



**Michael Zimmerman**  
Senior Counsel, Regulatory

411 Seventh Avenue  
Mail drop 15-7  
Pittsburgh, PA 15219

Tel: 412-393-6268  
mzimmerman@duqlight.com

December 16, 2022

**Via Electronic Filing**

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

**Re: Duquesne Light Company – Universal Services and Energy Conservation Plan for  
2020-2025 Submitted in Compliance with 52 Pa. Code. § 54.74  
Docket No. M-2019-3008227**

Dear Secretary Chiavetta:

Enclosed for filing at the above-captioned docket, please find Duquesne Light Company's ("Duquesne Light" or "Company") Letter in Lieu of Petition. This Letter in Lieu of Petition is filed pursuant to the *Joint Petition of Duquesne Light, the Office of Consumer Advocate and the Coalition for Affordable Utility Service and Energy Efficiency for Approval of a Settlement* ("Settlement"), which was filed August 13, 2021, and approved in relevant part by the Pennsylvania Public Utility Commission ("Commission") by Order entered April 14, 2022. This filing is styled a Letter in Lieu of Petition because, as discussed further herein, the Company is not here proposing any modifications to its Universal Services and Energy Conservation Plan for 2020-2025 ("USECP").

*Inter alia*, the Settlement established projected budgets for the Company's USECP for calendar years 2020 through 2025. Paragraph 14 of the Settlement provides in part:

If the Company's USECP costs are expected to exceed the projected budget by greater than 10%, the Company will meet with the parties at least sixty (60) days in advance of the next year to: 1) explain the reasons for the projected cost increase; and 2) outline any programmatic cost containment measure(s) that modify the approved plan. The Company will allow the parties to submit feedback regarding the plans that the Company proposes to address the situation, however the Company retains the right to make final determinations regarding its USECP for Commission approval. After meeting with the parties, the Company will file a Petition with the Public Utility Commission: 1) explaining the reason for the cost increase; and 2) outlining programmatic cost containment measure(s), if any; and 3) making any



other such filings required by Commission Orders and regulations. All parties reserve their respective rights to respond to the Company's filing.

The Company's USECP, as filed, included a projected 2022 USECP budget of approximately \$38.6 million. As of November 30, 2022, the Company projects its 2022 USECP costs will come to approximately \$47.9 million,<sup>1</sup> which exceeds the corresponding as-filed budget by more than 10%. The reasons for this projected cost increase, and the Company's intended response, are outlined below.

### (1) Reasons for Projected USECP Cost Increase

Three main factors account for the projected increase in the Company's 2022 USECP costs:

- a) *Increased Electric Supply Costs.* Since the filing of the Settlement in August of 2021, electric supply costs have risen significantly, which has driven a corresponding increase in Duquesne Light's default supply rates. For example, the default service supply rate for residential customers for the period June 1, 2021 through November 30, 2021 was 5.4595 cents per kWh; whereas the corresponding rate for the period June 1, 2022 through November 30, 2022 was 6.9395 cents per kWh, or approximately 27% higher.<sup>2</sup> Under CAP's Percent-of-Income Payment Plan ("PIPP") structure, these increased default supply costs necessarily result in larger discounts provided to CAP participants, which yields higher CAP program costs.
- b) *Increased Customer Assistance Program ("CAP") Enrollment.* As part of the Company's 2021 base distribution rates proceeding, Docket No. R-2021-3024750, the Company's projected CAP enrollment was set at 35,853 customers. This projected enrollment is memorialized at Rider No. 5 of the Company's tariff, and served as a basis of the Company's USECP budget projections included in the Settlement. Actual CAP enrollment since that time has exceeded this projection due to a variety of factors, including (i) the Company's aggressive education and outreach efforts to low-income customers; and (ii) increased availability grants for low-income customers (as discussed further below), which tend to increase customer awareness of, and enrollment in, utility USECP programs. As of November 2022, 38,759 customers were enrolled in CAP, and the Company projects average CAP enrollment of approximately 40,556 customers in 2023.<sup>3</sup>

---

<sup>1</sup> See also Duquesne Light's *Annual Reconciliation of Rider No. 5 Universal Service Charge*, filed November 30, 2022, at Docket No. M-2022-3036980 (indicating unadjusted USECP costs of approximately \$46.3M during the reconciliation period of November 1, 2021 through October 31, 2022).

