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July 30, 2019

VIA E-FILE

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

**Re: Electric Distribution Company Default Service Plans – Customer Assistance
Program Shopping
Docket No. M-2018-3006578**

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's 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,

A handwritten signature in blue ink, appearing to read 'L.A. Baxter', is written over a light blue horizontal line.

Lindsay A. Baxter
Manager, State Regulatory Strategy

Enclosure

cc (w/ enc.): Kriss Brown (kribrown@pa.gov)
Tiffany Tran (tiftran@pa.gov)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Electric Distribution Company Default :
Service Plans—Customer Assistance : Docket No. M-2018-3006578
Program Shopping :

**COMMENTS OF
DUQUESNE LIGHT COMPANY**

I. INTRODUCTION

On February 28, 2019, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) issued a proposed policy statement Order seeking comment regarding electric distribution company (“EDC”) Customer Assistance Program (“CAP”) participants entering into contracts with electric generation suppliers (“EGSs”). In the Order, the Commission directed the Law Bureau to submit the proposed policy statement for publication in the *Pennsylvania Bulletin*, and that comments would be due 45 days after publication. The proposed policy statement was published on June 15, 2019 with comments due on or before July 30, 2019.¹ Consistent with this direction, Duquesne Light Company (“Duquesne Light” or “Company”) hereby submits Comments for the Commission’s consideration.²

II. BACKGROUND

Duquesne Light is a Pennsylvania electric distribution company that has provided electric service for over 135 years to approximately 601,000 customers in and around the City of Pittsburgh, and portions of Allegheny and Beaver Counties. About 539,240 customers (90%)

¹ 49 Pennsylvania Bulletin 3083.

² 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.

are residential. 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. In May 2019, approximately 29.11% of residential customers obtained supply from electric generation suppliers (“EGSs”). The Company’s current and prior Commission-approved Universal Services and Energy Conservation Plans (“USECPs”) provide that CAP customers are not eligible to purchase electric supply from EGSs.

The Company appreciates the Commission’s desire to provide guidance on the issue of allowing low-income customers participating in universal services programs to engage in the electric retail market. However, the proposed policy statement is premature in light of ongoing related proceedings. Further, its proposed changes do not provide adequate protection for vulnerable customers and will be administratively burdensome for utilities to implement.

III. POLICY STATEMENT ALIGNMENT

A. Concurrent Proceedings

Given the ongoing proceedings related to assistance programs and energy burden, Duquesne Light believes the proposed CAP shopping policy statement is premature. At this time the Commission has three open dockets related to assistance programs for low-income utility customers.³ One of the proceedings, a review of the Universal Services and Energy Conservation Programs, specifically seeks to address “whether any changes in the Commission’s CAP Policy Statement, 52 Pa. Code §§ 69.261-69.267, or other Universal Service and Energy Conservation Program guidelines are necessary to bring these programs

³ *Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§58.1--58.18*, Docket No. L-2016-2557886; *Review of Universal Services and Energy Conservation Programs*, Docket No. M-2017-2596907; *Energy Affordability for Low-Income Customers* Docket No. M-2017-2587711.

into alignment with any affordability recommendations.”⁴ The proposed CAP shopping policy statement, in § 69.275(a), references the CAP Policy Statement currently under review. The final version of these policy statements should be in alignment with one another. Therefore, it is premature to finalize the CAP shopping policy statement in advance of any changes to the CAP policy statement.

B. Percentage of Income Payment Plans

In April 2019, interested parties filed comments and reply comments related to the energy burden study conducted by the Commission.⁵ In the Energy Affordability proceeding, many of the parties touched on utilizing a percentage of income payment plan (“PIPP”) for managing energy burden. None of the parties investigated or developed the record on the alignment of CAP shopping with a PIPP assistance program. The Company notes that in a PIPP assistance program the cost of the supply component is no longer a significant factor for most individual customers. Because a typical CAP customer in a PIPP is paying based on a percentage of *income*, rather than a percentage of the bill, changing the cost of supply does not impact the amount the customer pays on a monthly basis.

While supply charges do not impact the amount a CAP customer pays under a PIPP, securing a lower price for supply could help a customer avoid using its maximum benefit prematurely. As noted by the Company in its comments,⁶ setting an appropriate maximum benefit is a crucial aspect of designing an impactful CAP program. Because of the potential impact of CAP shopping on the CAP maximum, and because the latter is under consideration

⁴ Joint Motion of Vice Chairman Andrew G. Place and Commissioner David W. Sweet, Docket No. M-2017-2587711 (Adopted March 16, 2017).

⁵ *Energy Affordability for Low- Income Customers*, Docket No. M-2017-2587711.

