

DUQUESNE LIGHT STATEMENT NO. 5-R

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition Of Duquesne Light Company
For Approval Of Default Service Plan
For The Period June 1, 2015 Through
May 31, 2017**

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⋮**

Docket No. P-2014-2418242

**REBUTTAL TESTIMONY OF
MICHELE R. SANDOE**

Dated: August 1, 2014

1 **Q. Please state your full name and business address.**

2 A. Michele R. Sandoe, 411 Seventh Avenue MD 15-1, Pittsburgh PA 15219.

3

4 **Q. What is your position at Duquesne Light Company (“Duquesne Light” or**
5 **“Company”)?**

6 A. I am the Vice President of Customer Care.

7

8 **Q. Did you previously submit testimony in this proceeding on behalf of Duquesne**
9 **Light?**

10 A. Yes, I submitted direct testimony (Duquesne Light Statement No. 5) on April 24,
11 2014, with the Company’s initial filing in this proceeding.

12

13 **Q. What is the purpose of your rebuttal testimony?**

14 A. The rebuttal testimony responds to assertions of Witness Alexander on behalf
15 of the Office of Consumer Advocate (“OCA”) and Witness Hudson on behalf
16 of the Retail Energy Supply Association (“RESA”) on the following topics:

17 1. Whether it is premature in this proceeding to determine if the Standard Offer
18 Program (“SOP”) should continue after 2015, and whether the Commission
19 should conduct a review of the SOP programs for all distribution companies
20 and consider whether there is a need to continue the program. (responding to
21 Ms. Alexander);

22 2. Duquesne Lights’ proposal to incur additional expense for hiring a third
23 party enrollment agent for its SOP, and Ms. Alexander’s contention that

1 Duquesne Light's analysis of the costs does not consider DLC's pool of
2 eligible customers as compared to other EDCs and the percentage of DLC's
3 enrollments to its referrals. (responding to Ms. Alexander)

4 3. Duquesne Light should provide additional analysis of why EGS participants
5 have dropped out of its SOP and its otherwise low participation by EGSs.
6 (responding to Ms. Alexander);

7 4. The Commission should make a change to the SOP program and require
8 participating EGSs to comply with the recently adopted Rulemaking Order in
9 Docket No. L-2014-2409385 concerning notices that must accompany
10 contract expiration or changes in terms, and whether a survey or focus group
11 should be conducted regarding SOP. (responding to Ms. Alexander).

12 5. RESA's recommendation that Duquesne Light should be required to convene
13 a stakeholder collaborative in January 2015 to review success of the SOP and
14 solicit feedback from EGSs and other parties on ways to improve the
15 program. (responding to Mr. Hudson).

16
17 **1. Continuation of SOP in 2015 and the Commission review of SOP.**

18 **Q. In summary, what are the key concerns and recommendations offered by**
19 **Witness Alexander concerning SOP continuation and review?**

20 **A.** Witness Alexander indicates that it is premature to determine if SOP should be
21 continued after 2015. Also, she states that the Commission should conduct a review
22 of the SOP programs for all distribution companies and consider whether there is a

1 need to continue these programs and if so, adopt reforms necessary to ensure that
2 customers receive appropriate disclosures and benefits from this program.

3

4 **Q. Please explain Duquesne Light's position on the continuation of the proposed**
5 **SOP.**

6 A. The SOP was designed to be a more robust customer referral program in which
7 customers that call Duquesne Light would be given the opportunity to voluntarily
8 "opt-in" for a program in which several EGSs would participate and offer a energy
9 supply product that would include a discount off of the current PTC for a stated
10 period of time. After considerable time and effort was spent by many stakeholders
11 during a state-wide Retail Market Investigation, the Commission's Final Intermediate
12 Work Plan Order provided several guidelines for implementation of the SOP. Many
13 stakeholders also provided comments regarding the SOP during Duquesne Light's
14 Default Service Plan VI ("DSP VI") proceeding and subsequent collaborative
15 process, which led to a Commission order on the ultimate design of Duquesne Light's
16 SOP. In sum, much time has been invested in the development of the SOP at
17 Duquesne Light and other Pennsylvania Electric Distribution Companies ("EDCs").
18 As of June 30, 2014, the Company's SOP has successfully enrolled over 5,100
19 customers. These customers are now participating in retail shopping. To date, there
20 has been no evidence to indicate this program has not achieved its purpose to offer
21 customers the opportunity to choose an alternative electric supplier and potentially
22 reduce their electricity cost via the SOP. Even Ms. Alexander finds that Duquesne
23 Light thus far has implemented a program with reasonable costs and has obtained all

