gas' Low Income Rate (marginal-cost based
7 rate) can be effective in bringing low-income customers' bills closer to affordable
8 levels. It is also possible to translate the affordable percentage burden into a
9 percent of bill to be paid, or a fixed dollar credit. In any case, the less a CAP builds
10 a percentage of income focus into its design, the less effective, and cost-effective,
11 it is likely to be. Also, there are some program design elements that will likely work
12 against the overall goal of universal service.

13 **Q. PLEASE DISCUSS THE IMPORTANCE OF THE AFFORDABLE BURDEN**
14 **ASPECT OF A RECOMMENDED UNIVERSAL SERVICE CAP PROGRAM.**

15 A. The essential concept of the percentage of income approach to bill affordability is
16 the reduction of a customer's actual bill to an amount that represents an affordable
17 percentage of the household income. Regardless of the rate design or CAP
18 program design, translating the impact of the effective bill into the burden that bill
19 presents as a percentage of the household income permits a fair scaling of the

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1 relative difficulty of making timely and complete payments, depending on the
2 income (and household size) of a family.

3 For example, today, the median income household in the Duquesne service
4 area spends about 2.8 % of its income on electricity in the case of a general use
5 customer, and 4.3% in the case of a customer who heats with electricity. By
6 contrast, low-income families without electric space heat spend as much as 25%
7 of their income on electricity, and those with space heat can spend almost 38% of
8 their income for electricity alone. These extremely high burdens are a function of
9 the level of income and the typical bills of such customers.

10 Even for the upper levels of the low-income range (100% to 150% of the
11 Federal Poverty Guidelines), the percentages spent on general use and electric
12 space heat are about 5% and 7.5 % respectively. Thus, even the least at-risk of the
13 low-income households in Duquesne's service area carry almost twice the burden
14 of electricity costs as their median income neighbors on average. If a median
15 income household in the Duquesne service area (earning \$26,206 per year),
16 without electric space heat, had to bear the burden of the customer at the low end
17 of the poverty range spends, that median income household would spend an
18 average of \$545 *per month* for electricity. A median income household with electric
19 space heat would have to spend an average of \$9,960 per year (the equivalent of
20 a payment of \$830 each month, summer and winter) for electricity.

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1 These examples show that, from the perspective of the low-income
2 household, the average residential bill places an enormous burden on the
3 household, and places affordable service in jeopardy. A universal service program
4 that seeks to achieve bills for low-income participants pegged to an affordable
5 percent of income is the best way to address this problem directly.

6 **Q. PLEASE LIST THE NECESSARY ELEMENTS OF A SUCCESSFUL UNIVERSAL**
7 **SERVICE CAP COMPONENT.**

8 A. A CAP program that effectively promotes the goal of universal service should
9 contain the following elements:

- 10 1. A copayment calculated to require only what is affordable, e.g. 5%
11 of income from general use customers, and 8% of income from
12 primary electric heating customers.
- 13 2. Optimal use of low-income community-based organizations for
14 outreach, intake, and service delivery.
- 15 3. Responsiveness to, and interaction with, participants in the CAP,
16 particularly during the first year of any given program.
- 17 4. Reasonable efforts to achieve a 50% participation rate of the eligible
18 low-income households.
- 19 5. Overall CAP billing deficiency budget sufficient to meet the need.

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- 1 6. Eligibility generally limited to customers with incomes at or below
- 2 150% of the Federal Poverty Guidelines.
- 3 7. Targeted program offering to payment-troubled households among
- 4 the eligible population.
- 5 8. Coordination with effective LIURP services to achieve potential usage
- 6 (and related bill) reduction via persistent savings measures.
- 7 9. Benefits available regardless of the supplier of generation to the
- 8 customer.
- 9 10. Incentives for customers to maintain on-time, full payments of their
- 10 copayment obligations.
- 11 11. Advisory input from key stakeholders on an ongoing and effective
- 12 basis.
- 13 12. Coordination and cooperation with stakeholders in other service
- 14 areas, to achieve cross-fertilization of design concepts and evaluation
- 15 material, and efficiencies in service delivery.
- 16 13. Periodic evaluation against the goals of universal service.
- 17
- 18
- 19

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1 Q. PLEASE DISCUSS EACH OF THE CAP PROGRAM ELEMENTS YOU
2 RECOMMEND, AND STATE HOW DUQUESNE'S PILOT CAP PROGRAM HAS
3 INCORPORATED THEM.

4 A. Duquesne's Pilot program has incorporated most of these elements, as follows:

- 5 1. *A copayment calculated to require only what is affordable, e.g. 5% of*
6 *income from general use customers, and 8% of income from primary*
7 *electric heating customers.*

8 The maximum copayment for a CAP Pilot participant is 5, 7 or 9 percent of
9 annual gross household income, for households at under 50%, 51 -100% and over
10 100% of the federal poverty guidelines, plus a monthly \$5 arrearage copayment
11 (OCA-V-4, Attachment 1), subject to a floor of the customer's current average
12 payment level. No distinction is made between heating and non-heating customers,
13 but Duquesne has a minimal number of space heating customers (5% of residential
14 customers). The result is that for general use customers, customers at the higher
15 tiers of poverty are asked to pay a burden higher than the burden I recommend as
16 the maximum. For the few electric space heat customers in the Duquesne area, the
17 burden on the households at the lowest two tiers of poverty would be below my
18 recommended percentage of income.

19 I support the concept of a graduated percentage burden based on the
20 relative depth of poverty of the household. However, I would recommend that
21 Duquesne keep the current burden matrix for space heat customers only, and

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1 create a separate and lower set of burden guidelines for the majority of its CAP
2 customers who are general use only customers. I recommend that if Duquesne
3 wishes to continue using a tiered burden matrix, the maximum burdens by tier of
4 income be as follows: (1) 0-50%, 4%; (2) 51-100%, 6%; (3) over 100%, 8%. This
5 set of burdens would more closely correspond with the generally lower burdens I
6 recommend, while maintaining the tiering effect.

7 2. *Optimal use of low-income community-based organizations for*
8 *outreach, intake, and service delivery.*
9

10 Duquesne uses a number of Community Based Organizations (CBOs) in the
11 delivery of its Smart Comfort and CAP Pilot programs. The types of CBOs used are
12 diverse, and represent a wide spectrum of types of community input in the service
13 area.

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

17 The Company delegates all follow-up with pilot participants to the CBOs that
18 assist the Company in implementing the CAP program (OCA-V-006). The CBOs
19 monitor CAP accounts monthly and make contact based on a participant's
20 performance. The Duquesne CAP pilot had a participant payment rate (quarterly
21 average of percent of participants making full monthly payments) of almost 90%
22 (CAP Quarterly Report, Fourth Quarter, 1996). Only about 3 % of the defaults were

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1 attributable to failure to complete a reevaluation interview. This suggests a strong
2 contact between the pilot participants and their contacts at the CBOs.

3 4. *Reasonable efforts to achieve a 50% participation rate of the eligible*
4 *low-income households.*
5

6 As a pilot, the purpose of the Company's CAP has not been to achieve full
7 penetration among the eligible population. As described above in Part I, the
8 Company does not propose any particular target for expansion of the CAP program.
9 I recommend that a 50% participation rate be adopted as the target for the full-scale
10 CAP component of the Company's Universal Service programs.

11 The Company's resistance to establishing a target may in practice not
12 translate to a lower number of households receiving CAP benefits. Even if the
13 Company's proposed "holistic" array of services approach were approved, the
14 income-poor circumstances of a large number of the service area's payment-
15 troubled low-income households would require the Company to offer CAP-type
16 services as part of the array for those customers. By the same token, the
17 Company's endeavor to use a tailored, "holistic" approach would not suffer by the
18 adoption of a target, so long as it reasonably represents the likely number of low-
19 income households who will require the CAP bill assistance component in any
20 package of services offered under Universal Service programming by the Company.

21 There are a number of estimates available of the numbers of low-income
22 households that should be offered CAP bill assistance. From Census data, we

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1 know that approximately 117,000 households in the Duquesne service area have
2 incomes at or below 150% of the federal poverty level. Duquesne has identified
3 roughly 53,000 low-income customers who, in December 1996, owed the company
4 more than \$25 and had not paid beyond 45 days past the due date of the bill (the
5 Company's definition of "payment-troubled") (Filing Requirement P.7). Of the
6 74,000 residential accounts in arrears more than 30 days as of December, 1996,
7 the Company identified that 33,800 were low-income (Filing Requirement P.8).
8 The Company currently has 25,400 active low-income customers who are
9 delinquent. The Company estimates that the number of low-income customers who
10 meet the pilot eligibility requirements (including a balance exceeding \$500 and
11 housing expenses over 45% of income) is about 6,000.

12 Thus the range of potential targets for participation is from 6,000 to 117,000
13 customers, while the number who fall into the core group contemplated by the
14 Commission in its *Final Order* (all payment-troubled low-income consumers) is
15 between 25,000 and 34,000 households.

16 Looking at the question of a target for participation in a full-scale CAP
17 program we can look at the budget consequences of program expansion. The
18 average gross cost to the Company of the CAP Pilot participants was \$241 (actual
19 1996 budget of \$385,163/1,600 actual participants). A program funded at a level
20 equivalent to 0.5% of gross operating revenues (\$1,145,000,000* 0.005) would

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1 have a budget of \$5,725,000. Assuming a similar budget requirement per
2 participant under a full-scale program (i.e. overall budget at 0.5 % of revenues), the
3 numbers of participants in a full-scale Duquesne CAP would be approximately
4 23,755. This figure is consistent with the estimate of approximately 24,000 low-
5 income customers who currently are delinquent in their bill payment.

6 I recommend that the Company be required to do outreach to its delinquent
7 low-income customers, with a goal of providing CAP bill assistance services to
8 24,000 eligible customers by the end of three years.

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

10 The Company's CAP budget, if implemented, would not meet the need. As
11 discussed in Part I, above, the Company makes no specific estimation of the
12 amount of Universal Service funds it plans to spend on CAP bill assistance
13 services.
14

15 6. *Eligibility generally limited to customers with incomes at or below*
16 *150% of the Federal Poverty Guidelines.*

17 This guideline is generally met by the program.
18

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

21 The Company's CAP Pilot used a very narrow definition of eligibility, that
22 would eliminate many low-income customers who are payment-troubled. But even
23

1 eliminating the additional barriers to eligibility the Company included in its pilot CAP
2 would not overcome the unnecessary limitations on program participation.

3 Passing a payment-trouble screen should not be an absolute requirement
4 of participation. That is, customers should not be denied universal service
5 assistance solely on the grounds that they are not delinquent.

6 It does make sense to target CAP benefit dollars to the most at-risk
7 customers. The Company goes too far, however, in screening out customers who
8 are at risk of falling behind on their bills and losing service. The Company uses two
9 indicia of payment-trouble to screen potential CAP participants: past-due balance
10 of at least \$500, and housing expenses exceeding 45% of the household income
11 (Filing Requirement P.3). Apparently, a customer must pass both payment-trouble
12 screens to qualify under Duquesne's CAP. Only one payment-trouble screen is
13 needed to ensure proper targeting of CAP benefits. And, as I will suggest below,
14 both of the screens used in the pilot were too limited for a universal service
15 program.

16 The requirement of a \$500 arrears would seem to set up a situation in which
17 a customer is encouraged to allow bills to mount up so as to qualify for the only bill-
18 reduction assistance available.

19 The requirement of household expenses over 45% of household income sets
20 a high hurdle (HUD considers housing unaffordable when household expenses

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1 exceed 30% of income). And it may require the Company to incur an unnecessarily
2 high administrative cost for CAP screening purposes. It requires a budget to be
3 developed for each individual customer, a time-consuming process. Also, one can
4 question the extent to which budget counseling is practical and cost-effective in the
5 case of very low-income customers. For these reasons, it would make more sense
6 to use a screen that does not require such individualized eligibility determinations.