⁶ Comments of Duquesne Light, *Energy Affordability for Low-Income Customers*, Docket No. M-2017-2587711, at p. 2.

in an ongoing proceeding at present, it is premature to finalize CAP shopping guidelines. Further, instituting both a PIPP and a CAP shopping program will each require administrative costs by the EDC — costs that will ultimately be borne by the ratepayer. Therefore, it is prudent to further explore how the two mechanisms will interact with one another, and any benefit to CAP participants and other ratepayers, in advance of finalizing one or the other.

The Company hopes that the Commission will further explore the impact of CAP shopping, CAP maximum credits, and PIPPs as it moves forward with the related proceedings. Without concluding the various proceedings related to universal services programs and allowing sufficient time for implementation and study of possible changes to those programs, it is inadvisable to add another unknown and untested layer of complexity to an already challenging issue.

IV. LACK OF PROTECTION FOR VULNERABLE CUSTOMERS

In the proposed CAP shopping policy statement, § 69.275(b) states “A CAP participant that enters into a contract with an EGS that does not fit the requirements set forth in this policy statement shall be disqualified from participation in CAP.”⁷ The Company is unsettled by the direction of this proposal. First, it places a considerable burden on a customer to understand the terms and conditions of a retail product as it relates to customer assistance programs. Failure to read the fine print could result in drastic consequences to such a customer under the proposed guidelines. Penalizing a customer with removal from CAP is draconian and counter to the intent of universal services, which is to protect low-income customers’ access to electricity. Rather, the burden of ensuring that CAP customers are enrolled in products matching the policy statement guidelines should be borne by the EGSs, as sophisticated business entities with

⁷ Order at p. 11.

professional staff. Similarly, the EGS should bear the risk if a CAP customer is inadvertently enrolled in a non-compliant contract. Placing the risk and consequence on the customer alone provides no incentive to the EGS to ensure it is enrolling customers in compliant offerings. While most EGSs operate with ethical businesses practices, Duquesne Light's customer contact center frequently fields calls from distraught customers who have been misled by an EGS or its third-party marketer. Based on this experience, the Company is concerned that placing all of the risk on the customer, rather than the EGS, will lead to bad-actors enrolling CAP customers in non-eligible products, then benefitting from charging a higher rate once the customer has been removed from CAP for non-compliance.

If the Commission pursues its policy statement, the Company suggests that this section be revised to state that if a CAP customer is enrolled in a non-compliant contract, upon discovery, the CAP customer is dropped from the supplier and re-enrolled in default service. By simply returning the CAP customer to default service, critical access to assistance is preserved.

V. ADMINISTRATIVE CONCERNS

A. Enforcing CAP Shopping Terms and Conditions

The proposed policy statement does not address a number of issues that concern the Company. The policy statement proposes enrollment in a specific product but provides no further guidance on what entity will ensure that such products meet the required parameters, or how. Because the penalty for entering into a non-compliant contract is removal from CAP, it can be inferred that the EDC will bear the responsibility for enforcing this requirement. Duquesne Light contends that not only is such policing burdensome to the EDC, but the utility will not have adequate information to ensure EGS products meet the guidelines.

In the Final Order of the First Energy Companies' default service programs, the Commission ordered that "CAP customers receiving service from an EGS shall be billed, through rate-ready billing, by the utility via utility-consolidated billing."⁸ The First Energy Order noted that rate-ready billing was the easiest for the EDC to monitor to ensure that the CAP shopping product was in compliance. Duquesne Light concurs. Based on the extensive record developed in the First Energy proceeding, including a stakeholder collaborative, in which parties agreed that rate-ready billing⁹ was the best means to monitor the product, Duquesne Light recommends the proposed Policy Statement be amended to specify that rate-ready billing be required for CAP shopping products. Duquesne Light currently has the billing capability to work with EGSs using rate-ready billing. However, recognizing that not all Pennsylvania EDCs have this technical capability in place, the additional costs of system upgrades must be considered as part of this conversation.

It is important to note that even with the use of a rate-ready billing process, the Company can only ensure that a rate meets the necessary parameters through time-consuming data analysis. Further, the EDC has no visibility into the other terms and conditions of the contract to police whether it meets the requirements of the policy statement, including no termination or cancellation fees. Additionally, there are currently 50 EGSs offering residential products in the Duquesne Light service territory.¹⁰ This number is constantly changing. Customers can choose to switch suppliers frequently, including multiple times within a billing period. The potential

⁸ Final Order entered February 28, 2019, *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company for Approval of their Default Service Programs for the Period Beginning June 1, 2019 through May 31, 2023*, Docket Nos. P-2017-2637855, *et al.*, at p. 12. ("FE Order")

⁹ FE Order at p. 11.

