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November 18, 2016

*Via Hand Delivery and First Class Mail*

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

**Re: Duquesne Light Company Universal Service and Energy Conservation Plan for  
2017-2019 Submitted in Compliance with 52 Pa. Code §§ 54.74  
Docket No. M-2016-2534323**

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's response to the Pennsylvania Public Utility Commission's Secretarial Letter dated November 4, 2016 in the above referenced docket.

Upon receipt, please contact the undersigned with any questions, comments or concerns.

Respectfully Submitted,

Tishekia E. Williams  
Managing Counsel, Regulatory

Cc: Certificate of Service  
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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Duquesne Light Company Universal  
Service and Energy Conservation Plan for  
2017-2019 Submitted in Compliance with  
52 Pa. Code §§ 54.74.

Docket No. M-2016-2534323

**RESPONSE OF DUQUESNE LIGHT COMPANY TO  
COMMISSION REQUEST FOR ADDITIONAL INFORMATION**

On November 4, 2016, the Pennsylvania Public Utility Commission ("Commission") issued a Secretarial Letter in response to Duquesne Light Company's ("Duquesne Light" or "Company") October 31, 2016 filing to amend its 2017-2019 Universal Service and Energy Conservation Plan ("2017-2019 USECP"). In its Secretarial Letter, the Commission requested additional information regarding the Company's proposed 2017-2019 USECP by November 18, 2016. By this filing, Duquesne Light hereby responds to the Commission's inquiry.

***1. Explain why Duquesne is eliminating its CAP auto-enrollment process for LIHEAP recipients.***

Duquesne Light is proposing to eliminate LIHEAP auto-enrollment for two reasons: 1) to create a true need-based program whereby enrollment is based on the actual verified income of customers, and 2) to ensure that customers understand and consent to CAP guidelines and participation requirements prior to enrollment.

**1. Needs Based Program**

The Company's prior proposal to automatically enroll customers at 85% of their full budget amount, in some cases, will not accurately reflect customers' need or "affordable payment" because at the time of enrollment the customer's income (and therefore ability to pay) is unknown. The purpose of providing a discount from the full tariff rates is to provide customers with an affordable payment. To the extent that a customer is entitled to a more favorable discount, providing a 15% discount does not fulfill the customer's need for an affordable bill and would not provide adequate protections to maintain service. Indeed, the Company is concerned that providing the minimum discount *may* lessen a customer's incentive to complete the application process by providing some, albeit incomplete relief. However, the Company believes that, in an effort to better achieve the goals of the CAP program, it would be more prudent to obtain the customer's income information prior to CAP enrollment, thereby enrolling the customer at the tier that most accurately reflects the appropriate energy burden.

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## 2. Customer Consent

CAP participation provides both benefits and drawbacks. Customers benefit from reduced monthly payments, potential arrearage forgiveness and protections from loss of an essential service. Conversely, they also lose certain protections afforded to other residential service customers, such as the ability to receive a Commission-issued payment arrangement to avoid termination of service. Specifically, Section 1406(c) of Chapter 14, 66 Pa.C.S §1405(c), prohibits the Commission from issuing a payment arrangement on CAP arrears. Once a customer receives the benefit of a reduced monthly payment, Section 1405 is applicable. Accordingly, the Company believes that to avoid confusion customers should have the option to accept or decline CAP enrollment based on an informed weighing of the benefits and drawbacks. Automatic enrollment eliminates that choice.

### ***2. Clarify Duquesne's amended CAP recertification policy.***

Duquesne Light will *request* income information from all CAP customers annually, regardless of receipt of a LIHEAP grant. However, customers will not be removed from CAP unless they fail to recertify their income biannually. Accordingly, biannual recertification is *required* while annual income information is *requested* for all customers. This is the same procedure currently in place under Duquesne Light's 2014-2016 Universal Service and Energy Conservation Plan. The Company will clarify this language in its compliance filing.

### ***3. Identify what rights a customer has to dispute and/or clarify information gathered from government agencies.***

Insofar as we can determine, to date, Duquesne Light has not actively pursued information from government agencies to validate information provided by customers. Nonetheless, the Company believes that the ability to verify customer information is critically important to preserving the integrity of the program. The Company is committed to preserving its rights to do so. Customers who report zero income may be asked to verify their income by providing an IRS transcript. If a customer believes that the information provided by IRS is incorrect, the customer will be given the opportunity to provide supporting/correcting documentation within 60 days prior to any adverse action. If the customer fails to produce adequate information, he or she would be removed from the program and provided with a utility report which provides the customer's appeal rights.

- 4. Clarify whether Duquesne has developed health and safety guidelines and/or allowance thresholds to give contractors some flexibility when encountering repairs needed to provide weatherization services and provide a description of its parameters for incidental repairs and/or household disqualification.***

Duquesne Light has not developed health and safety guidelines or allowance thresholds to give contractors flexibility when encountering repairs needed to provide weatherization services. Contractors are not given the latitude to perform repairs beyond the scope of the work identified in their contract with Duquesne Light.