1 the necessary revenues through EGS participation fees, thus there are no additional
2 costs imposed on default service customers or ratepayers. At the same time, Ms.
3 Alexander finds that all residential customers participating in the Duquesne Light
4 SOP have not experienced any reduction to their 7% discount.¹ As such, while the
5 Company does not oppose a review of the SOP programs for all distribution
6 companies in an effort to seek further program improvements, the Company does not
7 believe it would be appropriate to discontinue the SOP at this time and therefore the
8 Company proposes to continue offering the SOP in DSP VII.

9

10 **Q. Ms. Sandoe, are you aware of any other EDC that plans to terminate its SOP?**

11 A. No. It is my understanding that all the major EDCs plan to continue their standard
12 offer programs into their next default service plan.

13

14 **Q. How does the Company plan to accommodate any modifications to the SOP**
15 **ordered by the Commission?**

16 A. Witness Alexander provides a recommendation for the Commission to complete a
17 review of the SOP for all EDCs and determine if there is a need to continue the
18 program and if any changes are necessary.

19 Duquesne Light will follow in DSP VII the Commission guidance currently in
20 place, but also plans to consider ways in which its SOP could adapt to possible
21 changes in Commission requirements. To that end, the Company will include

¹ OCA Statement No. 2, pp. 4, 17.

1 flexibility in the RFP for the SOP third party vendor. For example, the Company
2 proposes to incorporate a clause into the RFP to indicate that the SOP program will
3 be subject to continued Commission approval. The third-party vendor contract also
4 will contain language that will allow Duquesne Light, with reasonable notice, to
5 terminate the contract in the event the Commission ends the SOP. Finally, the
6 language of the RFP will be flexible enough to allow for modifications to be
7 implemented if a Commission Order determines that SOP programs should be
8 modified.

9

10 **2. SOP Costs, the Use of a Third Party Vendor, Enrollment Numbers, EGS**
11 **Participation and Low Enrollments.**

12 **Q. In summary, what are the key concerns and recommendations offered by Ms.**
13 **Alexander concerning SOP costs, use of a third party vendor, program**
14 **enrollment numbers and EGS program participation?**

15 A. Ms. Alexander states that the Company has proposed to incur significant additional
16 expenses for its SOP by hiring a third-party enrollment agent. Ms. Alexander further
17 indicates that the Company's conclusion that a third party enrollment agent will
18 increase enrollment is not supported. Witness Alexander also states that enrollment
19 numbers may be lower because of the Company's pool of eligible customers is lower
20 than other EDCs and the percent of Duquesne Light's enrollment to referrals is high.

21

22 **Q. What is the pool of eligible target residential customers within the Duquesne**
23 **Light service territory?**

1 A. As of April 1, 2014, Duquesne Light had 528,858 total residential customers. Of the
2 total residential customers 230,582 were enrolled with an EGS. As of April 1, 2014,
3 there were 35,775 CAP customers (CAP customers are currently not able to
4 participate in the SOP). Thus, the Company had 262,501 (excluding CAP customers
5 from the numbers) or 49.6% of the total residential customers eligible to shop within
6 the service territory, which represents the pool of eligible target customers for the
7 SOP.²

8

9 **Q. How does Duquesne Light's pool of eligible target residential customers compare**
10 **to the other EDCs?**

11 A. The chart below indicates that the Company has the smallest percentage of
12 residential customers who are currently not shopping and eligible for the SOP. While
13 the Company agrees with Witness Alexander that Duquesne Light's pool of eligible
14 target customers is the lowest among the other major EDCs in Pennsylvania, the
15 Company does believe that it is in the same range as other EDCs who utilize third
16 parties for their SOP. PPL's eligible pool of residential customers is 53.8%, and it
17 utilizes a third party. Moreover, Duquesne Light does not believe that its customers
18 should be precluded from having the benefits of a third party enrollment service due
19 to the amount of eligible customers in its service territory as compared with others.

20

² Technically, shopping customers are "eligible" to participate in the SOP if they specifically inquire about the program.

