Lindsay A. Baxter
Manager, State Regulatory Strategy
lbaxter@duqlight.com
412-393-6224

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— DUQUESNE LIGHT CO. —

VIA HAND DELIVERY

May 8, 2019

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
2nd Floor, Room-N201
400 North Street
Harrisburg, PA 17120

Re: Energy Affordability for Low-Income Customers
M-2017-2587711

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's Comments in the above-referenced proceeding.

Upon receipt, if you have any questions regarding the information contained in this filing, please feel free to contact me or Audrey Waldock at 412-393-6334 or awaldock@duqlight.com

Sincerely,

Lindsay A. Baxter
Manager, State Regulatory Strategy

Enclosure
Cc (w/ enc.): Joseph Magee (jmagee@pa.gov)
Louise Fink Smith (finksmith@pa.gov)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Energy Affordability for Low-Income Customers : M-2017-2587711

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

COMMENTS OF
DUQUESNE LIGHT COMPANY

I. INTRODUCTION

On March 16, 2017, the Pennsylvania Public Utility Commission ("PUC" or "Commission") directed Commission staff to initiate a study to "determine what constitutes an affordable energy burden for Pennsylvania's low-income households and, based on this analysis, whether any changes in the Commission's Customer Assistance Program Policy Statement or other Universal Service and Energy Conservation Program guidelines are necessary to bring these programs into alignment with any affordability recommendations."[1] On January 17, 2019, the Commission released the staff report entitled "*Home Energy Affordability for Low-Income Customers in Pennsylvania*" (Report).[2] In addition to releasing the Report, the January 17, 2019 Order scheduled a stakeholder meeting and sought additional data from utilities. Further, in its January 17, 2019 Order, the Commission provided twenty (20) days following submittal of data for interested parties to submit written comments and a subsequent fifteen (15 days) for reply comments to be filed.

Parties, including Duquesne Light Company ("Duquesne Light" or "Company"), participated in the February 6, 2019 stakeholder meeting. Following these discussions, the Commission issued a Secretarial Letter on March 7, 2019 that clarified the data requested in the

[1] *See*, Opinion and Order, Docket No. M-2017-2587711, adopted March 16, 2017, entered May 5, 2017.
[2] *See*, Order, Docket No. M-2017-2587711, adopted January 17, 2019.

January 17, 2019 Order and revised the deadline for filing data responses, comments, and reply comments. Consistent with this direction, Duquesne Light hereby submits Comments for the Commission's consideration.[3]

II. BACKGROUND

Operating for more than 135 years, Duquesne Light is a Pennsylvania electric distribution company ("EDC") that provides electric service to approximately 600,876 customers in and around the City of Pittsburgh, operating in portions of Allegheny and Beaver Counties. Of that 600,876, about 538,770 (89%) are residential customers. Based on Census data, the Company estimates that approximately 105,000 of its residential customers may be considered low-income as defined by the Federal Poverty Income Guidelines (FPIG). Currently, the Company has approximately 36,000 customers enrolled in its customer assistance program ("CAP"). Issues related to universal service programs and low-income and/or payment-troubled customers are important to the Company. Duquesne Light appreciates the Commission's attention to this topic.

The comprehensive study of energy burden and universal services embarked upon by the Commission[4] has illuminated the multifaceted and complex nature of this topic, along with the unique variables specific to each utility and the geographic area it serves. While energy costs are only one of many expenses for low-income ratepayers, it is an area where utility assistance programs can have real impact. The Company appreciates the difficulty of striking a balance between providing meaningful assistance to those in need while limiting additional costs to other ratepayers. Our comments below speak to the importance of setting an appropriate CAP maximum

[3] Duquesne Light is a member of the Energy Association of Pennsylvania, which is also submitting comments at this docket. In addition to the positions stated herein, Duquesne Light generally supports the positions articulated in EAP's comments to the extent they are consistent with the comments submitted by the Company.
[4] *See* Review of Universal Service and Energy Conservation Programs, Docket No. M-2017-2596907.

credit, the difficulty in influencing payment behavior, the intersections with other assistance programs, and potential future opportunities.

III. DETERMINING ACCEPTABLE ENERGY BURDEN

A. Energy Burden Levels

The Commission has asked for comment on setting energy burden levels at 4% for non-heat electric, 6% for gas heat, and 10% for electric heat. The Company cannot opine on whether these figures are reasonable or not, as it only has visibility into its customers' electricity usage and payment patterns and not the wide variety of other expenses that may be driving customers' financial burdens.