- 5. Provide documentation that the Company's budget billing and CAP rate discounts have been properly applied.***

Absent conditions mentioned below, Duquesne Light is confident that CAP bills are correctly calculated. However, the calculations to prove that they are correct are too complex. The calculations should be simplified and presented more clearly on the bill. Duquesne Light also acknowledges that some customers may not be receiving their full CAP credit. Principal reasons why include the following: (i) account has not been recertified; (ii) customer payments and CAP credits are not correctly applied to both the distribution and generation portion of the bill; and (iii) a previously applied security deposit may not have been refunded to the customer after joining the CAP program. Duquesne Light will prioritize and correct these conditions over the next few months with final adjustments implemented no later than the second quarter of 2017. In the meantime, the Company has mitigated the impact on customers by suspending collection activities on impacted CAP accounts and through other business processes.

Duquesne Light's current CAP was designed with the customer in mind. Duquesne Light's CAP provides a discount on customers' full budget amount which increases the complexity of the program. The theory behind this approach was that the customer had the best opportunity to receive their CAP credit throughout the year, rather than the credit being exhausted quickly during peak usage periods. While seemingly straight-forward, this program design is complex and can be confusing to customers and other stakeholders, including in the cases where the underlying calculations are correct. While this program design has become more complex over the years, the introduction of a new billing system has presented additional challenges. As discussed herein, the Company has an immediate action plan to simplify and resolve some issues related to its current CAP. Starting in 2017, Duquesne Light welcomes the opportunity to collaborate with the Commission and interested stakeholders to simplify its future CAP.

Starting earlier in 2016, Duquesne Light had several discussions with the Commission regarding certain budget and CAP billing challenges. The Company identified issues with the complexity of our business processes, as well as issues with the system design and programming.

Specifically, the Company determined that the budget amount was either under and overestimated for some customers. As a result, Duquesne Light has undertaken a three step process to address these issues. During step one of the process, Duquesne Light recalculated the base budget amounts for all CAP customers. During step two, the Company performed “true-up” adjustments to correct the CAP credit amounts for each customer as necessary.

More recently, the Company began step three of the project, which includes examining the budget billing and CAP program design for potential changes that will simplify the program and correct any remaining issues. Phase three of our CAP remediation plan includes corrections and adjustments in the following areas:

1. **Recertification/Application of CAP credits** – Currently, the Company has identified two scenarios impacting the application of CAP credits. First, some accounts have not been recertified in a timely manner, which is potentially impacting CAP credits. The root cause of this issue has been corrected as of November 4, 2016. Duquesne Light is evaluating remediation strategies for any impacted accounts that may not have received the appropriate CAP credits. Duquesne Light will complete any required remediation by January 31, 2017 and will update the stakeholders accordingly. Second, the Company has determined that CAP credits are not applied to a final bill.
2. **Distribution and Generation portion of bill** – Various issues are preventing the correct application of payments and CAP credits to both the Distribution and Generation portions of the bill that may cause discrepancies on the calculation of the budget on some customer accounts. The Company has a process in place to mitigate these issues.
3. **Bill messaging and presentment** – Although not impacting the accuracy of the calculation, the bill presentment and messaging is unclear or confusing on some bills.
4. **Security deposits**- When a customer is unable to establish creditworthiness, and is not a confirmed low income customer, a security deposit is billed to the account. Once a customer is confirmed to be low income, the deposit is returned. For approximately 400-500 customers, the Company is in the process of applying security deposits to CAP customer accounts.
5. **Budget calculation** – As detailed below, Duquesne Light’s budget calculation is fairly complex and nuanced. The Company has begun an effort to redesign the budget calculation, with the goal to significantly simplify our approach.

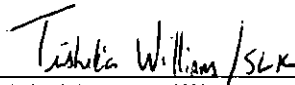
The Company will implement systems and process changes to address items 2 through 5 above by the second quarter of 2017 and will update the stakeholders accordingly.

The current budget calculation uses three sequential methods to calculate a customer's budget. First, the system is programmed to use billed customer history, which requires 12 months of history at the same premise with the same supplier. Second, if the customer does not have 12 months of history, the system is programmed to use 12 months of premise history or a combination of billed actual plus premise history if the customer was there for 12 months but changed suppliers. Finally, if the billed customer or the premise history requirements cannot be met, the system is programmed to estimate the customers budget using an average of usage of accounts in the same rate class in the same geographic area (referred to as the 'trend table'). In addition to the base budget calculation which uses billing history, premise history, and trend data, the system also performs a true-up every four months. The true-up is calculated by subtracting the account budget balance from the actual balance and dividing the difference by twelve. The result (positive or negative) is then added to the to the base budget amount. This final budget amount is used for billing until the next time the budget is recalculated (at least once every four months). For CAP customers, the appropriate discount percentage is applied to the final budget amount. If there is a gap in service at the residence that is greater than 60 days, local geographic data is used to estimate the customer budget amount. A change in the customer's rate restarts the clock for purposes of determining the availability of customer and premise data.

In conclusion, Duquesne Light's CAP and budget design is complex and can be confusing to customers and other stakeholders, including in the cases where the underlying calculations are correct. The Company is currently working to make immediate improvements to the existing CAP and budget, as discussed above. Additionally, Duquesne Light welcomes the opportunity to work with stakeholders in 2017 to redesign a future CAP.

Respectfully submitted,

Date: November 18, 2016

  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant):

**FIRST-CLASS MAIL**

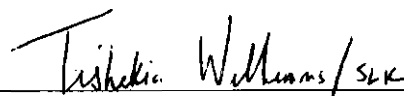
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Dated: November 18, 2016



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