Residential Customers as of 4/1/14		
EDC	Percentage of Customers Served by an Alternative Supplier	Percent of Eligible Target Customers for SOP
Duquesne Light	43.6	49.6*
Met-ED	35	65
PECO	32.4	67.6
Penelec	36.2	63.8
Penn Power	37.1	62.9
PPL	46.2	53.8
West Penn Power	31.2	68.8
*Duquesne CAP customers are not currently eligible to participate in the SOP		

1

2 **Q, In addition, what is the pool of eligible target small commercial customers within**
3 **the Duquesne Light service territory who could take advantage of the**
4 **Company's SOP?**

5 A. As of April 1, 2014, the Company had a total of 46,774 small commercial customers.
6 The percent of target small commercial customers that are eligible to be offered SOP
7 is 59.6%. The percent of eligible small commercial customers exceeds the residential
8 customer pool and for the reasons discussed above should be able to participate in the
9 SOP.

10

11 **Q. What does Witness Alexander state concerning Duquesne Light's enrollment to**
12 **referral percentage?**

13 A. Witness Alexander indicated that Duquesne Light's percentage of enrollments to its
14 referrals is very high, 75.2%. Witness Alexander further compares Duquesne Light's
15 percentage to PECO's enrollment percentage of 70.1% and states that PECO's is

1 lower than Duquesne Light's even though PECO utilizes a third party enrollment
2 agent.

3

4 **Q. Do you agree that the Company's SOP enrollment to referral percentage is very**
5 **high?**

6 A. No, not in relative terms. Duquesne Light agrees that the April enrollment to referral
7 percentage was 75.2%. The chart below shows the SOP enrollment to referral
8 percentages for each EDC.

9

Residential Customers – through April 30, 2014:	
	Percentage Enrollment to Referrals
Duquesne Light	75.2
Met-Ed	92.2
Penelec	92.4
Penn Power	91
West Penn Power	96.5
PPL	83
PECO	70.1

10

Source: excerpt from Statewide Standard Offer Program Information – PaPowerswitch.com

11

The above table makes clear that when compared to other EDCs, Duquesne Light has
12 the second lowest SOP enrollment to referral percentage. The enrollment to referral
13 percentages ranged from 70.1% to 96.5%. In comparison, most EDCs that use a third
14 party enrollment vendor have higher enrollment percentages, which in most instances
15 are 16% to 21% higher than that of Duquesne Light. Given this data, the Company

1 does not agree that its enrollment to referral percentage is high compared to all SOPs
2 offered in Pennsylvania. That is why the Company seeks to make improvements to
3 its referral and enrollment process.

4

5 **Q. Ms. Alexander is concerned about the Company’s proposal “to incur significant**
6 **additional expenses for the SOP by hiring a third party enrollment agent” and**
7 **their impact on default service customers, noting that the Commission’s**
8 **guidance was that the bulk of the costs for the SOP must be borne by**
9 **participating EGSs.³ How do you respond?**

10 A. As Mr. Pfrommer describes in his rebuttal testimony, most of the SOP costs in DSP
11 VII will be recovered from participating EGSs, subject to the Commission’s
12 established \$30 cap for each customer enrolled in the SOP. The Company developed
13 and implemented a low-cost program in DSP VI, in part to avoid having default
14 service customers bear the cost of the SOP. Based on the results of that experience,
15 the Company has proposed improvements to its program, the costs of which will be
16 largely borne by EGSs.

17

18 **Q. What does Duquesne Light anticipate the cost per enrolled customer to be to**
19 **implement the proposed SOP?**

20 A. In this case, the Company assumed a \$38.50 cost per enrolled customer. Based upon
21 updated information, the Company believes that the cost per enrolled customer is

³ OCA Statement No. 2, pp. 5, 7.

1 expected to be lower than \$38.50. The Company plans to issue a competitive Request
2 for Proposal in August 2014 to continue to refine and firm up the costs associated
3 with the SOP. The Company does not anticipate the costs of the SOP to be more than
4 what has been identified in the RFI previously issued. The Company expects to have
5 final values by the time it files its main brief in this proceeding.

6

7 **Q. Do you believe that the use of a third party enrollment agent is appropriate at**
8 **this time?**

9 A. Yes, the benefits of pursuing an opportunity to improve the existing program with the
10 goal of expanded enrollment via an already established process of utilizing a third
11 party outweighs the cost per default service customer proposed.

