

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560 (in PA only)

FAX (717) 783-7152  
consumer@paoca.org

April 10, 2013

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

RE: Petition of Duquesne Light Company for  
Approval of a Default Service Program and  
Procurement Plan for the Period June 1,  
2013 through May 31, 2015  
Docket No. P-2012-2301664

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads 'David T. Evrard'.

David T. Evrard  
Assistant Consumer Advocate  
PA Attorney I.D. # 33870

Enclosures

cc: Hon. Katrina L. Dunderdale  
Edward Berzonsky, Technical Utility Services  
Certificate of Service

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company For :  
Approval of a Default Service Program : Docket No. P-2012-2301664  
and Procurement Plan for the Period :  
June 1, 2013 through May 31, 2015 :

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COMMENTS OF THE  
OFFICE OF CONSUMER ADVOCATE

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David T. Evrard  
Assistant Consumer Advocate  
PA Attorney I.D. # 33870  
E-Mail: [DEvrard@paoca.org](mailto:DEvrard@paoca.org)  
Jennedy S. Johnson  
Assistant Consumer Advocate  
PA Attorney I.D. # 203098  
E-Mail: [JJohnson@paoca.org](mailto:JJohnson@paoca.org)

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street 5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

April 10, 2013

## I. INTRODUCTION

On January 25, 2013, the Pennsylvania Public Utility Commission (PUC or Commission) entered its Order in Duquesne Light Company's (Duquesne or Company) 2012 Default Service proceeding. Petition of Duquesne Light Company for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015, Docket No. P-2012-2301664 (Order entered January 25, 2013). As part of this Order, the Commission approved the implementation of a Retail Opt-In Program and a Standard Offer Referral Program with certain modifications contained in the Commission's Order. The Commission directed Duquesne to engage in a collaborative process with interested parties to develop a revised plan and to develop a proposal regarding the payment of the costs of the programs. Pursuant to this directive, Duquesne conducted a stakeholder meeting on February 25, 2013 and a follow up meeting on March 5, 2013 with the interested parties.

On March 11, 2013, Duquesne filed its Revised Retail Market Enhancement Program Design and Cost Recovery Proposal (Revised RME Filing). The revised Retail Market Enhancement (RME) programs address the modifications directed by the Commission's January 25<sup>th</sup> Order, propose a method of recovery for the program costs, and propose terms and conditions to govern the programs.<sup>1</sup> Subsequent to Duquesne's filing of the revised programs, the Commission entered a Tentative Order on March 14, 2013 in this docket and in the other electric distribution companies' default service proceedings proposing to suspend the implementation of the Retail Opt-In Program. Petition of PECO Energy Company, et al., Docket

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<sup>1</sup> On March 22, 2013, also in response to the Commission's January 25<sup>th</sup> Order, Duquesne made a "Revised Default Service Plan Compliance Filing." In addition to addressing the RME proposals submitted on March 11, the March 22 filing addressed other changes to the Default Service Plan directed by the January 25<sup>th</sup> Order. These include changes to procurement plans, the Supplier Master Agreement, CAP customer shopping, reconciliation and price to compare issues and data coordination issues. Because the OCA does not disagree with the Company's proposals as to these other issues, it limits its Comments here to the RME programs.

Nos. P-2012-2283641, P-2011-2273650, P-2011-2273668, P-2011-2273669, P-2011-2273670, P-2012-2302074, P-2012-230166 (Order entered March 14, 2013). Comments on the Tentative Order were filed on March 25, 2013. On April 4, 2013, after consideration of the comments of parties, the Commission issued its Final Order on Reconsideration in which it directed the postponement of Retail Opt-In Programs in each of the affected dockets. In light of the Commission's Final Order on Reconsideration, the OCA will offer only limited comments on Duquesne's proposed Retail Opt-In Program.

As requested by Duquesne in its filing, the OCA provides the following comments on the revised retail market enhancement programs proposed by the Company.