7 The presence of an arrearage is an easily-identifiable and useful sign that
8 a customer is payment-troubled. For this reason, the Company should rely more
9 on a modified arrearage screen to target potential enrollees, and should eliminate
10 the more cumbersome and expensive "excess housing cost" screen.

11 I also recommend that the Company include non-delinquent, high-risk
12 customers in its eligibility definition. PP&L has proposed that eligibility be extended
13 to customers whose circumstances indicate that they are at risk of inability to
14 maintain service. I have endorsed this concept, and recommend that the list
15 suggested by PP&L, with two narrow additions I have proposed, be used by
16 Duquesne to enable a more complete group of at-risk customers to qualify for CAP
17 assistance.

18 The list suggested by PP&L includes most of the circumstances that come
19 to mind in which particular financial stress places extraordinary pressure on a
20 household's ability to afford service:

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1 Injury or illness of primary wage earner,
2 High medical bills,
3 Loss of job or other reduction in income,
4 Abandoned spouse with young children,
5 Very low income elderly.

6
7 To these categories, I would propose adding the following:

8
9 Very low-income households with children under school age, and
10 Very low-income households with a permanently disabled person
11 residing in the house and requiring personal care for daily living.

12
13 Taken together, these categories describe households where the adult(s) are
14 unable to take on jobs outside the house to increase the family income sufficiently to afford
15 service, and are locked into their very low-income situation so long as these constraints
16 persist.

17 8. *Coordination with effective LIURP services to achieve potential usage*
18 *(and related bill) reduction via persistent savings measures.*

19
20 Duquesne has been a leader in innovative LIURP efforts. In the case of
21 linkage between CAP and LIURP services, the Company's proposed "holistic"
22 approach should prove to be an effective tool in addressing not only the bill
23 payment difficulty facing the customer, but the wasteful and unnecessarily high
24 usage that can lock a customer into a high bill situation.

25 9. *Benefits available regardless of the supplier of generation to the*
26 *customer.*

27 Low-income customers should enjoy the same choice of energy suppliers as
28 other customers, even if they are receiving CAP assistance. It would not violate this

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1 principle for all CAP assistance to be provided by the electric distribution company.
2 But that arrangement is only one way of delivering the CAP benefit. And in any
3 event, the customer should be able to choose a supplier.

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

6 The Company includes an arrearage forgiveness component in its CAP
7 program. However, the Company requires a flat \$5/month payment towards
8 arrears. This amount is too high for customers in the lower tiers of the federal
9 poverty level. It should be reduced to \$3 per month for customers with incomes at
10 or below 100% of the FPL.

11 11. *Advisory input from key stakeholders on an ongoing and effective*
12 *basis.*

13 Duquesne's proposed Universal Service plan calls for the institution of a
14 formal Advisory Committee.

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

18 The Company participates in various statewide working groups. However,
19 there is no ongoing, statewide effort on these issues. Such an effort should be
20 undertaken, taking advantage of the momentum in this direction begun via the
21 PUC's universal service working groups. Particularly where Duquesne is proposing

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1 to take a novel approach in the CAP area, cross-fertilization of ideas and feedback
2 will be useful tools for the Company to have.

3 13. *Periodic evaluation against the goals of universal service.*

4 The Company states merely that it proposes to follow the Commission's
5 requirements on evaluation as stated in the *Final Order*. (Plan at 21). A more
6 detailed evaluation plan is called for, especially given the Company's proposal to
7 institute a novel approach to Universal Service issues. I recommend that the
8 Company perform a process evaluation of the ramp-up from pilot to full-scale status
9 in 1998, and that it undertake an impact evaluation in 1999, once it has achieved
10 a substantial portion of its proposed ramp-up. I also recommend that any pilot
11 'holistic' approach to universal service delivery that is permitted by the Commission
12 be undertaken with a view towards a full impact and process evaluation after a
13 suitable period, such as two or three years of the pilot. Of course, plans for any
14 evaluation should be developed no later than roll-out of the pilot, so as to have
15 proper data-gathering tools in place.

16 **Q. DOES DUQUESNE'S CUSTOMER ASSISTANCE PROGRAM MEET THE**
17 **OVERALL CRITERIA YOU RECOMMEND?**

18 **A.** Duquesne has a sound basic design for its CAP, and has plans for significant
19 expansion of the program. But there is room for improvement and a need for further

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1 expansion of the Company's program. My specific recommended improvements are
2 described above, and in Part I.

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1 **PART III - LOW INCOME USAGE REDUCTION PROGRAM ISSUES**

2 **Q. PLEASE DESCRIBE THIS SECTION OF YOUR TESTIMONY.**

3 A. This section of my testimony covers the following topics:

- 4 1. The role of LIURP in achieving universal service.
- 5 2. The Duquesne LIURP plan and how well it serves the General
- 6 Assembly's universal service goals.
- 7 3. A recommended overall budget level, and program design change
- 8 proposals.
- 9 4. A low-income renewables pilot proposal.

10 **Q. WHAT IS THE ROLE OF USAGE REDUCTION IN ACHIEVING UNIVERSAL**
11 **SERVICE?**

12 A. Usage reduction is an integral component of the efforts of the distribution utility and
13 other market participants to assist low-income customers to achieve the same level
14 of service as non-low-income customers. Usage reduction is particularly valuable
15 because it not only helps lower bills, and thereby improve payment patterns, it also
16 saves electricity resource costs, such as fuel and capacity costs. In addition, it has
17 environmental benefits. Thus, low-income usage reduction is a beneficial
18 proposition to all concerned (affordable bills, lower credit and collection costs to the
19 utility, lower credit and collection costs passed on to other customers, lower
20 electricity resource costs, and lower environmental costs).

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1 **Q. PLEASE BRIEFLY DESCRIBE THE DUQUESNE LIURP PROGRAM, WRAP.**

2 A. Duquesne runs a low income usage reduction program (LIURP). This is a program
3 that primarily addresses baseload uses, and is delivered free to eligible clients
4 (incomes below 150% of the federal poverty guidelines) by community-based
5 organizations within Duquesne's service territory.

6 **Q. WHAT IS THE COMPANY'S CURRENT LEVEL OF PROGRAM EFFORT?**

7 A. The Company is budgeted to spend \$700,000 per year (Plan at 13). Its actual
8 spending has varied from year to year. In 1996, the expenditure level was
9 \$788,480.

10 The number of participants is roughly 700 per year (Filing Requirement P.3).

11 **Q. WHAT IS THE COMPANY'S PROPOSED BUDGET FOR LIURP?**

12 A. As with CAP, the Company proposes to maintain complete flexibility about what
13 portion of total universal service funds go to LIURP (Plan at 14-17). Given the
14 Company's track record of consistent improvements in its usage reduction offering,
15 it is likely that the Company will continue a level of effort on this component of
16 universal service at least equal to its present spending.

17 **Q. WHAT LEVEL OF EFFORT, MEASURED AS A PERCENTAGE OF GROSS**
18 **OPERATING REVENUES, DOES THE COMPANY'S CURRENT LIURP**
19 **PROGRAM REPRESENT?**

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1 A. A budget of between \$700,000 and \$800,000 is the equivalent of between 0.06%
2 and 0.07% of the Company's gross operating revenues (\$1,145,000,000). Thus,
3 the Company's overall level of effort for usage reduction is about one-third of the
4 0.2% of GOR rule of thumb.

5 **Q. WHAT BUDGET TARGET SHOULD BE SET FOR DUQUESNE'S LIURP**
6 **PROGRAM?**

7 A. Duquesne should be required to ramp up its LIURP program to 0.2% of system
8 gross operating revenues (including an equivalent component for energy services)
9 over four years. This would permit an orderly increase in the institutional capacity
10 of the Company and the CBOs to deliver the program.

11 It could be argued that Duquesne, with its extremely small penetration of
12 electric space heat (only 5% of residential customers) naturally will spend less on
13 average per household than companies with larger space-heat programs. From this
14 observation it might be suggested that Duquesne should not ramp up its LIURP
15 efforts to the same target 0.2% level as other Pennsylvania utilities. However,
16 Duquesne could increase its level of effort for LIURP services, by expanding the
17 number of households served each year.

18 A ramp-up such as that I propose need not interfere with the Company's
19 proposal to tailor universal service approaches to individual clients. While the
20 Company has not performed a needs assessment for LIURP services (OCA-V-009),

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1 it has provided its comprehensive services so far to 6,000 low-income customers
2 (id.). As there are upwards of 117,000 low-income households in the service area,
3 and as many as 25,000 to 35,000 payment-troubled low-income households, even
4 a faster ramp-up would take many years to provide services to all low-income
5 households.

6 During the ramp-up, care should be taken to preserve the unique qualities
7 that have made Duquesne's program successful in identifying cost-effective
8 baseload savings opportunities. The program managers have been close enough
9 to the day-to-day decisions in the Smart Comfort program that their spirit of
10 experimentation and initiative has been maintained by staff and vendors alike.
11 Ramping up too soon, and ramping up beyond the capacity to maintain the hands-
12 on involvement of current managers, would jeopardize the intangible qualities that
13 make Smart Comfort successful. If a speedy ramp-up or a ramp-up to the full 0.2%
14 of system costs begins to undermine the quality of services, the Company should
15 be able to come back to the Commission with a proposal to adjust the schedule.

16 **Q. DO YOU RECOMMEND ANY CHANGES TO THE COMPANY'S LIURP**
17 **PROPOSAL?**

18 **A.** Yes. I recommend that the Company be required to augment its LIURP efforts by
19 ramping up the level of effort, and by instituting a renewables pilot.

20 **Q. PLEASE DESCRIBE YOUR PROPOSAL FOR A RENEWABLES PILOT.**

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1 A. The General Assembly in the restructuring bill specifically noted that applications
2 of renewable technology can be included in the universal service programs of
3 electric utilities. 66 Pa.C.S. §2803. I recommend that a pilot renewables program
4 be fielded by Duquesne along the following lines:

- 5 1. Issue an RFP to solicit proposals of contractors to install 10 units of
6 photovoltaic electricity panels at 1 kW in 1999, and 20 units of PV in
7 2000, on the dwellings of low-income Duquesne customers.
- 8 2. Seek bids in a price range of \$5.00 per Watt (this is an aggressive
9 target, but may well be achievable, especially if the Duquesne
10 payment is packaged with grant funding to lower unit costs). This
11 would produce a measure installation cost of \$50,000 for the first
12 year, and \$100,000 for the second year. These amounts should
13 come out of the total LIURP budget for these two years.
- 14 3. In the same or a different RFP, seek proposals to install up to
15 \$50,000 worth of passive or active solar hot water heating on low-
16 income Duquesne customers' dwellings.
- 17 4. In each case, require a diversity of building types, locations (including
18 a significant number in densely-settled, older urban neighborhoods,
19 with network distribution systems and plans for distribution upgrades,
20 if possible), land tenancies (e.g. customer as owner vs. renter), sizes,

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1 and metering arrangements (including some net metering on larger
2 units relative to the load of the subject dwelling).

- 3 5. Conduct a process and impact evaluation of the installations,
4 capturing such features as customer acceptance of the measures,
5 landlord acceptance in the case where the customer is a renter, cost
6 per unit, payback per unit, Total Resource Cost on a present value
7 basis per unit, and the like.
- 8 6. Involve the Universal Service Advisory Committee (proposed by the
9 Company as part of its proposed Plan) at all stages of pilot
10 development and evaluation.
- 11 7. Submit a report to the Commission in 1999 and 2000 concerning the
12 status of the pilot and the findings of any evaluations, together with
13 recommendations as to whether to renew or extend the pilot.

14 **Q. WHAT IS THE BASIS FOR THIS RENEWABLES PILOT BUDGET PROPOSAL?**

15 A. Today, 1000 Watt PV units can be obtained for \$6.00 per Watt, and bulk purchases
16 can push the cost down towards \$5.00 per Watt. With DOE grant funding or other
17 contributions to the project, the cost can be expected to remain at \$5.00 per Watt.
18 PV has a useful life of 30 years. A simple present value calculation shows that the
19 payback for a unit that costs \$5.00 per Watt can be as low as 14 years. This is very

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1 close to the 12 year limit in the pre-restructuring LIURP regulations for specified
2 measures.