12

13 **3. Additional Analysis of EGS participation in SOP**

14 **Q. In summary, what are the key concerns and recommendations offered by Ms.**
15 **Alexander concerning EGS participation in SOP**

16 A. Ms. Alexander states that Duquesne Light has had a low number of participating
17 EGSs and that Duquesne Light should provide additional analysis of why EGS
18 participants have dropped out of the SOP.

19

20 **Q. How many EGSs have participated in Duquesne Lights' SOP?**

21 A. Duquesne Light has a range of one to five EGSs participating in the SOP. Since
22 December 2013, at least three EGSs have participated in Duquesne Light's SOP each
23 month.

1 **Q. How does Duquesne Light's EGS participation in SOP compare to other EDCs**
 2 **in Pennsylvania?**

3 A. The chart listed below illustrates the number of EGSs participating in each EDCs'
 4 SOP as published on the PA Power Switch website, the Statewide Standard Offer
 5 Program Information through June 30, 2014. Based upon this data, since December
 6 2013, the Company's EGS participation rate is in the middle range among the other
 7 Pennsylvania EDCs and remained between three and five suppliers.

8

Number of EGSs serving residential customers by EDC (as of June 30, 2014)											
	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Duquesne Light	1	1	1	1	4	5	5	3	3	3	4
Met-Ed	3	2	2	2	5	5	5	7	7	7	7
Penelec	3	3	3	3	4	4	4	6	6	6	5
Penn Power	2	1	1	1	2	2	2	2	2	2	3
West Penn Power	2	1	1	1	3	3	3	3	3	3	3
PPL	3	6	6	6	11	11	11	9	9	9	5
PECO	3	3	9	9	16	17	17	10	6	5	4

Source: Pa Power Switch website - Statewide Standard Offer Program Information.

9

10 **Q. Does the Company have any research or analysis to determine why EGSs stop**
 11 **participating in the SOP?**

12 A. Duquesne Light does not track why an EGS chooses not to participate or continue to
 13 participate in the SOP program. However, the Company is aware that in one
 14 instance, an EGS offered that they chose to end their participation because that they
 15 were not capable of handling the customer call transfers from the Company. In
 16 addition, it is not surprising that the number of EGSs participating in the SOP

1 declined somewhat as Duquesne Light approached the end of the first year of the
2 program. As Ms. Alexander states on page 9 of her testimony, Duquesne Light's
3 Price to Compare ("PTC") for residential customers was essentially fixed at about
4 6.60 cents per kWh during the first year of the program, and then increased to 8.08
5 cents per kWh on June 1, 2014. As a result, the effective discount offered by an EGS
6 in the March through May 2014 period increased significantly on June 1st when the
7 PTC increased. This scheduled increase in the PTC (and effective discount) was
8 largely attributable to known capacity prices in the western portion of PJM, and could
9 have temporarily dissuaded EGSs from participating in Duquesne Light's SOP.

10
11 **Q. Do you agree with the recommendation that Duquesne Light should provide**
12 **more analysis of why EGSs have dropped from the program.**

13 A. No, the Company does not believe it is warranted to provide more analysis as to why
14 EGSs have dropped from the SOP. EGSs are independent entities and are under no
15 contractual obligation to provide insights concerning their participation in the
16 Company SOP. Moreover, it could be a business decision not to participate in a SOP.
17 Lastly, EGSs are competitors and could be reluctant to provide any additional
18 information as to why they chose not to continue to participate in the program.

19
20 **4. Customer Notice Regulations and Customer Survey**

21 **Q. What does Witness Alexander recommend concerning notices that must**
22 **accompany contract expiration or changes in terms?**

1 A. Witness Alexander recommends that the Commission should require participating
2 EGSs to comply with the recently adopted Rulemaking Order in Docket No. L-2014-
3 2409385 concerning notices that must accompany contract expiration or change in
4 terms.

5

6 **Q. Does the Company agree with Witness Alexander's recommendations?**

7 A. Yes, the Company agrees that Commission rulemaking should be adhered to, and any
8 new customer notice regulations required by law or regulation should apply to all
9 newly enrolled SOP contracts. However, the disclosure requirements are the
10 obligation of the EGS, and the EGS must insure that they are followed. The
11 Company does not plan to monitor whether EGSs are complying with the regulations
12 as Duquesne Light assumes that EGSs are aware of the regulations and their legal
13 obligations.