¹⁰ PAPowerSwitch.com, July 30, 2019.

number of contracts to be reviewed is staggering. This review would be burdensome and beyond the utility's mandate, further supporting that EGSs should bear the primary burden for ensuring products are compliant. For these reasons, the Company believes more thought needs to be given to how the proposed Policy Statement will be enforced, as well as the consequences for CAP customers who have enrolled, perhaps unintentionally, in a non-compliant product, before it is to be finalized.

B. Reapplication Inconsistent with Current Program

The policy statement also proposes an annual reapplication for continued participation in a CAP shopping program.¹¹ Duquesne Light's current USECP does not require annual recertification for CAP; it instead utilizes a two-year cycle for recertification. Further, the recertification process and timing has been discussed by interested parties in the universal services review proceeding. As noted, *supra*, this proposed language is premature in light of possible changes arising from the universal service review proceeding.

C. Customer Privacy

The Company also has concerns about the privacy of its CAP customers. Currently, Duquesne Light provides EGSs with an eligible customer list that merely indicates whether a customer has declined to "opt out" of receiving marketing from EGSs. The eligible customer list does not identify whether customers receive assistance or any other indicator of a customer's income level.

The proposed Policy Statement is silent on the mechanics of how the status of CAP customers will be disclosed. However, the Company notes that the FE Order directs the First Energy companies to provide updated eligible customer lists that identify CAP customers.¹²

¹¹ Order at p. 10.

¹² FE Order at p. 17.

While the Company recognizes that the method proposed in the First Energy case is the most practical means of providing this information to EGSs, Duquesne Light feels that such disclosure violates basic principles of customer privacy. While the Company maintains that responsibility for verifying eligibility should be borne by the EGS, it is unclear how this might occur while respecting a customer's privacy. Until such questions can be answered, it is inappropriate to finalize the Policy Statement.

D. Implementation Costs

Duquesne Light believes the Commission should more fully consider the costs and benefits to ratepayers of establishing a CAP shopping program. The costs of technology upgrades as well as ongoing administrative costs to accommodate a relatively small number of customers will be borne by all ratepayers.¹³ It is important to assess what benefits may result from taking on these additional expenses. Even if CAP customers secure a price below the price to compare (PTC), as mentioned *supra*, it is unclear if they experience any savings under a PIPP, yet other ratepayers must pay for the administrative costs of CAP shopping. Even allowing CAP shopping at the PTC rate could result in increased costs for universal services, as compared to the status quo.

Further, the Company questions what expense is reasonable considering its previous experience investing significant resources to offer new programs which subsequently received very little interest from suppliers. For example, in Duquesne Light's time-of-use pilot, two requests for proposal solicitations were offered. The Company received zero responses to the first request and only four responses to the second.¹⁴ An additional example is the Company's

¹³ Approximately 30% of the Company's residential customers shop. Applying this same percentage to the approximately 35,000 customers enrolled in the CAP program results in an estimated 10,500 CAP customers who might chose to shop, representing approximately 2% of Duquesne Light's 539,000 residential customers.

¹⁴ *Third and Final Progress Report*, filed November 23, 2016, Docket No. P-2015-2484590.

ongoing Standard Offer Program. To date, EGS participation has been limited, with an average of four EGSs offering a standard offer to residential customers.

With the implementation of PPL and First Energy's CAP shopping plans in early stages, it would be logical to postpone finalization of the Policy Statement until the Commission can evaluate the impacts of these programs, including the level of interest in participating from EGSs.

VI. CUSTOMER CHOICE

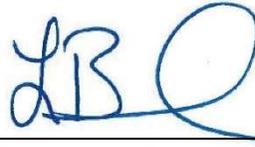
The Company appreciates the importance of customer choice. One of the basic tenets of the retail market is that customers can choose to participate. Likewise, while *eligibility* for customer assistance programs is not a choice, electing to enroll in such a program is. Low-income customers, just like any other customer, have the freedom to choose if they want to use an alternative supplier or stay on default service. Pending eligibility, they may also have a third choice, to enroll in the CAP program. The Company believes that retaining CAP programs, as currently offered, is an important aspect of customer choice. Because participation in CAP is not compulsory, and because a customer is free to leave CAP at any time if a competitive supplier can provide a better product, Duquesne Light remains unconvinced that changes to allow CAP shopping are necessary.

VII. CONCLUSION

Duquesne Light appreciates that the Commission has grappled with issues surrounding universal services, energy affordability, and retail markets for a segment of customers. Unfortunately, the proposed policy statement is premature in light of other pending proceedings, does not protect the most vulnerable customers, and will create an administrative burden for what is likely to be limited benefit to a limited numbers of customers. The Company

suggests that the Commission postpone finalizing its proposed policy statement until the other universal services proceedings have finished and until additional implementation data from existing CAP shopping programs can be collected and reviewed to better inform the Commission and stakeholders.

Respectfully submitted,



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DATE: July 30, 2019