3 There are a number of reasons why the Commission should allow the pilot
4 to go forward, despite the fact that a projected payback under optimistic price
5 conditions will be slightly longer than the current payback limit for LIURP. First, the
6 project is important. The General Assembly highlighted the importance of testing
7 the viability of renewable generation when it included renewables in its list of
8 possible universal service measures.

9 Second, when PV can reach the necessary critical mass for reducing the
10 cost and thus the payback time, it promises to address not only environmental
11 concerns, nor even only affordability concerns, but concerns about the cost of
12 distribution upgrades as well. This is particularly important in densely packed
13 urban neighborhoods, with underground, network-style, distribution systems.
14 Southern California Edison has already shown the value of PV in heading off
15 expensive buried-cable replacements in Pasadena, California.

16 Third, PV is a low-maintenance installation. It does not require complex
17 interactions between customers and machines to deliver its benefits. It does not
18 readily break down. If these qualities persist in the densely-populated low-income
19 neighborhoods where many low-income Duquesne customers reside, the ease of
20 maintenance will be a significant value to this resource. There is precedent for

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1 such installations, in the Rheinhardt Street Townhouses in South Philadelphia,
2 funded partially by a "PV In Buildings" grant from the Department of Energy.

3 With respect to the solar hot water, these technologies are proven. What is
4 not yet understood as well is the viability of these installations in rental situations,
5 urban neighborhoods, and existing low-income housing of various kinds. As in the
6 case of the PV pilot, the use of an RFP process can permit the Company to obtain
7 the insights of solar experts, while maintaining significant control over the prices it
8 will incur for these installations.

9 **Q. YOU HAVE RECOMMENDED THAT PECO ENERGY, PP&L, MET ED AND**
10 **PENELEC ALSO CONDUCT PILOT RENEWABLES PROGRAMS. SHOULD**
11 **THESE PROGRAMS BE COORDINATED?**

12 **A.** Yes. To achieve the maximum economies in the purchase of the PV units, it would
13 be best to pool the purchases of all the electric utilities, and run a single state-wide
14 pilot. Alternatively, separate pilots could be run, but purchase of the units could be
15 pooled.

16 **PART IV - COST ALLOCATION AND RATE DESIGN**

17 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER ITS UNIVERSAL**
18 **SERVICE COSTS?**

19 **A.** The Company proposes to recover its universal service costs via a non-
20 bypassable per-kilowatthour charge assessed on all distribution customers. The

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1 amount of the charge would vary from class to class, and be reflective of the
2 allocated distribution costs for each rate class (Plan, at 20). The Company's
3 proposed per kWh charge by class is shown below in a table reproduced from
4 page 21 of the proposed Plan:

Rate Class	Proposed Charge per kWh
RS	\$0.0018
RH	\$0.0014
RA	\$0.0014
GS/GM	\$0.0011
GMH	\$0.0010
GLH	\$0.0005
GL	\$0.0005
L	\$0.0005
HVPS	\$0.0003
AL	\$0.0013
SE	\$0.0047
MTS	\$0.0010
SM	\$0.0093
SH	\$0.0028

21 In the Commission's decision in the Universal Service docket, the
22 Commission stated that all customers should support universal service costs, but
23 a per-kWh charge should not be used as the allocator for such costs. However,

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1 since the Company's proposed allocator is relative distribution costs, and not
2 energy, the fact that the Company proposes a kWh charge as the rate design to
3 collect class allocated universal service charges would appear not to be
4 inconsistent with the Commission's directives in the *Final Order*.

5 **Q. DO YOU AGREE WITH THE COMPANY'S PROPOSAL?**

6 **A.** I have not had sufficient time to analyze the Company's relative distribution
7 costs allocation proposal. A kilowatthour allocator based on energy use would
8 in principle be the ideal allocator for class universal service revenue
9 requirements. I show the results of such an allocation process for Duquesne in
10 Exh. NB-Duquesne-3.

11 **Q. DO YOU CONCLUDE THAT A KWH ALLOCATOR IS THE ONLY PROPER**
12 **ALLOCATION OF UNIVERSAL SERVICE COSTS?**

13 **A.** While a kWh energy allocator would be a sound basis for allocating universal
14 service costs, it is not the only proper basis. The Commission stated in its Final
15 Order on Universal Service and Energy Conservation Programs that it did not
16 consider a kWh energy allocator to be appropriate. The Commission was
17 equally clear that universal service costs should be allocated to all classes.
18 There are other allocators that will fit these parameters and provide a sound
19 basis for allocating such costs.

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1 **Q. HAVE YOU DEVELOPED ANOTHER ALLOCATOR THAT YOU WOULD**
2 **RECOMMEND FOR ALLOCATION OF UNIVERSAL SERVICE COSTS?**

3 A. Yes. I have developed an allocator based on each class' relative non-production
4 revenues.

5 **Q. PLEASE EXPLAIN THE BASIS OF YOUR NON-PRODUCTION REVENUE**
6 **ALLOCATOR.**

7 A. My non-production revenue allocator takes the revenues to be collected from
8 each class, exclusive of that part of the revenue requirement that has been
9 functionalized as production-related. Thus, the allocator is based on each
10 class' relative combined transmission and distribution revenue requirement.
11 I use a revenue allocator, because such a general allocator is appropriate for
12 costs, such as universal service costs, that are associated with generalized
13 benefits and should not be directly assigned.

14 I exclude production-related costs in deference to the statutory
15 requirement that the recovery of universal service costs be competitively-neutral.
16 Production-related costs will soon be determined in the competitive market, and
17 "allocated" to classes and customers by market forces. By eliminating these
18 costs from the allocator, the intent is to base the allocator on costs that remain
19 subject to price regulation. Thus, only monopoly and jurisdictional costs are
20 included in the allocator.

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1 **Q. HAVE YOU PREPARED AN EXAMPLE OF HOW SUCH A NON-PRODUCTION**
2 **REVENUE ALLOCATOR WOULD WORK?**

3 A. Yes. Exhibit NB-Duquesne-4 shows the results of such an allocator, using the
4 recommended universal service and energy conservation costs for the first year
5 of the transition, and developing the allocation factors from the Company's cost
6 of service study. This study will have to be revised in the compliance phase of
7 this case in the event that any modifications to the Company's allocations are
8 adopted by the Commission.

9 I used pro forma revenue requirements, as I do not have actual revenues
10 functionalized by production, and non-production. The cost of service study is in
11 effect a forecast of functionalized revenues, assuming rates are set to recover
12 such costs. In the future, to the extent the Commission requires separation of
13 accounts for competitive generation and monopoly transmission and distribution,
14 it will be possible to construct a revenue allocation based on historic actual
15 postings, if the Commission prefers that approach.

16 **Q. WHAT DOES YOUR NON-PRODUCTION REVENUE ALLOCATOR SHOW?**

17 A. As can be seen in Exhibit NB-Duquesne-4, a non-production revenue allocation
18 produces an allocation to the residential classes of 44.8% of the universal service
19 costs (as opposed to an allocation of about 26.8% using a kWh allocator). The
20 allocation to the non-residential classes is correspondingly lower using the non-
21 production revenue allocator than using a kWh allocator.

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1 **Q. WHAT DO YOU RECOMMEND CONCERNING ALLOCATION OF UNIVERSAL**
2 **SERVICE COSTS?**

3 A. First, costs should be allocated to all classes. Second, a kWh allocator would be
4 appropriate, but in the event such an allocator is rejected, following the Final
5 Order, I recommend that the Commission adopt a non-production revenue
6 allocator for such costs, as shown in Exh. NB-Duquesne-4. I will examine the
7 Company's recently proposed allocator based on relative distribution cost
8 allocations, and may offer additional comment in Surrebuttal.

9

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1 **PART V - EXPERIENCE OF OTHER STATES**

2 **Q. HOW HAVE OTHER STATES HANDLED THE UNIVERSAL SERVICE ISSUES**
3 **YOU DISCUSS IN YOUR TESTIMONY?**

4 **A.** States that have passed restructuring legislation or developed final plans for
5 implementation of restructuring in the electric industry have provided for bill
6 reduction assistance and management similar to that contemplated by the
7 General Assembly in Pennsylvania.

8 In Massachusetts, the Commission's proposed restructuring regulations,
9 and the settlements with major electric companies on plans for introducing
10 competition, provide for a continuation of the low-income discounts (which range
11 from 20% to 35% of base rates) and a ramping up of the low-income
12 conservation efforts of electric distribution utilities. In particular, baseload use is
13 targeted in expanded low-income DSM programs, budgets will be increased, and
14 greater use of Community Action Agencies will be made. The bill pending before
15 the legislature would preserve these elements of the settlements, and would also
16 provide for deeper discounts for low-income consumers than have been provided
17 by utilities under monopoly regulation.

18 California, Rhode Island, Maine, and Montana preserve the low-income
19 programs that have historically been provided by electric utilities in those states.
20 The Montana statute specifies that at least 17% of the systems benefits moneys

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1 collected be devoted to low-income bill assistance and low-income conservation.
2 The Montana systems benefits fund ("Universal Service") will be funded by a
3 charge at 2.4% of retail sales revenues in Montana. In Maine, the legislature has
4 mandated that low-income bill assistance continue at its current level (0.5% of
5 revenues), and that efficiency (including low-income usage reduction) continue at
6 1995 levels.

7 California specifies that the budget for such programs must be based on
8 need. Traditionally the low-income rate program in California has provided for a
9 15% discount, and direct assistance to help low-income consumers take
10 advantage of efficiency opportunities. The Commission also has set up the
11 California Low Income Governing Board, of which I am a member, to implement
12 the statute's provision for transfer of utility programs to an independent
13 administrator.

14 In New Hampshire, the statute provides that programs to help low-income
15 families "manage and afford" their electric service must be instituted. The
16 Commission was directed to establish a restructuring plan to carry out the overall
17 restructuring statute. On February 28, 1997, the Commission issued its Final
18 Plan, in which it ordered that a new statewide percentage of income payment
19 program be established to carry out the statute's mandate for low-income
20 universal service protection. The Commission accepted the recommendation of a
21 task force of stakeholders that the budget for such assistance would be up to

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1 \$13.2 million, for a state with 500,000 electric consumers. New Hampshire had
2 never had low-income rate assistance under regulation, and the Commission's
3 action recognized that the new industry structure posed particular risks for low-
4 income customers. Oklahoma and Nevada leave low-income protection details
5 up to their respective Commissions, and the Commissions have not acted as of
6 this date.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes.