Worth noting is the fact that the data in the report, as well as the results of Duquesne Light's assessment of its assistance program, indicate that the relationship between income and payment behavior may be counterintuitive. While one might expect that higher income would correlate with better payment behavior, the data included in the report indicates that EDC heating customers in the 101 to 150% FPIG level are less likely to pay their electric bills than customers at the 50 to 100% FPIG level.[5]

Similarly, under Duquesne Light's CAP, the average energy burden is 4.5% for non-heating customers and 8.3% for those with electric heat, and yet based on preliminary data, the Company estimates that CAP customers pay their full bill on-time only about 62% of the time. To further explore this disconnect between assistance received and payment habits, the Company looked at the first year of data since its CAP program was amended to be even more affordable to low-income customers, effective March 28, 2018. Early results indicate that although payment behavior experienced a short-term improvement immediately following the change, these

[5] *See* Order, p. 9.

improvements have not been sustained. In fact, fewer customers paid their bills during the winter moratorium than did prior to the March 2018 changes to the program.

While these are early results that only reflect one year of data, they point to the importance of looking at the variety of financial demands customers experience. Utility bills may never be the highest priority expense for customers. More information should be gathered to ensure that changes intended to improve affordability for low-income utility customers result in sustained long-term improvements in payment behavior.

B. Setting the CAP Credit Maximum

The report gives disproportionate attention to the acceptable percentage of energy burden as compared to the CAP maximum, painting an incomplete picture. CAP provides a monthly discount to enrolled customers. In order to protect other ratepayers from costs becoming unreasonable, as well as to encourage energy conservation, each CAP customer has an annual maximum discount ("CAP maximum") that is determined by household income level. Once a customer has received the maximum annual discount, the customer will be billed at the full tariff rate for usage for the remainder of the year.

Establishing a low percentage for energy burden is meaningless if the maximum is set too low and too many CAP participants hit it early in the year. In such a scenario, CAP participants will benefit in the months in which they receive assistance, but pay the full tariff rate for the remainder of the year after hitting the CAP maximum, experiencing a higher energy burden overall than if the percentage for energy burden had been set higher.

While consideration has been given to removing the maximum altogether, this change would also remove any incentive to conserve energy and implement efficiency measures, which is counter to other regulatory directives[6]. It would also expose other ratepayers to additional risk of increased program costs. Controlling program costs is especially important when considering that many ratepayers not enrolled in CAP have income that is barely above the cut-off for low-income eligibility.

Duquesne Light has established its CAP maximum so that 5 to 10% of CAP enrollees hit the maximum annually, meaning 90 to 95% of program participants retain benefits throughout the year. The Company believes this approach has been effective in ensuring the vast majority of CAP participants receive assistance while simultaneously incentivizing conservation and controlling costs to other ratepayers.

C. <u>Percentage of Revenue and Expanded Rate Class Funding</u>

In Vice Chairman Sweet's statement on January 17, 2019 at the Public Meeting releasing the Report, he noted the Report's finding that Pennsylvania's energy burden is generally higher than that of neighboring states. He further requested comment on program designs specifically in regard to limiting CAP programs to 2% of utility company revenues. Under its current CAP, Duquesne Light's expenditures on universal services programs are equal to approximately 2.775% of total annual distribution revenues. Thus, if the program were limited to 2% of the Company's revenue, about one-third fewer customers would receive assistance.

IV. INTERSECTION OF LIHEAP AND CAP

Vice Chairman Sweet also noted in his statement at the January 17, 2019 Public Meeting the impact of LIHEAP on energy burden and sought comment on the following questions:

> How, if at all, are LIHEAP applications encouraged at the time of CAP enrollment? Are there ways the intake process could be improved to ensure dual enrollment in both programs?

[6] Act 129 Energy Efficiency and Conservation Program 66 Pa. Code §2806.1; Low-Income Usage Reduction Program (LIURP) 52 Pa. Code §58.1-58.18.

> What are the known or perceived barriers to LIHEAP enrollment (administrative or otherwise), if any?
>
> What are the advantages or disadvantages of requiring a LIHEAP application in order to receive CAP benefits?

Duquesne Light engages in multiple activities to help its customers enroll in LIHEAP. First, the Company informs a customer of the availability of LIHEAP at the time of application for CAP. Additionally, because LIHEAP requires an annual application process, Duquesne Light sends a letter to all CAP customers who received a LIHEAP grant the prior year reminding them of its availability when enrollment opens each winter. Finally, the Company has also developed a web portal to allow LIHEAP agents to more easily access information needed to confirm customer eligibility for a crisis grant.

