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May 23, 2019

VIA E-FILE

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 Reply Comments for filing 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

Enclosures
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	**:**	**Docket No. M-2017-2587711**

REPLY COMMENTS OF DUQUESNE LIGHT COMPANY

I. INTRODUCTION

Duquesne Light Company[1] ("Duquesne Light" or "Company"), submits the following Reply Comments as provided for by the Pennsylvania Public Utility Commission ("PUC" or "Commission") Order entered on January 17, 2019, which allows for reply comments to be filed fifteen (15) days following submittal of Comments, on or before May 23, 2019. The Company filed Comments in this proceeding on May 8, 2019 and submits these reply comments to further inform the Commission as to the Company's position on issues raised by other commenters and to further develop the record regarding universal services provided to low-income Pennsylvanians.

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

[1] 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.

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.

Comments in this proceeding, as well as the companion LIURP[2] proceeding and the study of energy burden and universal services embarked upon by the Commission,[3] have illuminated the multifaceted and complex nature of universal services. While Duquesne Light appreciates the staff report as a compilation of available data, it notes that it is not appropriate to make policy decisions based on the report's findings.

In these reply comments, the Company seeks to reiterate the points made in its original comments in this proceeding, as well as to highlight some areas of consensus among the various commenters.

III. COMMENTS

A. Importance of CAP Maximum

Duquesne Light maintains that establishing the appropriate maximum benefit for CAP participants ("CAP maximum") is equal in importance to selecting the correct energy burden percentage target. The comments of others have reinforced this perspective.[4] If the CAP maximum is set too low, customers will essentially run out of benefits too early in the year, resulting in paying the full bill amount for the remainder of the year.[5] This customer then experiences a higher overall energy burden than if the target percentage were set higher.

[2] *See* Initiative to Review and Revise the Existing LIURP Regulations at 52 Pa. Code §§ 58.1 – 58.18, Docket No. L-2016-2557886.
[3] *See* Review of Universal Service and Energy Conservation Programs, Docket No. M-2017-2596907.
[4] *See* Columbia comments, pg. 8; OCA comments, pg. 16 and attachment ("Energy Affordability for Low-Income Natural Gas and Electric Customers"), pg. 82.
[5] *See* DLC comments, pg. 4.

Duquesne Light supports the comments of the Office of Consumer Advocate ("OCA") which explain that use of a tiered percentage of income to determine affordability is reasonable[6]. OCA explains that utilizing a non-tiered percentage of income assistance "would provide 'too much' assistance to the highest income tiers and 'too little' assistance to the lowest income tiers." Duquesne Light utilizes an income-tiered assistance program, by which both the bill discount and the CAP maximum are determined by income tier. Similarly, when Duquesne Light implements its upcoming percentage of income payment plan (PIPP), both the percentage and the CAP maximum will be determined by income tier. The Company believes this is the most prudent approach to providing assistance to low-income customers. However, consistent with prior comments,[7] Duquesne Light believes setting an appropriate CAP maximum to be the more important aspect of this conversation, because customers who exhaust their available assistance are returned to full tariff rates, regardless of the energy burden deemed affordable for them.

While the Company believes setting an appropriate maximum credit to be of significant importance, it disagrees with the comments of Low-Income Advocates[8] which call on the Commission to "direct utilities to eliminate CAP design elements that result in CAP payment amounts above the Commission established maximum affordability levels. This includes maximum CAP credit limits, which cut CAP households off from CAP assistance when the household reaches an arbitrarily predetermined threshold."[9] Duquesne Light takes issue with the assertion that the CAP maximum is determined "arbitrarily." The Company carefully calculates the maximum benefit for its CAP program to accommodate the great majority of CAP

[6] *See* OCA comments, pg. 13.
[7] *See* DLC comments, pg. 4.
[8] "Low-Income Advocates" are comprised of the Tenant Union Representative Network ("TURN"), Action Alliance of Senior Citizens of Greater Philadelphia, and the Coalition for Affordability Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA").
[9] *See* Low-Income Advocates comments, pg. 14-15.

participants, while providing meaningful incentive to conserve to its highest-usage CAP customers.

Without a maximum credit, there is little incentive for low-income customers to conserve, which is in direct conflict with other regulatory directives.[10] Further, there would be no limit to the costs other ratepayers must bear in subsidizing energy used by CAP participants. The Low-Income Advocates assert that the costs borne by other ratepayers are justifiable because they contribute to "reduced social costs and improvements to the general health and welfare of Pennsylvanians."[11] The Company contends that the costs of improving health and welfare are best addressed through publicly-funded social welfare programs, and not through the energy bills of customers.