9

10 44533

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- 1991- Utility Analyst/Attorney, National Consumer Law Center
Boston, MA.
- 1988-91 General Counsel, Massachusetts Department of Public Utilities
February, 1988 to June 1991
- 1986-1988 Staff Counsel; Assistant General Counsel
Massachusetts Department of Public Utilities
- 1983-1986 Maine Public Utilities Commission
Staff Attorney, Senior Staff Attorney
- 1979-1982 Legal Services for the Elderly, Inc.
Augusta, Maine
Chief Attorney (Executive Director) 1981-82
- 1977-79 Pine Tree Legal Assistance, Inc.
Augusta, Maine
Directing Attorney, Staff Attorney
- 1973-77 U.Mass. Student Legal Services
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- EDUCATION:** J.D., Yale Law School, 1973
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**NANCY BROCKWAY - NCLC
GRANT AND CONTRACT PROJECTS**

June 18, 1997

AGENCY	WORK PRODUCT	TOPIC	DATE
Regulatory Assistance Project	Report	Consumer disclosure in restructuring	Ongoing
Boston Bar Foundation	Training	Massachusetts utility consumer rights	June 1996
Action, Inc (Department of Energy)	Technical assistance	New England restructuring and low-income households	Ongoing
Rhode Island CAP Director's Association	Technical assistance	Universal Service in Rhode Island electric restructuring	Ongoing
Pennsylvania Office of the Consumer Advocate	Testimony and consultation	Universal Service Components of Electric Utility Restructuring Plans	Ongoing
Governor, State of Illinois	Report and consultation	Impact of Restructuring on Residential Consumers	Spring, 1997
Oak Ridge National Laboratories	Report with appendices	DSM Programs for Low-Income Customers in Restructuring	Ongoing
Spratley Associates; Legislative Energy Assistance Project	New England Consumer Advocate regional meeting; summaries of deliberations.	Consumer Issues in Restructuring: Integrating the Green Agenda.	October 28, 1996
Regulatory Assistance Project	Report with appendices	Consumer Issues in Restructuring: Specific Regulatory and Legislative Options to Address Consumer Protection Issues	Ongoing
Spratley Associates; Legislative Energy Assistance Project	Report	Consumer Issues in Restructuring: Scoping the Need for Legislation	August, 1996
U.S. Department of Energy (subcontracted by Action, Inc.)	Letter reports on New England restructuring activities	Utility Restructuring	1996
Urban Consortium, via Cape Cod (MA) County Commissioners	Parts of Report and draft contract, RFP, regulations and statutes	Bliddable Franchise as a form of industry restructuring	1996

AGENCY	WORK PRODUCT	TOPIC	DATE
Pennsylvania Office of Consumer Advocate	Testimony	Rate rebalancing and universal service.	1996
National Association of Regulatory Utility Commissioners and National Council of State Legislatures	Report	Strandable Benefits in Utility Restructuring, and Techniques for Preventing Stranding	August, 1996
Massachusetts Executive Office of Communities and Development (now Division of Housing and Community Development) (subcontracted by Action, Inc.)	Represent low-income consumers in regulatory proceedings seeking additional DSM to leverage Weatherization Assistance. Filed comments on behalf of clients in Mass. D.P.U. 95-30, generic electric industry restructuring docket.	Leveraging WAP, electric industry restructuring	Ongoing
The Energy Foundation	Project Director, The National Low-Income DSM Project. Coordinate national efforts to respond to challenge of retail restructuring on low-income customer programs.	Electric industry restructuring and impacts on low-income customers.	Ongoing
Joyce Mertz-Gilmore Foundation	Supports various activities in field of electric industry restructuring and impact on low-income customers' access to affordable, efficient energy.	Electric industry restructuring and impacts on low-income customers.	Ongoing
National Energy Assistance Directors' Association	Report and technical assistance	Utility restructuring and options for low-income participation to protect low-income customers	Reports submitted 10/95, 5/96, 9/96.
American Association of Retired Persons	Comments for filing with Federal Communications Commission	Universal Service rulemaking proposals	Comments filed September 27, 1995

**NANCY BROCKWAY
PUBLICATIONS/ARTICLES/REPORTS LIST
NATIONAL CONSUMER LAW CENTER, INC.
June 18, 1997**

BOOKS

1. **Access to Utility Services** (with Margot F. Saunders), National Consumer Law Center, 1996. Comprehensive manual for low-income advocates and others on the legal bases for consumer protections enabling customers to obtain electric, gas, water and telephone service. Includes treatment of regulatory jurisdiction, unregulated deliverable fuels, protections from shut-off, the right to service, payment issues, terminations, third-party liability, tenants' rights, rights of mobile home residents, bankruptcy, master-metering, erroneous billing/unauthorized use, LIHEAP, payment assistance, weatherization, subsidized housing, telecommunications under the 1996 Act, and intervenor funding.
2. **Tenants' Rights to Utility Service** (with Margot F. Saunders and Roger D. Colton) (1994). A manual for practitioners covering all aspects of a tenant's relationship to providers of utility service, including sources of law, grounds for denial of service or termination, deposits, remedies in the event of landlord default, mastermetering, weatherization, public housing utility allowances, and bankruptcy.

OTHER PUBLICATIONS

1. **Regulatory Jurisdiction to Enforce Consumer Protections Against Competitive Electricity Suppliers: The Case of New England**, in Barbara R. Alexander and NCLC, "Consumer Protection Proposals for Retail Electric Competition: Model Legislation and Regulations," October 1996, The Regulatory Assistance Project. This report reviews the various factors that have typically been used by legislatures to attach regulatory jurisdiction to public utilities (e.g. ownership or control of certain facilities, performance of certain functions, etc.), and concludes that new legislation, clarifying the role of regulation in controlling abusive practices of competitive electricity suppliers, is necessary to avoid gaps in jurisdiction and litigation over the proper scope of statutes written for a monopoly, vertically-integrated electric industry.
2. **Public Goods of the Electric Utility Industry: Will They Be Stranded and How Can We Preserve Them?**, with Mike Sherman, October 1996, National Council on Competition in the Electric Industry. Identifies the major benefits of the current vertically integrated monopoly electricity industry at risk of being stranded in the move to retail competition. Public Goods include such benefits of the current system as consumer protections, low-income affordability and energy-efficiency programs, fuel diversity, energy efficiency, renewable energy investments, high-paying jobs, and the like. The report identifies four Types of mitigation strategies: (I) require competition participants to provide these benefits, (II) raise a fund to pay for the above-market costs of such activities, (III) bring customer demand together in a value-

driven aggregator to purchase these goods, and (IV) remove market imperfections that create barriers to customers obtaining these goods.

3. **A Low-Income Advocate's Guide to the Telecommunications Act of 1996**, March 1996, National Consumer Law Center. The Telecommunications Act of 1996 will put in place the most sweeping changes in the telecommunications industry in half a century. This paper analyzes the 100 page Act, explaining the basic changes the Act will make in the industry, and the specific provisions that affect low-income consumers. The report focusses on the Act's provisions: (a) making Universal Service the law of the land, and explicitly including the concept of affordability, (b) requiring comparable rates and services in urban and rural areas, (c) fostering expansion of distance learning and medicine, and (d) tightening up anti-slamming and 900 number protections.
4. **Deregulation of the Electricity Market: Implications for Captive Customers, and Options for Mitigation** (June 1995). Analyzes the degree to which different electric industry restructuring options imply deregulation of the industry, with the associated adverse impacts on captive customers. Lays out the viable options for mitigating these impacts (e.g. obligation to serve, provider access fees to fund discounts and DSM, wires charges for the same purpose, all-provider service obligations (with or without "Net-Trans" accounts to trade obligations among suppliers), energy/utility stamps. Discusses pros and cons of each method for providing maintenance and improvement in ability of low-income customers to get service in deregulated markets.
5. "Intervenor Funding in Public Utility Rate Cases," *Clearinghouse Review*, June 1995, Chicago, Illinois. Catalogues the statutes and rules in effect nationally (e.g. the Public Utility Regulatory Policy Act of 1978) and by state, that provide for reimbursement of the costs of intervening in regulatory proceedings on behalf of consumers. Discusses subject matter of fundable interventions, criteria for reimbursement, barriers to reimbursement, and legal basis for reimbursement in the various states.
6. **Electric Industry "Restructuring": Can the Small Consumer Afford It?** (March 9, 1995)(with Texas R.O.S.E.). Explains the proposals for electric industry restructuring for a lay audience. Discusses impact of restructuring proposals on planning for future energy needs, with particular emphasis on fuel diversity, siting, plant performance, and DSM. Explains concept of stranded assets and stranded benefits. Analyzes 3 restructuring proposals: wholesale competition, retail competition, and transitional or quasi-competitive proposals (e.g. incentive regulation). Identifies winners and losers under competition, and advances 10 elements of a program to protect captive ratepayers. Includes a Consumer Bill of Rights.
7. **The Low-Income Advocate's Introduction to Electric Industry Restructuring and Retail Wheeling** (Rev. January 1995). Analyzes the impact on low-income customers of retail wheeling and electric industry restructuring. The report reviews the history of the issue, describes the adverse impacts of many of the proposals being advanced by proponents of retail competition, and outlines several alternative forms of industry restructuring that would better

serve the needs of low-income customers and ratepayers as a whole. (available in summary version).

8. **Redefining and Safeguarding Universal Telecommunications Service, Part I: What is Universal Telecommunication Service?: Standards for Defining and a Definition for 1994** (January 1994). Reviews the history of American telecommunications and the concept of universal service. Posits that universal service is both a fundamental and an evolving policy objective. Sets out 4 criteria for determining whether a service element should be provided on a ubiquitous basis as an element of universal service. Applies those criteria to a modern state with large cities, major suburbs, and considerable rural population. Goes beyond mere dial tone to incorporate concept of affordability in concept of universality. Posits that unlimited local calling, a basic package of long-distance calling, 911, call-trace, and privacy blocks, are all part of the modern understanding of universal service elements (available, together with Parts II, III and IV, in an updated and summary format, as well).
9. **Redefining and Safeguarding Universal Telecommunications Service, Part II: Do We Have Universal Service in America Today?** (January, 1994). Reviews census and other demographic data to describe a world of information haves and have-nots. Shows that low-income households, Blacks, Hispanics, and other disadvantaged groups lack basic dial tone to a significant degree. Overall average rates of phone penetration, thus, do not reveal true picture. Shows that lack of access to other tools, such as credit cards, will hamper low-income access to benefits of information superhighway (available, together with Parts I, III and IV, in an updated and summary format, as well).
10. **Redefining and Safeguarding Universal Telecommunications Service, Part III: The Impact on the Poor of the Lack of Telephone Service** (January 1994). Examines survey results that demonstrate importance of telephone service in acquiring and keeping jobs, social services, medical care, and contact with friends and family. Discusses failure of payphones to fill the gap for those without in-home phones (available, together with Parts I, II and IV, in an updated and summary format, as well).
11. **Redefining and Safeguarding Universal Telecommunications Service, Part IV: Necessary Steps to the Achievement of Universal Service** (January, 1994). Lays out variety of policy alternatives designed to increase telephone penetration, including enhanced Lifeline, Universal Telephone Access Fund, performance standards for phone companies, and the like (available, together with Parts I, II and III, in an updated and summary format, as well).
12. **The Impact of Rising Water and Sewer Costs on the Poor: The Case of Eastern Massachusetts** (November 1990). Examines the reasons that water and sewer rates are projected to rise to the level of home heating costs by the end of the decade in eastern Massachusetts, where the Boston Harbor clean-up will be paid for 95% by rate increases. Looks at the impact of the federal Clean Water Act and Safe Drinking Water Act on water and sewer rates nationally. Reviews Census and HUD data to develop an estimate of households currently unable to pay for minimum family needs, and projects the impact of additional burdens of water and sewer rates. Reviews possible means of relieving the burden.

13. **"Utility Demand-Side Management and Low-Income Customers,"** *Clearinghouse Review*, Vol. 27, No. 3 (July 1993).
14. **COM/Electric C&LM Task Force, Report of the Independent Conservation and Load Management Expert**, Boston, MA. (Nov. 1992).
15. **How Rates are Set for the Regulated Utility: A Quick Overview** (1994). A précis of traditional regulatory mechanisms for the beginning student, with reference to new emerging techniques for setting rates.
16. **Utility Demand-Side Management Programs for Elders: Changes in the Last Five Years** (October 1993). Examines the changes in DSM programs targetted to elders in the five years since the 1988 ORNL study on the same topic. Notes expansion of measures (e.g. lighting, appliances) and broadening scope of "special needs" groups by utilities. Finds that utilities do not track demographic data on participation, and concludes that goals for subsector participation should be developed and participation tracked to ensure meeting goals. Also recommends program design features to overcome barriers to elder participation.
17. **Model DSM Programs Targetted to Low-Income Households** (November 1993). Four programs designed for the residential class that have program features intended to ensure adequate low-income participation. Drawing also on recognized program designs from other experts around the country, these models provide for comprehensive DSM services in a cost-effective manner for electric (and gas) utilities. The programs include Energy Fitness/Gas Piggyback (a neighborhood "blitz" low-use electric general use and hot water program), Residential Electric Space Heat (which can be adapted to gas, and focusses on shell measures), High-Use Pilot (to target those residential customers with persistent and unexplained high use), and Hot Water/General Use (an on-site, low-to-medium-use program that runs in tandem with the Fitness and ESH programs).
18. **The Low Income Customer as Non-Participant in DSM: What is to be done?** (October 1992). Examines usage data that shows low-income customers tend to use electricity and other energy sources less intensively than other customers, and that with low avoided costs, and high barriers to participation in DSM programs, low-income customers tend not to receive DSM assistance in lowering their energy burden proportionate to their numbers in the customer base. Examines cost allocation of cost of "saved kWh" as technique to overcome cross-subsidy by low-income customers. Discusses program designs and other techniques to overcome barriers to participation.
19. **"Bridging the Gap: Addressing the Conservation and Equity Needs of Low-Income People,"** *PowerLine*, Vol. 18, No. 2 (March/April 1993).