## II. COMMENTS

### A. Retail Opt-In Program

As noted, the Commission has issued a Final Order on Reconsideration postponing the implementation of the retail opt-in program. Given that Order, the OCA provides only brief comments on Duquesne's proposal regarding cost recovery for the Retail Opt-In Program. Duquesne has proposed that participating electric generation suppliers (EGSs) be required to pay a fee of \$1 for each customer letter sent on behalf of an EGS. Duquesne asserts that because it has designed its Retail Opt-In Program to limit costs, it anticipates that the \$1 fee will be adequate to cover program costs and that it will not have to utilize a non-bypassable charge, a Purchase of Receivables discount or any other mechanism to recover excess costs from either customers or EGSs. Indeed, the Company has proposed no such excess cost mechanism. At the same time, however, Duquesne cautions that it can only adopt this cost-recovery approach if its Opt-In Program is adopted without modification. If there are any modifications to the

Program Duquesne asks that the Commission approve recovery of costs above \$1 per customer letter through a Commission-defined and Commission-approved cost recovery method.

As an initial matter, the OCA submits that the Commission should ensure that Duquesne has suspended all expenditures on the Opt-In Program in keeping with the Final Order on Reconsideration. With that said, the OCA commends Duquesne for actively pursuing cost control with respect to the Program, keeping the costs within the \$1 charge and thereby shielding ratepayers from having to bear any of the costs of the program. At bottom, the Retail Opt-In Program is an effort to increase the market share of EGSs and as such Duquesne's customers should not be asked to support the additional costs of the program. The OCA submits that Duquesne has approached the design of its Opt-In Program in a sound and reasonable manner, giving particular attention to cost control, and if the program ultimately moves forward, it should do so as Duquesne has proposed.

B. Standard Offer Referral Program

Duquesne has also proposed a revised Standard Offer (SO) Referral Program. Under its new proposal, Duquesne will present the SO to non-shopping residential and small commercial and industrial (C&I) customers that call the Company with: (1) a new or mover request, (2) a high bill complaint, or (3) an inquiry about customer choice. Duquesne will also present the SO to other eligible residential and small C&I customers that express interest in participation. If, based on that presentation, a customer expresses interest in the SO Program, the Company will transfer the customer call to an impartially selected SO supplier. If a customer requests a particular SO Supplier, Duquesne will transfer the customer to that supplier. Upon receiving a call transferred by Duquesne, the SO Supplier will explain the terms and conditions of the SO, including the pricing and other terms of service for the initial 12-consecutive-month

billing cycle period, how the terms may change after the initial 12-month period, and the date by which the customer must take action at the end of the SO Period. If the customer decides to enroll in the program, the SO Supplier will enroll the customer, just as it would currently for enrollments outside of the SO Program. The revised proposal will allow non-shopping customers to experience the process of enrolling directly with an EGS, which Duquesne believes is important for acclimating customers to the competitive retail marketplace. The revised SO Program converts a customer contact with Duquesne to a customer referral to an EGS without requiring EGSs to do any more work in enrolling the customers than they do in their normal course of business.

Importantly, Duquesne states that the revisions it has proposed to the SO Program will dramatically reduce program costs compared to the original proposal it filed in its Default Service Plan VI (DSP VI). Revised RME Filing at 13, 14. Duquesne states that the revised program is simpler, more cost-effective and efficient. Id. at 13. Duquesne notes that it will not need to employ a Choice Referral Team as originally proposed nor implement major IT system changes. Id. at 14. Duquesne estimates that total program costs will drop from an estimated \$2.1 million for a one-year Residential SO Program as initially proposed to an estimated \$300,000 to \$500,000 for the Residential and Small C&I SO Programs combined for the two-year DSP VI period. Id. The revised SO Program will also eliminate the need to make any capital expenditures. Id.

In light of these reduced expenditures, Duquesne has modified its SO Program cost recovery proposal accordingly. Specifically, it has proposed that the supplier fee charged for enrollments through August 2014 be reduced from \$30 to \$25 per enrolled customer. Duquesne proposes to track the difference between actual program costs and the supplier fees

collected for enrollments through June 30, 2014. Based on that experience, the Company will adjust the supplier fee up or down as necessary beginning September 1, 2014. Under no circumstance, however, will the supplier fee be increased beyond \$30. Any costs above the amounts collected in supplier fees will be recovered from customers through a non-bypassable charge effective September 1, 2014, with a true-up to the non-bypassable charge occurring at the end of the DSP VI period. Revised RME Filing at 16.