However, despite these efforts, there are challenges to the LIHEAP enrollment process that are out of Duquesne Light's control. For one, the program is only available in the winter, generally open November 1st through March 30th of each year. If a low-income customer applies for CAP in the summer, for instance when the need for air conditioning increases electricity bills, LIHEAP is not currently open for enrollment. While the Company agent may remind the customer of LIHEAP at the time of CAP enrollment, it is out of Duquesne Light's control as to whether the customer remembers to apply in the winter when the program is available. As the LIHEAP program is currently administered, a customer must personally enroll; there is no opportunity to enroll a customer into both the utility CAP and LIHEAP at the same time.

It is important to note that in Duquesne Light's service territory, most households do not use electricity for primary heating. Therefore, for many of Duquesne Light's low-income customers, utilization of LIHEAP assistance towards natural gas utility bills in the winter months may be more beneficial than applying LIHEAP towards electricity bills. While a LIHEAP grant towards a natural gas bill may result in the customer having more money available towards other expenses, there is no guarantee that those extra dollars will be spent towards an electric bill rather than another pressing need, especially during the winter moratorium which prohibits termination of electricity. Therefore, LIHEAP, at least in southwestern Pennsylvania, may not have a significant impact on the electric energy burden.

Finally, it bears mentioning that use of the LIHEAP program, as currently administered, can be burdensome for the utility company. Cash grants are fairly straightforward, with the LIHEAP administrator providing the utility with a list of qualifying customers and the amount awarded for cash grants. In contrast, a crisis grant requires greater administration by the utility. Duquesne Light must first confirm eligibility for the LIHEAP agent. The LIHEAP agent then negotiates with the Company the amount acceptable to stop termination or reconnect service. Once the grant is approved, the Company must update the customer account with a late payment charge exemption and a termination hold. In addition, within 30 days, the Company must upload documentation into LIHEAP's software regarding the crisis and process the payment. While LIHEAP is an important source of assistance for low-income customers, its implementation currently requires substantial administrative activity, the costs of which are ultimately passed onto the utility's ratepayers.

V. POTENTIAL OPPORTUNITIES

As Duquesne Light noted in the Review of Universal Service and Energy Conservation Programs proceeding, Ohio utilizes a centralized application process through which a customer submits a single application that is then used to apply for assistance across an array of utility programs, including weatherization.[7] Use of a centralized application could result in more effective

[7] *See* Duquesne Light Comments. Docket No. M-2017-2596907. p. 7.

LIHEAP enrollment and bears further evaluation by stakeholders. Duquesne Light, along with the Energy Association of Pennsylvania and other utilities, has engaged in conversations with the Department of Human Services to explore opportunities to streamline enrollment in assistance programs.

Additionally, technology has brought enormous change to society. The deployment of new technology, such as smart meters and updated billing systems, opens new opportunities to better serve all customers, including low-income customers. Some individuals may be able to manage expenses on a weekly basis but are unable to plan ahead for monthly bills. To better illustrate this point, a bus transit pass provides a non-utility example. An individual may be able to buy a weekly bus pass for $25 but is not able to gather resources for a monthly bus pass of $97.50. Ultimately, the monthly pass may provide cost savings but is out of the customer's financial reach due to the upfront cost. Similarly, a customer may not be able to fill up their gas tank in one payment, but they can buy a few dollars' worth of gasoline at a time to get where they need to go. In contrast, traditional utility billing methods require a customer to pay for an entire month's usage at one time, without necessarily understanding how much energy is being used or how to reduce consumption.

The Company believes technological advances allow for more creative payment options to meet customers' needs. It is for this reason Duquesne Light will monitor the implementation of PECO's recently approved prepayment pilot.[8] This pilot does not allow for low-income participation. The Company believes this limitation is appropriate when piloting a new system, in order to protect the interest of not only low-income consumers but also other ratepayers. However,

[8] Docket No. P-2016-2573023.

the lessons-learned through PECO's program will be informative to efforts across the Commonwealth to explore new and innovative options to better serve utility customers.

VI. CONCLUSION

The intersection of poverty and energy usage is complicated and any efforts to ameliorate energy burdens must be carefully analyzed and thoughtfully implemented to ensure a true benefit to customers in need without unduly burdening other ratepayers. Duquesne Light applauds the Commission's efforts to review in totality universal services and energy burden and further encourages the Commission to continue to look for opportunities to facilitate coordination between utility assistance programs and those offered by other service providers, to better serve the Commonwealth's low-income customers.

Respectfully submitted,

Lindsay A. Baxter
Manager, State Regulatory Strategy
Duquesne Light Company
411 Seventh Avenue, Mail Drop 15-7
Pittsburgh, PA 15219
lbaxter@duqlight.com
Tel. (412) 393-6224

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