RELATED BRIEFS AND FILINGS

1. **In Re: Boston Gas Company Unbundling Proposal and Proposed Increase in Rates**, D.P.U. No. 96-50, Initial Brief of Low-Income Intervenors (November 1996).
2. **In Re: Massachusetts Electric Company Proposed Increase in Rates and Incentive Ratemaking Plan**, D.P.U. No. 95-40, Initial Brief and Reply Brief of Low-Income Intervenors (with Jerrold Oppenheim)(July and August 1995).
3. **In Re: Massachusetts Electric Company Proposed Increase in Rates and Incentive Ratemaking Plan**, D.P.U. No. 95-40, Direct Testimony and Exhibits of Jerrold Oppenheim (incentive plan, rates and fees), and Elliott Jacobson (low income DSM) (co-author with witnesses), June 9, 1995.
4. **In Re: Electric Industry Restructuring**, Comments of the Low-Income Intervenors, Mass. D.P.U. 95-30, filed March 31, 1995. Reply comments May 25, 1995.
5. **In Re: Recovery of Stranded Costs by Public Utilities and Transmitting Utilities**, Comments of Direct Action for Rates and Equality, Docket No. RM94-7-004, Federal Energy Regulatory Commission, December 8, 1994.
6. **In Re: Texas Utilities Electric Company**, Initial Brief (DSM) (with Deidre Smith, Esq.), Docket No. 11735, Texas Public Utilities Commission, July 26, 1993.

NANCY BROCKWAY TESTIMONY:

1. **Comments: The Low-Income Affordability Mandate: Setting Rates to an Affordable Percentage of Income, and Energy Efficiency Investments Targetted to Low-Income Households (December 6, 1996), Before the New Hampshire Public Utilities Commission, In the Matter of the Electric Industry Restructuring Plan. Argues that a Percentage of Income approach is the logical way to determine an affordable bill for low-income households, and that accordingly it is the best way to meet the legislative mandate in the restructuring act to extend universal service to all households in New Hampshire. Describes a proposed Percentage of Income/Fixed Credit plan sponsored by low-income advocates, that would bring bills for low-income consumers down so that such customers pay no greater portion of their income towards electric service than the median New Hampshire customer, and shows that the impact of such a program on other ratepayers is modest. Also describes the value of energy efficiency investments in achieving universal service and resource savings, and explains the best way to administer such a program.**
2. **Direct, Rebuttal and Surrebuttal Testimonies of Nancy Brockway (Rate rebalancing and Universal Service) (January and February, 1996), In Re: Formal Investigation to Examine and Establish Updated Universal Service Principles and Policies for Telecommunications Services In the Commonwealth, Docket No. I-00940035 (Pennsylvania Public Utilities Commission). Testimony on behalf of Office of Consumer Advocate. Shows importance of telecommunications to low-income consumers, data showing that universal service has not yet been achieved in Pennsylvania, elasticity of demand for local telephone service, and potential loss of subscribership from increases in local exchange service rates contemplated under rate rebalancing proposed by major local exchange companies. Includes color maps of telephone penetration, low-income**
3. **Direct Testimony and Exhibits of Nancy Brockway (Customer Service and Rate Design (January 1995), and Direct Testimony and Exhibits of Nancy Brockway (Demand Side Management and Revenue Requirements)(November 1994), Complaint of Kenneth Williams, et al., v. Houston Lighting and Power Co., Docket No. 12065 (Texas Public Utilities Commission). Proposal for elimination of various customer charges, and for institution of low-income DSM program, on behalf of low-income intervenors.**
4. **Direct Testimony and Exhibits and Surrebuttal Testimony of Nancy Brockway (December 1994, March 1995), Bath Water District. Proposed Increase in Rates, Docket No. 94-034 (Maine P.U.C.). Critique of District's cost of service study and cost of service study presented by Staff witness, analysis of proposed rate designs, proposal for low-income affordability program consisting of waiver of customer and other fixed charges for very low-income customers.**
5. **Direct Testimony and Exhibits of Nancy Brockway (May 1994), Application of Ohio Bell Telephone Company for Approval of An Alternative Form of Regulation (Ohio PUC). Prepared on behalf of the Legal Aid Societies of Dayton and Cleveland. Discusses the**

evolving definition of universal service, in the context of a price cap proceeding. Demonstrates that Bell has not yet achieved universal service, particularly among low-income and minority Ohioans. Proposes Universal Service Access (USA) program, to go beyond Lifeline to a set of affordable rates for low-income customers. Also proposes Universal Telephone Access Fund, like a fuel fund, to raise contributions from ratepayers through a voluntary check-off. Proposes performance-based adjustments to price cap growth factor if Bell fails to make satisfactory progress towards achieving universal service. Proposes neighborhood telecomputing centers to assist inner-city youth acquire "driving skills on the information superhighway." Proposes greater public input in modernization decisions.

6. Direct Testimony and Exhibits/Surrebuttal of Nancy Brockway (December 1993/January 1994), Pennsylvania Public Utilities Commission v. The Bell Telephone Company of Pennsylvania (Penna. PUC). Prepared on behalf of Pennsylvania Public Utilities Law Project. Discusses the evolving definition of universal service, in the context of a state pursuing modern telecommunications investments.
7. Direct Testimony and Exhibits of Nancy Brockway, Revenue Requirements (April 1993). Re: Application of Texas Utilities Electric Company for Authority to Change Rates (Texas PUC). Prepared on behalf of Texas Legal Services Center. Discusses barriers to low income customers' participation in energy efficiency (DSM) programs, the value of reducing the bills of low-income customers (avoided credit and collection costs, and avoided societal externalities), cost-effectiveness of low-income DSM.
8. Direct Testimony and Exhibits of Nancy Brockway, Rate Design (April 1993). Re: Application of Texas Utilities Electric Company for Authority to Change Rates. Prepared on behalf of Texas Legal Services Center. Proposes pilot Maintenance of Effort rate to test whether lowering energy burden of poor enables them to make more consistent payments of electric bills, thus reducing utility credit and collection costs.
9. Direct Testimony and Exhibits of Nancy Brockway. (1992) Philadelphia Water Department rate case. Prepared on behalf of Philadelphia Public Advocate. Discusses costs of unrepaired system leaks.
10. Direct Testimony and Exhibits of Nancy Brockway (1991). New England Telephone Company Rate Case. Prepared on behalf of Rhode Island Legal Services. Discusses DNP for non-basic service, and procedures to make voluntary tollblocking more secure from toll use by non-customer residents.
11. Direct Testimony and Exhibits of Nancy Brockway. (July 1991). In Re: Kentucky Power Company Request for Increased Rates. Prepared on behalf of Low Income Residential Customers, Lexington Kentucky. Proposes pilot Low Income Rate based on short run marginal cost.

NANCY BROCKWAY: TESTIMONY AND REPRESENTATION

Case name	Client Name	Topic	Juris. & Docket No.	Date
Boston Edison Company	Mass. Senior Action, others	Electric industry restructuring	Massachusetts Department of Public Utilities	Ongoing
Eastern Edison Company	Mass. Senior Action, others	Electric industry restructuring	Massachusetts Department of Public Utilities, D.P.U. 96-24	Ongoing
Massachusetts Electric Company Restructuring Company Settlement	Individual low-income customers	Electric industry restructuring	Massachusetts Department of Public Utilities, D.P.U. 96-25	Ongoing
In the Matter of the Electric Industry Restructuring Plan	New Hampshire Legal Services	Low-income rates and DSM, impacts of restructuring on low-income consumers	New Hampshire Public Utilities Commission, D.R. 96-150	Nov., Dec. 1996
Boston Gas Company Unbundling and Rate Case	named Low-Income Intervenors	Gas industry unbundling, gas DSM for low-income customers, low-income rates	Massachusetts Department of Public Utilities, D.P.U. 96-50	Order 12/96
Notice of Inquiry/ Rulemaking...establishing the procedures to be followed in electric industry restructuring...	Mass. CAP Directors Association, Mass. Energy Directors Association, named Low-Income Intervenors	Electric industry restructuring	Massachusetts Department of Public Utilities, D.P.U. 96-100.	ongoing
Universal Service Docket	Pennsylvania Office of Consumer Advocate	Rate rebalancing, universal service, telephone penetration.	Pennsylvania Public Utilities Commission Docket No. I-00940035	1996
Massachusetts Electric Company Proposed Increase in Rates and Incentive Ratemaking Plan	Named Low-Income Intervenors	Incentive ratemaking plan, low-income discount rates and fees, low income DSM.	Massachusetts Department of Public Utilities, No. 95-40	1995

NANCY BROCKWAY: TESTIMONY AND REPRESENTATION

Case name	Client Name	Topic	Juris. & Docket No.	Date
In Re: Electric Industry Restructuring	Named Low-Income Consumers	Electric industry restructuring	Massachusetts D.P.U. Docket No. 95-30	ongoing
In Re: Complaint of Kenneth D. Williams v. Houston Lighting and Power Co.	Named Low-Income Consumers	Customer service, rate design, demand-side management, revenue requirements	Texas Public Utilities Docket No. 12065	1994-5
Open Access Non-Discriminatory Transmission Services ... and Recovery of Stranded Costs	Direct Action for Rates and Equality, Providence, Rhode Island	Open transmission access in interstate commerce, and stranded costs recovery.	FERC, Nos. RM95-8-000, RM94-7-000.	1994-5
Bath Water District, Proposed Increase in Rates	Maine Office of Public Advocate	Water district rate design, low-income water affordability	Maine Public Utilities Commission, Docket. No. 94-034	12/94, 3/95
Application of Ohio Bell Telephone Co. for Approval of Alternative Form of Regulation	Legal Aid Society of Cleveland and Dayton	Definition of universal telecommunications service, proposal for Universal Service Access program (USA).	Public Utilities Commission of Ohio, Case No. 93-487-TP-ALT	5/4/94
Pennsylvania PUC vs. Bell Telephone of Pennsylvania	Pennsylvania Public Utility Law Project	Definition of "universal telecommunications service"	Pennsylvania PUC No. P-930715	filed 12/93
Joint Application for Approval of Demand-Side Management Programs, etc.	LG&E; Legal Aid Society of Louisville, other Joint Applicants	Cost-effective DSM programs for low-income customers; collaborative process to design DSM programs; cost allocation and cost recovery.	Kentucky PSC No. 93-150	11/8/93
Texas Utilities Electric Company	Texas Legal Services Center	Costs and benefits of DSM targeted to low-income customers	Texas PUC No. 11735	1993
Texas Utilities Electric Company	Texas Legal Services Center	Proposed Maintenance of Effort Rate for low-income customers	Texas PUC No. 11735	1993
Philadelphia Water Department	Philadelphia Public Advocate	Costs of Unrepaired System Leaks	Philadelphia Water Comm'r.	1992

NANCY BROCKWAY: TESTIMONY AND REPRESENTATION

Case name	Client Name	Topic	Juris. & Docket No.	Date
New England Telephone	Rhode Island Legal Services	DNP for non-basic service	Rhode Island PUC, No. 1997	1991
Kentucky Power Co.	Kentucky Legal Services	Low Income Rate	Kentucky PSC No. 91-066	1991
Investigation into Modernization	Invited by Commission	Impact of modernization costs on low income telephone users	New York PSC	1991