Duquesne points out, however, that with an estimated total program cost of \$300,000 to \$500,000, enrollments of just 6,000 to 10,000 customers per year will be required during the DSP VI period to cover the estimated costs from supplier fees (assuming a \$25 fee). Duquesne states that even if enrollments are lower than these levels, the costs to be recovered from customers in the form of the non-bypassable charge would be limited. The Company calculates that if the SO Program attracted no customer enrollments at all, which is unlikely, customers would pay only \$0.53 to \$0.88 per customer over the entire two year DSP VI period. RME Revised Filing at 17.

Duquesne maintains that as it became apparent during the collaborative process that the parties would not reach consensus on the method for recovering costs in excess of the supplier fee collections, it attempted to balance the various parties' interests by adopting a low-cost SO Program structure that would provide cost certainty for EGSs, set the initial supplier fee at \$25, allow EGSs to benefit from a lower supplier fee effective September 2014 if customer enrollments due to the SO Program are relatively high, and reduce the risk of customers having to incur large costs in the form of non-bypassable charges in the event the SO Program costs exceeded the supplier fee collections. Id.

Duquesne states that it supports its proposed SO Program cost-recovery approach only if the currently proposed lower-cost program structure is approved. If the SO Program is modified so that the Company would incur substantial additional costs, then Duquesne asks that the Commission approve a \$30 supplier fee. Further, in this circumstance, the Company requests that the costs that are not recovered through supplier fees be shared equally between suppliers and default service customers. Duquesne proposes that default service customers' 50% share should be included as an administrative cost of upcoming default service solicitations and be recovered in default service rates and that the EGSs' 50% share should be recovered through a Commission-defined and approved cost recovery method. Revised RME Filing at 17-18.

The OCA submits that there is much to commend Duquesne's revised SO Program. As the Company notes, "Duquesne Light believes it has proposed a cost effective, efficient approach that benefits the customer and all EGSs through a lower cost alternative." Revised RME Filing at 13. Indeed, Duquesne is proposing a lower cost alternative, but its proposal also has the benefit of facilitating the interaction between customers and EGSs by transferring the calls of eligible, interested customers directly to an EGS. As noted earlier, this will allow non-shopping customers to experience the process of enrolling directly with an EGS, a process which is important in helping customers to become accustomed to the competitive retail marketplace. Duquesne's revised SO proposal takes what would have been, under its original proposal, a customer contact with the Company and turns it into a customer referral to an EGS, and because it will rely on existing switching procedures, it does so without requiring any more work on the part of the EGS to enroll the customer. Further, as Duquesne points out, "The Company's proposal is more effective in that EGSs already have personnel trained to discuss their products and answer customer questions. This allows the EGS to keep and expand their

core competency by direct conversation of their product offering to customers.” In the view of the OCA, Duquesne has successfully managed to improve its program while significantly lowering its cost.

With regard to the Company’s proposal for SO Program cost recovery, Duquesne must certainly be credited for pursuing a low-cost structure for the revised program. As noted above, Duquesne anticipates that the costs of the program will be covered by supplier fees. If they are not, Duquesne proposes that any excess costs be recovered from customers through a non-bypassable charge that would take effect September 1, 2014. Duquesne expects that these costs, if any, will be relatively small. Based on its revised estimate of the total cost of the program, Duquesne demonstrates that even in the most extreme circumstance -- a total rejection of the program by customers, in which case the costs would be recovered entirely through the non-bypassable charge -- the two-year cost to customers would be between \$0.53 and \$0.88. Given that the program is likely to attract customers, the costs to be recovered through the non-bypassable charge, if any, will be even lower. Under such circumstances of a known capped expense of \$0.88 for ratepayers, the OCA will not object to using a non-bypassable charge on customers as the vehicle for covering program costs in excess of supplier fees if Duquesne’s proposed SO program is adopted. Just as Duquesne has proposed an alternative cost recovery method in the event modifications are made to the revised SO Program that drive up costs significantly, however, the OCA agrees that in such a circumstance, a more balanced method of cost recovery is warranted. In such a case, the OCA finds Duquesne’s request for setting the supplier fee at \$30 and implementing an equal sharing between customers and suppliers of any costs in excess of the supplier fees to be the most reasonable approach if customers are required to pay for this program.