B. Impacting Customer Payment Behavior

Duquesne Light noted in its comments that the changes the Company made to improve the affordability of its CAP have not resulted in improved payment behavior.[12] The comments of the Energy Association of Pennsylvania (EAP),[13] point out that mechanisms put in place to assist customers may inadvertently discourage regular, consistent payment patterns. For example, many customers discontinue paying bills during the winter moratorium. Further, LIHEAP cash grants often result in a customer going one or more months without paying a bill. Customers may find themselves being asked to pay bills again in the summer, when, for many, electric bills are highest due to air conditioning, possibly with arrearages accrued over the winter moratorium. The comments of the EAP aptly describe this challenge: "Generous LIHEAP benefits can sometimes undermine this goal (on-time payment behavior), giving households a false sense of

[10] *See* LIURP, 52 Pa. Code Chapter 58, 66 Pa. C.S. §§ 1505(b).
[11] *See* Low-Income Advocates comments, pg.17.
[12] *See* Duquesne Light Comments, pg. 3.
[13] *See* EAP comments, pg. 9.

their ongoing obligations by giving them 'off' months from paying a utility bill that can lead to an inability to pay once the grant is exhausted because the 'utility' funds in their budget have been applied to other household needs."[14] This point was also made by Columbia Gas Company and OCA.[15] The comments of Peoples Natural Gas (Table IV-15)[16] illustrate the myriad expenses faced by low-income customers. While CAP programs may provide meaningful relief, customers must balance competing demands on their limited resources.

Rather than make policy recommendations based on an intuitive understanding of the link between energy burden and the payment behavior of low-income customers, more research is needed on the complex combination of CAP, LIHEAP grants, and the winter moratorium. Any contemplated changes to the CAP policy statement must retain a focus on improving payment behavior, thereby reducing arrearages and terminations.

C. Challenges of LIHEAP

There is near consensus in comments that the LIHEAP program has challenges which include the seasonal nature of the program, the dual application process for utility CAP programs and LIHEAP, and the fact that customers must choose to apply LIHEAP assistance to only one utility, when many are served by both natural gas and electric utilities.

Further, several entities provided comments similar to those of the Company[17] indicating that the LIHEAP process is administratively burdensome, both for customers and for utilities. Examples of ways in which the program is burdensome for customers include frequent rule changes and a confusing application, as noted by EAP, Peoples Natural Gas, PGW, and PPL[18].

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[14] *See* EAP comments, pg. 17.
[15] *See* Columbia comments, pg. 7 and OCA comments, pg. 7.
[16] *See* Peoples Natural Gas Comments, pg. 4.
[17] *See* DLC comments, pg. 7.
[18] *See* EAP comments, pg. 16; Peoples Natural Gas comments, pg. 7; PGW comments, pg. 10; and PPL comments, pg. 8.

Administration of the program also places a burden on utilities. Columbia Gas described the "labor intensive" nature of administering LIHEAP, and both PECO and Philadelphia Gas Works (PGW) noted that each company hires contract employees to assist with LIHEAP application processing each year. [19] Duquesne Light currently administers LIHEAP obligations with in-house staff, but nonetheless finds administration of the program to be burdensome.

D. Potential Improvements

The Company agrees with the OCA's statement that after nearly three decades, CAP programs are performing reasonably well.[20] Understanding that there is an appetite to further improve the program, there is consensus around efforts to streamline application processes and better coordinate between various assistance programs.[21] Reducing the amount of resources spent on developing, evaluating, and administering programs allows these resources to instead be applied to assisting low-income customers. Today, a Duquesne Light customer may need to apply for assistance programs through three separate utilities (electric, gas, and water). If that same customer wishes to take advantage of LIHEAP and/or other hardship funds, that support will require additional application processes, all with different rules and required documentation. A more streamlined approach not only helps customers secure available resources but has the potential to reduce program costs benefitting all ratepayers, not only those enrolled in assistance programs.[22]

[19] *See* Columbia Gas comments, pg. 7; PECO comments, pg. 8 and PGW comments, pg. 9.
[20] *See* OCA comments, pg. 4.
[21] *See* Columbia comments, pg. 9, EAP comments pg. 15, and Peoples comments pg. 6.
[22] The OCA, in its comments, "submits that the Commission must explicitly balance the affordability of the energy burden set with the total costs of the program, how LIHEAP is integrated into the CAP program design, the income levels of households in the service territory, and the allocation of the costs of the program." (pg. 18.)

The ongoing discussions between the Department of Human Services, EAP, and other utilities were mentioned in several comments[23], including those of Duquesne Light[24], as being valuable.

Several commenters have noted that while learning from best practices in other states is important, every state is different and care must be taken to be sure the comparison is "apples-to-apples."[25] For example, the OCA cautions against setting Pennsylvania's energy burden by comparing to other states, as each state's reported energy burden may be calculated differently and include different inputs.[26] Duquesne Light agrees with that position. However, the Company maintains that one instance in which Pennsylvania can appropriately learn from the examples of other states is in identifying steps that can be taken to better coordinate and streamline application processes. Specifically, Ohio's use of 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, could prove a useful model.

Finally, the Company lends support to comments that encourage a better alignment between programs that educate residential customers on energy saving behavior changes and assistance programs.[27]

IV. 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

[23] *See* EAP comments, pg. 15 and PGW comments, pg. 9.
[24] *See* DLC comments, pg. 8.
[25] *See* EAP comments, pg. 20, OCA comments, pg. 11, and PGW comments, pg. 13.
[26] *See* OCA comments, pg. 7.
[27] *See* Low-Income Advocates comments, pg. 29 and National Fuel comments, pg. 7.

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,

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