NANCY BROCKWAY: RECENT PRESENTATIONS		
Forum	Topic	Date
NARUC and NCCEI Regional Disclosure Workshops	Consumer Disclosures in Restructuring	June 6, 1997
DOE Regional Restructuring Conference, Portland, ME.	Low-income restructuring issues in New England	May 23, 1997
Prairie States Legal Services	Utility Law: Customer Service Rules	May 19, 1997
Vermont State House of Representatives	History and Purpose of Public Utility Regulation	April 18, 1997
NASUCA Electric Restructuring Conference, Washington, D.C.	Consumer Issues in Restructuring	March, 1997
National Rural Electric Cooperative Assn Annual Meeting	Low-Income Issues and Cooperatives in Electric Industry Restructuring	March, 1997
National Consumer Law Center Annual Energy Affordability Conference	Restructuring the Electric and Gas Industries: Issues for Low-Income Consumers	February 26, 1997
Pennsylvania Public Utilities Commission - RAP Workshops on Electricity Restructuring	Universal Service, Default Suppliers, Metering and Reliability Issues in Restructuring	March 4, 1997
Oak Ridge National Laboratories Advanced Training	State Legislative Treatment of Low-Income Issues in Utility Restructuring	December 9, 1996
Electricité de France: Les Engagements Solidarité 1996-1997	Panorama des Utilities des USA vis-a-vis les Démunis (Overview of USA Utility Practice vis-a-vis Disadvantaged Customers)	November 25, 1996

NANCY BROCKWAY: RECENT PRESENTATIONS

Forum	Topic	Date
Indiana PSC Restructuring Roundtable	Impact on Low-Income Consumers of Electric Industry Restructuring	November 1, 1996
Indiana CAP Directors Association Training	Potential Avenues for Protecting Low-Income Customers in Electric and Gas Restructuring	October 31, 1996
NARUC/DOE Fourth National Electricity Forum: Toward a New Market Structure	Stranded Benefits: Support for Universal Service	October 21, 1996
United States Department of Energy, Regional Hearings on Electric Industry Restructuring	Impact of Restructuring on Low-Income Customers, and Options for Achieving Universal Service	October 10, 1996
Indiana Electric Association	Impact of Restructuring on Low-Income Customers, and Options for Achieving Universal Service	October 4, 1996
New Hampshire Restructuring Roundtable	Impact of Restructuring on Low-Income Customers, and Options for Achieving Universal Service	October 3, 1996
Massachusetts CAP Directors Association	The Massachusetts Electric Company Restructuring Settlement - Treatment of Low-Income Issues	October 1, 1996
New England CAP Directors Association	The Treatment of Low-Income Issues in the Legislation Passed in 1996 By Rhode Island, New Hampshire, and California	September 29, 1996
New England Public Power Association	The Role of Public Power in Achieving Universal Service in a Restructured Electric Industry	August 19, 1996
NARUC Annual Regulatory Training Institute	Consumer Protection Issues Arising Under Utility Deregulation	August 5, 1996
National Council on Competition in the Electric Industry	Public Benefits at Risk in the Move to Competition and Four Strategies to Preserve Them	July 25, 1996
Wisconsin Energy Policy Center	Impact of Restructuring on Low-Income Customers, and Options for Achieving Universal Service	July 18, 1996

NANCY BROCKWAY: RECENT PRESENTATIONS

Forum	Topic	Date
National Low Income Energy Coalition	Impact of Restructuring on Low-Income Customers, and Options for Achieving Universal Service	June 4, 1996
National Fuel Funds Network	The Cost of Achieving Affordable Electric and Gas Bills for All Americans	June 3, 1996
Consumer Federation of America	Achieving Universal Service in a Competitive Local Telephone Market	May 31, 1996
Minneapolis Department of Economic Services	The Role of Low-Income Energy Advocates in Achieving Universal Service	May 22, 1996
National Peoples Alliance	Impact of Restructuring on Low-Income Customers, and Options for Achieving Universal Service	April 25, 1996
Federal Communications Commission Joint Board on Universal Service	The Telecommunications Act of 1996: Universal Service Provisions and How to Implement Them	April 12, 1996
Executive Enterprises	Gas Unbundling: Implications for Captive Customers and Options for Mitigation	April 1, 1996
U.S. House of Representatives, Committee on Commerce, Subcommittee on Energy and Power	Protecting Low-Income Consumers in Electric Industry Restructuring: The Roles of Congress and the States	March 28, 1996
National Association of State Utility Consumer Advocates	Protecting Low-Income Consumers in Electric Industry Restructuring	March 1, 1996
National Association of Regulatory Utility Commissioners	Low-Income Protections in the Telecommunications Act of 1996	February 26, 1996
Maine Public Utilities Commission	Protecting Low-Income Consumers in Electric Industry Restructuring	February 2, 1996
Energy Coordination Association	Protecting Low-Income Consumers in Electric Industry Restructuring	January 23, 1996

DUQUESNE RESTRUCTURING PLAN DOCKET, NO. 00974104
Exhibit NB-Duquesne-2, p. 1 of 2

DUQUESNE ESTIMATION OF POTENTIAL CAP ELIGIBLE CUSTOMERS
(From OCA-V-003, p. 11)

Total Low-Income, Payment Troubled Customers*								
Poverty Level	# Eligible Cust.	Annual Bills (\$000)	Annual Pmts (\$000)	Annual Energy Assist. Pmts. (\$000)	Current Account Balance (\$000)	Current Arrears Balance	Annual Electric Usage (000 kWh)	Daily Electric Usage (kWh)
0-50%	68,221	58,117	48,610	1,029	14,650	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	16,698	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 Current Account Balance equal to or greater than 3 times the average bill.								
Poverty Level	# Eligible Cust.	Annual Bills (\$000)	Annual Pmts (\$000)	Annual Energy Assist. Pmts. (\$000)	Current Account Balance (\$000)	Current Arrears Balance	Annual Electric Usage (000 kWh)	Daily Electric Usage (kWh)
0-50%	9,129	7,011	4,238	648	9,210	3,425	17,053	15
51-100%	9,858	8309	5,892	480	11,220	3,589	17,921	17
101-150%	7,290	6,339	5,130	139	7,900	1,741	9,328	18
Total	26,277	21,659	15,260	1,267	28,330	8,755	44,312	
Customers Presently CAP Eligible								
Poverty Level	# Eligible Cust.	Annual Bills (\$000)	Annual Pmts (\$000)	Annual Energy Assist. Pmts. (\$000)	Current Account Balance (\$000)	Current Arrears Balance	Annual Electric Usage (000 kWh)	Daily Electric Usage (kWh)
0-50%	2,256	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	6,731	5,824	4,378	479	89,314	8,755	44,312	

RE: Duquesne, R-00974104
Direct Testimony of Nancy Brockway
on behalf of Office of Consumer Advocate

DUQUESNE RESTRUCTURING PLAN DOCKET, NO. 00974104
Exhibit NB-Duquesne-2, p. 2 of 2

Smart-Comfort Eligible								
Poverty Level	# Eligible Cust.	Annual Bills (\$000)	Annual Pmts (\$000)	Annual Energy Assist. Pmts. (\$000)	Current Account Balance (\$000)	Current Arrears Balance	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	4,562	4,204	59	2,270	1,839	36,706	23
Total	21,226	21,535	18,976	504	8,686	6,700	173,874	

- Duquesne uses the definition of "payment-troubled" as "having had at least one broken payment arrangement."

RE: Duquesne, R-00974104
Direct Testimony of Nancy Brockway
on behalf of Office of Consumer Advocate

Exhibit NB-Duquesne-3
 Per kWh Allocator
 Universal Service Costs

Source:
 Exhibit JAL-9 page 2 of 2
 Comparison of Current Bundled and Proposed Unbundled Usage Rates.

ITEM	TOTAL	RS	RH	RA	GS/GM	GMH	GL
MWH SALES	12,393,680	2,977,269	309,201	33,848	2,621,146	328,256	2,884,888
Relative %	100%	24.0%	2.5%	0.3%	21.1%	2.6%	23.3%

ITEM	GLH	L	HVPS	AL	SE	MTS	SM	SH
MWH SALES	455,219	1,509,474	1,201,824	13	28,617	11,639	31,448	837
Relative %	3.7%	12.2%	9.7%	0.0%	0.2%	0.1%	0.3%	0.0%

- RS: Residential Service
- RH: Residential Heating Service
- RA: Residential Service Add-on Heat Pump
- GS/GM: General Service Small and Medium
- GMH: General Service Medium Heating
- GL: General Service Large
- GLH: General Service Large Heating
- L: Large Power Service
- HVPS: High Voltage Power Service
- AL: Architectural Lighting Service
- SE: Street Lighting Energy
- MTS: Municipal Traffic Signals
- SM: Street Lighting Municipal
- SH: Street Lighting Highway

Exhibit NB-Duquesne-4
Development of Non-Production Revenue Allocator
Universal Service Costs

Source:

Reference to Exhibit JAL-1C Page 3

Interrogatory of the Office of Small Business Advocate to Docket No. R-00974104

Question OSBA-1-005

(\$1000)

Witness: Lahtinen

FUNCTION	PA JURIS TOTAL	RA	RS	RH	GS/GM	GMH	GL
TRANSMISSION	39,356	111	9,571	855	10,378	1,020	8,095
DISTRUBUTION	254,284	948	111,138	8,862	60,553	6,789	31,038
TOT.NON-PROD.	293,640	1,059	120,709	9,717	70,931	7,809	39,133
Relative %	100%	0.4%	41.1%	3.3%	24.2%	2.7%	13.3%

FUNCTION	GLH	L	HVPS	AL	SE	SM	SH	Traffic Signals
TRANSMISSION	1,421	4,699	3,073	0	41	64	1	26
DISTRIBUTION	4,498	14,241	5,902	0	31,141	6,907	51	216
TOT.NON-PROD.	1,088	18,940	8,975	0	31,182	6,971	52	242
Relative %	0.4%	6.5%	3.1%	0.0%	10.6%	2.4%	0.0%	0.1%

RA: Residential Service Add-on Heat Pump

RS: Residential Service

RH: Residential Heating Service

GS/GM: General Service Small and Medium

GMH: General Service Medium Heating

GL: General Service Large

GLH: General Service Large Heating

L: Large Power Service

HVPS: High Voltage Power Service

AL: Architecural Lighting Service

SE: Street Lighting Energy

SM: Street Lighting Municipal

SH: Street Lighting Highway

Traffic Signals

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Application of:

**DUQUESNE LIGHT COMPANY
FOR APPROVAL OF ITS RESTRUCTURING
PLAN UNDER SECTION 2806 OF THE
PUBLIC UTILITY CODE**

*
*
* Docket No.
* R-00974104
*
*

**SURREBUTTAL TESTIMONY OF
NANCY BROCKWAY
CONCERNING UNIVERSAL SERVICE ISSUES**

RECEIVED
98 JAN -9 PM 1:17
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PROTHONOTARY'S OFFICE

Prepared for

Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA
December 1997

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. My name is Nancy Brockway. My business address is Suite 400, 18 Tremont
3 Street, Boston, MA.

4 **Q. ARE YOU THE SAME NANCY BROCKWAY WHO FILED DIRECT TESTIMONY**
5 **IN THIS DOCKET?**

6
7 A. Yes.

8 **Q. WHAT IS THE PURPOSE OF THIS SURREBUTTAL TESTIMONY?**

9 A. In this surrebuttal testimony, I will respond to the following rebuttal testimonies:

- 10 1. Mr. Flynn for Duquesne, Duquesne Statement No. 14-R, regarding (a)
11 CAP program design, (b) CAP program enrollment targets and budgets,
12 (c) LIURP program design - renewables pilot.
- 13 2. Mr. Kalcic, for Office of Small Business Advocate, OSBA Statement 1R,
14 regarding allocation of universal service costs.
- 15 3. Mr. Baron, for Duquesne Industrial Intervenors, DII Statement No. 1R,
16 regarding allocation of universal service costs.