III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate respectfully submits that the Revised Retail Opt-In Program, if it is to go forward, should be approved as proposed by Duquesne, and that the Revised Standard Offer Referral Program should also be approved as proposed by the Company.

Respectfully Submitted,



David T. Evrard  
Assistant Consumer Advocate  
PA Attorney I.D. # 33870  
E-Mail: [DEvrard@paoca.org](mailto:DEvrard@paoca.org)  
Jennedy S. Johnson  
Assistant Consumer Advocate  
PA Attorney I.D. # 203098  
E-Mail: [JJohnson@paoca.org](mailto:JJohnson@paoca.org)

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street 5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

April 10, 2013  
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CERTIFICATE OF SERVICE

Petition of Duquesne Light Company :  
for Approval of a Default Service Program : Docket No. P-2012-2301664  
and Procurement Plan for the Period :  
June 1, 2013 through May 31, 2015 :

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

Dated this 10th day of April 2013.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles Daniel Shields, Senior Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esq.  
Anthony D. Kanagy, Esq.  
Post & Schell, PC  
17 North Second Street, 12<sup>th</sup> Fl.  
Harrisburg, PA 17101-1601

Sharon E. Webb, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

Charles E. Thomas III, Esq.  
Thomas T. Niesen, Esq.  
Thomas, Long, Niesen & Kennard  
212 Locust St., Suite 500  
P.O. Box 9500  
Harrisburg, PA 17108-9500

Victor P. Stabile, Esq.  
Dilworth Paxson LLP  
112 Market Street, 8<sup>th</sup> Fl.  
Harrisburg, PA 17101

Brian R. Greene, Esq.  
GreeneHurlocker, PLC  
707 East Main St., Suite 1025  
Richmond, VA 23219

Patrick M. Cicero, Esq.  
Harry S. Geller, Esq.  
118 Locust Street  
Harrisburg, PA 17101

Theodore S. Robinson, Esq.  
Citizen Power  
2121 Murray Avenue  
Pittsburgh, PA 15217

Amy M. Kodowski, Esq.  
FirstEnergy Solutions Corp.  
800 Cabin Hill Dr.  
Greensburg, PA 15601

Brian J. Knipe, Esq.  
Buchanan Ingersoll & Rooney, PC  
17 North Second Street, 15<sup>th</sup> Fl.  
Harrisburg, PA 17101-1503

Gary A. Jeffries, Esq.  
Dominion Retail, Inc.  
501 Martindale Street, Suite 400  
Pittsburg, PA 15212-5817

Amy Hamilton  
Director, Market Initiatives  
Exelon Corporation  
300 Exelon Way  
Kennett Square, PA 19348

Todd S. Stewart, Esq.  
William E. Lehman, Esq.  
Hawke, McKeon & Sniscak LLP  
100 N. 10<sup>th</sup> Street  
P.O. Box 1778  
Harrisburg, PA 17101

Vincent A. Parisi, Esq.  
IGS Energy  
6100 Emerald Parkway  
Dublin, OH 43016

Pamela C. Polacek, Esq.  
Teresa K. Schmittberger, Esq.  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

Divesh Gupta, Esq.  
100 Constellation Way, Suite 500C  
Baltimore, MD 21202

Stephen L. Huntoon, Esq.  
NextEra Energy Resources, LLC  
801 Pennsylvania Avenue, N.W., Suite 220  
Washington, D.C. 20004

Brian Kalcic  
Excel Consulting  
Suite 720-T  
225 S. Meramec Ave.  
St. Louis, MO 63105

David I. Fein  
VP State Government Affairs, East  
Exelon Corporation  
10 S. Dearborn St., 47<sup>th</sup> Floor  
Chicago, IL 60603

William S. Evans, Esq.  
Direct Energy  
1001 Liberty Ave.  
Pittsburgh, PA 15222



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Jennedy S. Johnson  
Assistant Consumer Advocate  
PA Attorney I.D. # 203098  
E-Mail: [JJohnson@paoca.org](mailto:JJohnson@paoca.org)  
David T. Evrard  
Assistant Consumer Advocate  
PA Attorney I.D. # 33870  
E-Mail: [DEvrard@paoca.org](mailto:DEvrard@paoca.org)

Counsel for  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
156326