14

15 **Q. How do you respond to Ms. Alexander's recommendation that Duquesne Light**
16 **reform its disclosures – in particular, making it clear that the 7% discount is not**
17 **a promise that the customer's price will be 7% below the PTC during the 12-**
18 **month term of the SOP?**

19 A. The Company agrees that this is important, especially for the SOP script for DSP VII
20 because the PTC could change substantially during the DSP VII period. I note that
21 the PJM Interconnection LLC capacity prices are expected to significantly decrease
22 on June 1, 2016, from \$136 per MW-day to \$59.37 per MW-day. This will
23 significantly decrease PTC all else equal. In addition, Duquesne Light is proposing to

1 adopt a laddered supply portfolio for residential customers with changes in the supply
2 portion of the PTC every 6 months. These 6 month supply price changes could
3 significantly impact (increase or decrease) existing SOP customers' discounts as
4 compared to the PTC. Under the Company's DSP VI Plan, the supply component of
5 the PTC only changes once per year. Therefore, Duquesne Light does not oppose the
6 OCA's proposal to reform the SOP disclosures but requests that the Commission
7 provide direction regarding the appropriate SOP script messages related to this issue.

8

9 **Q. Do you agree with Ms. Alexander recommendation that the Company conduct a**
10 **survey or focus groups to gain information about the SOP and their**
11 **experiences?**

12 A. No. The Company would recommend that the OCA take such action or the
13 Commission. Because SOP is a state-wide initiative, the Company believes that any
14 such study or focus group should be conduct on a state-wide basis.

15

16 **5. Collaborative Stakeholder Meeting**

17 **Q. What does RESA witness Hudson recommend with respect to an SOP**
18 **Stakeholder meeting?**

19 A. Witness Hudson recommends that Duquesne Light convene a stakeholder
20 collaborative in January 2015 to review the success of the program and solicit
21 feedback from EGSs and other parties on ways to improve the program.

22

23 **Q. What is the Company's position concerning another collaborative?**

1 A. Duquesne Light has concerns with holding yet another collaborative. Considerable
2 time and effort was spent by many stakeholders to develop the SOP during a state-
3 wide Retail Market Investigation, during Duquesne Light's DSP VI proceeding, and
4 in a subsequent Duquesne Light collaborative process. While the Commission may
5 want to consider a state-wide collaborate process to evaluate SOPs in general, as
6 suggested by OCA witness Alexander, I do not believe that conducting a Duquesne
7 Light-specific collaborative will provide much new information. For instance, during
8 the Company's last collaborative process, parties were unable to agree on how any
9 costs above the \$30 customer enrollment fee cap should be recovered. Historically,
10 this process has not led to a timely resolution of the issues among the parties and has
11 required a Commission order to resolve disputed issues, delaying the implementation
12 of SOP. Finally, the Company is not proposing a program that is significantly
13 different from other SOPs operating within Pennsylvania already. Therefore, I do not
14 believe a new collaborative would be appropriate or necessary.

15
16 **Q. What does the Company propose to do if there is a Commission delay in
17 approving the proposed modifications to the SOP?**

18 A. If the proposed stakeholder collaborative process is implemented, the Company is
19 concerned that this would lead to a delay in approval of the SOP or any modifications
20 to the SOP. If there is a delay for any reason, the Company proposes to continue to
21 offer its existing SOP program to customers.

22

1 **Q. Will Stakeholders have an opportunity to provide input on the RFP process to**
2 **select a third party enrollment agent?**

3 A. Yes, parties in the case will have an opportunity to discuss the Company's RFP for
4 the selection of a third party to handle the SOP enrollments. The Company plans to
5 host a collaborative stakeholder meeting during the week of August 11, 2014 to
6 discuss the Company's Request for Proposal for the SOP prior to its issuance as well
7 as third-party vendor scripting that may be included in the RFP.

8

9 **Q. What is the Company's position regarding a state-wide collaborative that has**
10 **also been suggested?**

11 A. While the Company is not opposed to getting EDCs and the supplier community
12 together to discuss how SOP can be enhanced, the Company is concerned about
13 making any changes to the SOP once the program has been approved by the
14 Commission.

15

16 **Q. Does this conclude your rebuttal testimony at this time?**

17 A. Yes, it does.