17 **Q. PLEASE SUMMARIZE THE POINTS MR. FLYNN MAKES REGARDING YOUR**
18 **DIRECT TESTIMONY ON CAP PROGRAM DESIGN.**

19
20 A. Mr. Flynn's rebuttal testimony on CAP program design discusses the Company's
21 November proposal for the CAP component of Duquesne's proposed "Universal
22 Service Program." Mr. Flynn's rebuttal adds few points that Mr. Hoffman does
23 not cover in his direct testimony, Duquesne Statement No. 6, and my direct
24 testimony discusses that proposal in detail.

1 There are only two points Mr. Flynn makes on program design element
2 (aside from budgets and participation goals, which I will discuss below) that
3 require further discussion beyond what is contained in my direct testimony: (a)
4 the requirement of a 45% or greater housing-expense-to-income ratio
5 (Statement 14-R at 15-16); and (b) the proposal to use service limiters and
6 prepayment meters when, as, and if the Company determines that these devices
7 should be used with a CAP customer (Statement 14-R at 13).

8 **Q. MR. FLYNN MAKES FOUR POINTS TO DEFEND THE USE OF THE**
9 **COMPANY'S "HOUSING-EXPENSE-TO-INCOME RATIO" FOR LIMITING THE**
10 **PROGRAM: (A) CAP IS NOT FOR EVERYONE WHO IS LOW-INCOME, (B)**
11 **THE CALCULATION IS PERFORMED ELECTRONICALLY, (C) IT TREATS**
12 **THE CUSTOMER'S ELECTRIC BILL AS "NOT THE LAST BILL TO BE PAID,"**
13 **AND (D) THE COMPANY'S ELIGIBILITY GUIDELINES WERE APPROVED BY**
14 **THE PUC. DO THESE ARGUMENTS JUSTIFY THE USE OF THE 45%**
15 **HOUSING-EXPENSE-TO-INCOME RATIO?**
16

17 **A.** No. Taking the last argument first, the Company itself is proposing substantial
18 changes to its CAP and LIURP programs, and recognizes that the advent of
19 competition and the General Assembly's universal service mandate require a
20 fresh look at universal service offerings. It is equally appropriate for parties
21 other than the Company to suggest ways that the programs can be improved to
22 better meet the challenges to universal service for which the General Assembly
23 mandated such programming.

24 With respect to the second argument, i.e. the fact that the company uses
25 an electronic spreadsheet to calculate the expense-to-income ratio (Statement
26 14-R at 16), that argument sidesteps the real issue, which is the time (and

1 associated expense) involved in interviewing the customer to obtain detail on all
2 the household expenses.

3 I will discuss the first and third arguments in more detail below.
4

5 **Q. MR. FLYNN SUGGESTS THAT OPENING ELIGIBILITY TO PERSONS ON**
6 **THE BASIS OF LIMITED INCOME WILL CAUSE PAYMENT PRIORITY FOR**
7 **CUSTOMERS WHO HAVE NO DELINQUENCY TO DROP. IS HE CORRECT?**
8

9 A. No. While I agree with Mr. Flynn that electric bills should remain among the
10 highest priority for payment (as it typically is in low-income households today) ,
11 receipt of CAP benefits in accordance with the manner in which most such
12 programs are designed would not reduce the priority of payment. That is, at-risk
13 households can be safeguarded from the risk of non-payment and disconnection
14 without creating the "moral hazard of non-payment." Indeed, CAP programs
15 require faithful payment of copayment obligations as a condition of further
16 participation.

17 If the point here is that an expense-to-income ratio gives valuable
18 additional information on the affordability of the package of necessary expenses,
19 I do not dispute this point. However, a 45% ratio is too high, and cuts out a
20 number of customers who, even by this measure, are struggling to make ends
21 meet. For example, Congress has determined that for low-income families,
22 rental housing will be considered affordable only if the household spends no

1 more than 30% of income for the rent on the premises.¹

2 Mr. Flynn's main argument is that "CAP is not for everyone." This
3 proposition does not respond to the specific problem I identify in my direct
4 testimony about requiring customers to pass *two* tests of payment-difficulty
5 (minimum balance *and* expense to income ratio). The Commission Guidelines
6 permit the companies to choose from among a number of indicia of payment
7 trouble (Statement 14-R at 5). The Guidelines state that the companies "should
8 select *one* of the [listed] criteria." [emphasis supplied]. Companies should not
9 pile on duplicative and restrictive barriers to qualification for customers who
10 demonstrate that they are at risk of falling into arrears. Indeed, as I have
11 testified (OCA Statement 6, at 34), payment-trouble should be used for the
12 purpose of targeting outreach, rather than for excluding customers outright.
13 With this in mind, having *two* hurdles to participation, instead of just one, is
14 excessive. Also, I recommend in my testimony specific criteria for payment-
15 trouble that go beyond income, but are not as limited and restrictive as those
16 proposed by the Company.

17 **Q. MR. FLYNN ARGUES THAT A CUSTOMER WITH A LOW DEFICIENCY CAN**
18 **BE SERVED MORE COST-EFFECTIVELY WITH A PROGRAM OTHER THAN**
19 **CAP. DOES THIS ARGUMENT SUGGEST THAT DUQUESNE'S LIMIT FOR**
20 **ITS CAP TO CUSTOMERS WITH DELINQUENCIES OVER \$500 IS**
21 **SENSIBLE?**

22
23 A. No. Mr. Flynn does not specify how customers with delinquencies under \$500
24 would be helped aside from the CAP program.

¹ 12 U.S.C.A. §1701z-11(b)(5)(A).

1 Q. MR. FLYNN DEFENDS THE PROPOSAL TO BEGIN USING SERVICE
2 LIMITERS AND PREPAYMENT METERS BY ARGUING THAT THE FACT
3 "THAT SERVICE LIMITERS AND PRE-PAYMENT METERS ARE DISLIKED
4 BY SOME IS NOT A REASON FOR THE COMPANY TO REVISE ITS
5 PROPOSAL (STATEMENT 14-R AT 13). PLEASE REPLY.
6

7 A. The issue is not whether anyone likes or dislikes service limiters or prepayment
8 meters. The fact is that both service limiters and prepayment meters pose
9 dangers to consumers, in that customers can be left without service on short or
10 no notice. No company, whatever its track record in providing creative services
11 such as baseload energy efficiency, should be given a *carte blanche* to require
12 service limiters or prepayment meters without much more detail than Duquesne
13 offers about the exact circumstances under which such devices would be used,
14 and the protections that would be in place to protect customers, including
15 prevention of shut-off.

16 Q. MOST OF MR. FLYNN'S RESPONSE TO YOUR TESTIMONY FOCUSES ON
17 YOUR RECOMMENDATION FOR PARTICIPATION TARGETS AND
18 ASSOCIATED BUDGET COMMITMENTS. HOW DO YOU REPLY?
19

20 A. Mr. Flynn makes several arguments in support of his opposition to an increase in
21 Duquesne's commitment to its CAP program. These can be summarized as (a)
22 Duquesne is committed to maintaining its existing support for universal service
23 programs (Statement 14-R at 6); (b) I and others supporting a higher level of
24 effort rely on income criteria only (Statement 14-R at 3); (c) I and others
25 supporting a higher level of effort either inflate the estimate of need or rely on an
26 unsupported percentage of operating revenues (*id.*); and (d) the Company's

1 level of expenditures is "appropriate" and this is all the statute requires
2 (Statement 14-R at 7). These arguments are not persuasive.

3 **Q. WHAT IS THE RELEVANCE OF DUQUESNE'S ARGUMENT THAT THEY ARE**
4 **MAINTAINING THEIR CURRENT LEVEL OF EFFORT?**

5
6 A. The statute requires the current level of effort at a minimum. The General
7 Assembly also requires that universal service programs be appropriately funded.
8 If the General Assembly was certain that current levels of effort are appropriate,
9 it would not have needed to add the further requirement that funding levels be
10 appropriate. The "current level" standard would have disposed of the issue.
11 Thus, "appropriate" funding may in at least some circumstances be greater than
12 the current level of effort. The General Assembly left the meaning of the term
13 "appropriate" to the Commission, and the Commission in turn has decided to
14 consider the standard implied by this term in greater depth in these individual
15 proceedings. And as the Commission does so in this and other cases, the
16 meaning of the term should be understood in the context of the legislative
17 purpose - that all households in Pennsylvania be able to obtain electric service
18 despite limited income. If current funding, or a proposed budget, does not
19 provide enough funding to meet this objective, the budget should be increased,
20 consistent with the other objectives of the statute.

21 **Q. DO YOU AGREE THAT INCOME AND HOUSEHOLD SIZE (THAT IS,**
22 **PERCENTAGE OF THE FEDERAL POVERTY GUIDELINES) SHOULD NOT**
23 **BE THE PRIMARY CRITERIA FOR CAP SERVICE AVAILABILITY?**

24
25 A. No. First, contrary to Mr. Flynn's suggestion, I do not argue that all of the

1 customers with incomes at or under 150% of the federal poverty guidelines (*cf.*
2 Statement 14-R, at 9) should receive CAP services. I *do* suggest that looking at
3 the universe of households with those income limitations is a good *starting point*
4 for identifying the customers who require universal service program services.

5 The federal poverty guidelines make the appropriate assumption that the
6 larger the household size, the higher the income needed to sustain a minimally
7 healthy standard of living. The federal poverty guidelines thus vary with the
8 numbers in the household. While the federal poverty guidelines are the same
9 for every state except Alaska and Hawaii, research in the Northeast shows that
10 an income of between 150% and 200% of the federal poverty guidelines are
11 *minimally* necessary to maintain a *minimally* healthy standard of housing,
12 nutrition, medicine, and other such necessities. Thus, a household with income
13 at or below 150% of the federal poverty guidelines *by definition* does not have
14 enough income to sustain a minimally healthy standard of living, including
15 paying electric bills on a regular basis. That such a household has not in the
16 past been unable to pay the bill does not demonstrate that the household is not
17 at risk for non-payment. And, as I note above, CAP can be sensibly restricted to
18 those at particular risk for non-payment, and I outline those situations in my
19 direct testimony.

20 **Q. MR. FLYNN ARGUES THAT YOU AND OTHERS OVERESTIMATE THE**
21 **NUMBERS OF CUSTOMERS WHO SHOULD BE RECEIVING CAP SERVICES.**
22 **HOW DO YOU RESPOND?**

23
24 A. There is little difference of opinion, for practical purposes, between the

1 Company's estimate of low-income, payment-troubled customers and my own.
2 Both of us identify many thousands more customers who could benefit from CAP
3 services than we propose the Company serve in its CAP program. The
4 difference is in how far we propose to narrow the scope of the program from the
5 population of low-income, payment-troubled households.

6 Mr. Flynn's November 3, 1997 Universal Service program proposal
7 identifies about 115,000 low-income payment-troubled households (Statement
8 14-R at 8 and Exhibit JPF-1, at 5). These are households with incomes at or
9 below 150% of the federal poverty guidelines who also have missed a payment
10 in a payment arrangement. Such customers meet the terms of eligibility as
11 defined in the Commission guidelines. I propose in my direct testimony to limit
12 intake to the program to observe a level-of-effort cap of 0.5% of gross operating
13 revenues. This in practice limits the pool to about 24,000 customers. This is
14 only about 20% of the low-income payment-troubled households in the
15 Duquesne service area. It is less than the 26,000 low-income customers Mr.
16 Flynn identifies whose arrearages are over three times the average residential
17 bill (Statement 14-R at 8 and Exhibit JPF-1, at 5).

18 However, Mr. Flynn's restrictions would narrow the pool much further.
19 He suggests that only about 2,350 customers would participate, if the program
20 were run according to the Company's proposed approach in its November 3
21 Universal Service program proposal (Statement 14-R at 8). This tiny number is
22 only about half again as many as participate today in the pilot, and hardly

1 represents a fullscale CAP. Serving only 2,350 customers in CAP would mean
2 only 2% of the low-income payment troubled households in the Duquesne
3 service area would receive CAP assistance.

4 **Q. MR. FLYNN CLAIMS THAT YOU CHOSE YOUR PROPOSED PARTICIPATION**
5 **TARGET BASED ON AN ARBITRARY PERCENTAGE OF GROSS**
6 **OPERATING REVENUES. IS THIS ACCURATE?**
7

8 A. No. I do propose *limiting* the program based on a target percentage of revenues.
9 However, this proposed limit on the program reflects a balance of the CAP
10 benefits against a need to be reasonable in program level of effort (rather than
11 an arbitrary target as suggested by Mr. Flynn). It would be quite reasonable to
12 insist on a program that served 100% of the low-income payment-troubled
13 customers. My proposal must be seen against the fact that many thousands
14 more low-income payment-troubled customers fit the Commission's guidelines,
15 and could likely be assisted in achieving stable sustainable service if they
16 received CAP services. The other benefits of the CAP program would also flow
17 from an expanded program.

18 **Q. MR. FLYNN ARGUES THAT A RENEWABLES PILOT SHOULD NOT BE**
19 **UNDERTAKEN BECAUSE PITTSBURGH EXPERIENCES CONSIDERABLE**
20 **CLOUDINESS. IS THIS A REASON NOT TO RUN A RENEWABLES PILOT?**
21

22 A. No. The reason I included a discussion of a renewables pilot is that the
23 legislation explicitly listed nonrenewable energy sources as a component to be
24 considered in universal service programs. Mr. Flynn's criticisms of that PV pilot
25 are misplaced. First, photovoltaics operate during cloudy periods. While they

1 do not put out as much electricity, they continue to generate electricity under a
2 cloud cover. Second, PV is most useful to the system precisely when the system
3 is peaking from heavy air-conditioning load during hot sunny days. Finally, the
4 objective of the pilot, in addition to exploring cost-effectiveness issues, is to
5 explore questions of infrastructure need and suitability to low-income housing
6 situations.

7
8 **Q. OSBA WITNESS KALCIC AND DUQUESNE INDUSTRIAL INTERVENOR**
9 **WITNESS BARON STATE THAT UNIVERSAL SERVICE COSTS IN THIS**
10 **DOCKET SHOULD NOT BE RECOVERED VIA YOUR ALTERNATIVE TO A**
11 **KWH ALLOCATOR, THE NON-PRODUCTION REVENUE REQUIREMENT**
12 **ALLOCATOR. DO YOU AGREE WITH THEIR ANALYSES?**
13

14 A. No. Before discussing the issue of cost allocation in detail, it should first be
15 observed that Mr. Kalcic and Mr. Baron disagree on how to interpret the
16 Company's statement that Duquesne is proposing an allocation based on
17 relative distribution costs. Mr. Kalcic opposes this on the same grounds that he
18 opposes my per kWh allocator and my alternative non-production revenue
19 requirement allocator. However, Mr. Baron, drawing on responses to information
20 requests, suggests that the Company in fact did not use a secondary distribution
21 allocator, but rather assigned all direct CAP and LIURP costs to the residential
22 class, and allocated the costs of uncollectibles (and similar costs it lumps with
23 universal service costs) to all classes based on customer allocators (DII
24 Statement IR, at 4-5). To the extent Mr. Baron's interpretation is correct, then

1 the Company's allocator amounts for practical purposes to an allocation to the
2 residential class alone of all costs I am referring to under the term "universal
3 service." This result does not meet the Commission's guidelines, and is not
4 sound policy.

5 The Commission in its *Final Order on Universal service* noted that "[a]ll
6 customer classes should share in providing funding of universal service..." The
7 Commission was aware of the practice of putting CAP and LIURP costs in the
8 residential revenue requirement when it made its decision on the guidelines. It
9 had good reason to require all classes to share in these costs.

10 The General Assembly provided for a non-bypassable charge for
11 universal service and energy conservation programs. Sections 2804(9) and
12 2802(17) use this term. In the jargon of restructuring, the term "non-bypassable"
13 has usually been used in a case where some customer classes (particularly
14 those made up of larger customers with greater competitive options) are in a
15 position to secure competitive supplies, and, by leaving the bundled electric
16 utility's service, bypass any public benefits obligations such as universal service.
17 Thus, use of the term "non-bypassable" by the General Assembly should be
18 understood in this light as implying that all customers share in the costs. Section
19 2802(17) reads in plain language that the EDCs must be permitted to recover
20 their universal service costs, and that the costs shall be recovered from all
21 customers via a non-bypassable charge. The Commission's *Final Order* is
22 consistent with this reading, and in any event, is a rational and well-founded

1 approach to allocating these costs that benefit no one class, but do benefit all
2 electricity consumers.
3

4 **Q. HOW ARE OTHER STATES HANDLING UNIVERSAL SERVICE COST**
5 **ALLOCATION?**

6 A. Most other states have determined that universal service costs should be
7 allocated to all classes, for example California (a kWh charge), Massachusetts
8 (usage charge to all classes), New Hampshire (kWh charge), New Jersey (non-
9 bypassable charge to all customers), Oklahoma (fund through rates charged to
10 "consumers receiving electric service in Oklahoma"), Montana (all classes, with
11 offsets allowed to largest customers), and Rhode Island (per kWh charge for
12 energy efficiency and renewables). Illinois is using a customer charge, applied
13 to all classes.

14 **Q. MESSRS. KALCIC AND BARON ARGUE THAT THE ACT'S RATE CAP,**
15 **COST-SHIFTING LIMITS, AND RATEMAKING PRINCIPLES REQUIRE**
16 **ASSIGNMENT OF COSTS TO CLASSES USING THE SAME ALLOCATORS**
17 **AS IN THE LAST RATE CASE. DO YOU AGREE?**
18

19 A. No. The rate cap provisions of Section 2804(4) do not imply that all allocation
20 schedules used in the last rate case must be followed in this docket, or for that
21 matter throughout the rate cap period. First, Mr. Kalcic and Mr. Baron rely too
22 heavily on the suggestion that whatever allocation of costs was made in the last
23 rate case for the Company, that must be the form of allocation used for these
24 restructuring plans. Each suggests that to do otherwise would be to violate
25 component rate caps set forth in §2804(4)(i).

1 That section provides that during the rate cap period, for customers who
2 take service from the incumbent utility, two restrictions generally apply: the *total*
3 *charges* of the utility may not exceed the total charges approved by PUC as of
4 the effective date of the legislation, and the *generation component of charges*
5 may not exceed the generation component of the rates as of the effective date of
6 the legislation. In the case where the customer buys generation elsewhere, the
7 statute provides that total non-generation prices (including the low-income
8 program charges) may not exceed the non-generation charges approved by the
9 PUC at the effective date of the legislation.

10 These provisions do not contemplate that the Commission must observe
11 the identical cost allocation methods for every cost element in effect in the last
12 rate case (and indeed, one can hypothesize cases where these provisions would
13 be violated if the Commission were to do so). The Act is clear that the
14 generation rates and the non-generation rates for each class cannot exceed
15 present rates during the period of the cap. That is quite different from saying
16 each allocator must be the same as it was whenever the Commission last looked
17 at a Company's rates.

18 Aside from the Act's limitation on shifting CTC costs from one class to
19 another, the statute is not intended to lock the Commission in to any particular
20 form of cost allocation, but rather to limit the rates for each class. So long as
21 rates for each class (broken out separately into generation and non-generation)
22 do not exceed the cap, the Commission is free to apply sound ratemaking

1 principles, and to establish a policy that all classes contribute to a non-
2 *bypassable universal service cost recovery.*

3 **Q. DO SOUND RATEMAKING PRINCIPLES, AS INCORPORATED IN THE**
4 **COMPETITION ACT, REQUIRE ALLOCATION OF UNIVERSAL SERVICE**
5 **COSTS ALL OR PRIMARILY TO THE RESIDENTIAL CLASSES?**
6

7 A. No.

8 **Q. PLEASE EXPLAIN.**

9 Mr. Baron resists allocation beyond the residential class on the grounds of two
10 ratemaking concepts, cost-causation and costs following benefits. However,
11 relying solely on cost-causation would lead to illogical results, as explained
12 below. And while costs should follow benefits, benefits should be understood
13 comprehensively, not in the narrow way these witnesses portray them.

14 Mr. Baron argues that sound ratemaking would not permit a kWh
15 allocation, on the grounds that there is no cost-causation relationship between
16 energy use of customers/classes and the incurrence of universal service fund
17 costs by Duquesne. Taking this argument to its logical conclusion, Mr. Baron
18 would have the Commission directly assign all universal service costs to
19 universal service recipients. This would eliminate the bill reductions associated
20 with CAP and LIURP, as well as the benefits of any other universal service
21 program.

22 Such a result negates the purpose of universal service programs, and the
23 argument that leads to this result cannot be correct. Also, cost-causation would

1 not lead to assignment to non-low-income residential customers any more than it
2 would lead to assignment to non-residential customers, thus undermining the
3 proposals of Messrs. Baron and Kalcic. Mr. Baron also argues that all costs
4 should be assigned to residential classes because only residential customers,
5 that is low-income customers, benefit.

6 First, the argument proves too much, even accepting for purposes of
7 argument the premise that only low-income customers benefit. Again, if we
8 assume that only low-income customers benefit, and we follow the rule that costs
9 in this case should be allocated only to those who directly benefit, we are
10 brought again to the conclusion that universal service costs should be directly
11 assigned to CAP and LIURP participants, pro rata. However, again this would
12 produce an absurd result, and one that could not logically have been intended
13 by the legislature.

14 Second, there is again no more reason to allocate costs to non-low-
15 income residential customers under this reasoning than there is to allocate them
16 to non-residential customers. Non-low-income residential customers benefit, as
17 they do, exactly and only in the ways and to the extent that non-residential
18 customers benefit.

19 Third, and perhaps most importantly, all customers of all classes benefit
20 from the provision of universal service and energy conservation programs to low-
21 income customers. The General Assembly's requirement of universal service
22 funded with a non-bypassable charge reflects the legislature's determination that

1 ensuring essential electric service for all households in Pennsylvania serves the
2 "public purpose" (Section 2802(17)). Benefits that all enjoy when no family goes
3 without electricity include (a) economic stability, (b) secure and stable
4 neighborhoods, and (c) better public health and safety. These benefits inure to
5 all customers. As the Commission determined in its Universal Service final
6 order, all customer classes should share in providing the funding for universal
7 service.

8 **Q. MR. BARON ARGUES THAT YOUR NON-PRODUCTION REVENUE**
9 **ALLOCATOR IS NOT SUITABLE BECAUSE IT AMOUNTS TO A 'TAX' ON**
10 **ENERGY USAGE. DO YOU AGREE?**

11 A. No. The legislature was quite clear that universal service programs are
12 necessary to make the entire package of restructuring policies succeed. To the
13 extent there are some modest costs associated with carrying out these
14 purposes, the General Assembly has recognized that all ratepayers should
15 contribute to defraying them, so that the benefits of competition can be achieved.
16 This is not a tax, but an allocation of cost responsibility for the new structure,
17 which should greatly benefit the industrial customers Mr. Baron represents,
18 along with the other customers of Duquesne.

19 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

20 A. Yes.

21
22 44977

CERTIFICATE OF SERVICE

Re: Application of Duquesne Light Company for
Approval of its Restructuring Plan Under
Section 2806 of the Public Utility Code
Docket No. R-00974104

I hereby certify that I have this day served a true copy of the foregoing document,
Office of Consumer Advocate's letter in compliance with the Administrative Law Judge's Sixth
Interim Order, upon parties of record in this proceeding in accordance with the requirements of 52
Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed
below:

Dated this 9th day of January, 1998.

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