<sup>2</sup> See *Tariff – Electric, Pa.P.U.C. No. 25, Rider No. 8 – Default Service Supply*.

<sup>3</sup> See *Supplement No. 53 to Tariff – Electric, Pa.P.U.C. No. 25*, filed December 1, 2022, at Docket No. M-2022-3037030 (updating Rider No. 5 – Universal Service Charge, effective January 1, 2023). As indicated therein, consistent with Rider No. 5, the amount of CAP costs to be recovered through the Universal Service Charge is reduced for those CAP enrollments above 35,853 customers.



- c) *Increased Grant Availability.* During the COVID-19 pandemic, several governmental and utility grantmaking programs, including ERAP, LIHEAP, and the Company's Hardship Fund, were expanded to provide additional and/or larger grants to lower-income customers. As a result, CAP customers successfully received a higher-than-typical amount of assistance grants during 2022. In the short term, these additional grants actually cause CAP program costs to *increase*. Under CAP, 1/24<sup>th</sup> of a CAP participant's pre-enrollment arrearages are forgiven each time the customer pays their monthly Duquesne Light bill.<sup>4</sup> These forgiven arrears are recorded as a USECP cost.<sup>5</sup> A customer's receipt of a grant counts as payment toward Duquesne Light bill(s); thus, the increases in grant receipts in 2022 caused a corresponding increase in the amount (i.e., cost) of arrears forgiven.

## (2) No Proposed Programmatic Cost Containment Changes to USECP

The Company does not believe that the projected cost increases outlined above warrant programmatic cost containment changes to the USECP at this time. Any programmatic changes to materially reduce USECP costs would necessarily also reduce the extent and/or availability of benefits to participating customers. The Company believes that reducing USECP benefits to low-income customers would be inadvisable in light of current economic and inflationary pressures. Additionally, while the Company is sensitive to the cost impacts to non-participating customers, such impacts are modest. Increased 2022 USECP costs and projected 2023 USECP costs will cause the Company's Universal Service Charge to increase from 1.019 cents per kWh to 1.544 cents per kWh,<sup>6</sup> resulting in a \$3.15 increase in the bill of a typical non-heating residential customer using 600 kWh per month.

Furthermore, the Company expects some of the factors driving increased USECP costs, discussed above, to recede. In particular, the Company believes factor (a), increased electric supply costs, was primarily driven by temporary wholesale market disruptions attributable to Russia's invasion of Ukraine. The Company expects wholesale electric supply prices to decline from their recent peaks over the coming months, though it may take some time for such price decreases to become reflected in the Company's default

---

<sup>4</sup> Beginning in January 2023, the portion of arrears forgiven upon each full monthly payment will change from 1/24<sup>th</sup> to 1/36<sup>th</sup>. Settlement ¶15.

<sup>5</sup> Pursuant to the Commission's Order on Reconsideration entered April 19, 2018, at Docket No. M-2016-2534323, a portion of forgiven arrearages is not recovered through the Universal Service Charge. *See also* Supplement No. 53 to Tariff – Electric, Pa.P.U.C. No. 25, filed December 1, 2022, at Docket No. M-2022-3037030 (illustrating the ratemaking treatment of forgiven CAP arrears).

<sup>6</sup> *See* Supplement No. 53 to Tariff – Electric, Pa.P.U.C. No. 25, filed December 1, 2022, at Docket No. M-2022-3037030.



supply rates. Additionally, most of the grant expansions identified as factor (c) were temporary, and have either concluded already or are projected to sunset after 2023.<sup>7</sup>

Therefore, the Company does not here propose programmatic cost containment changes to the proposed USECP at this time. The Company reserves the right to propose changes to the USECP in the future as conditions warrant.

Consistent with the Settlement, the Company convened a meeting with parties on November 7, 2022, to: (1) explain the reasons for the projected cost increase; (2) outline the Company's intent to not seek programmatic cost containment measure(s) that modify the approved USECP; and (3) invite party feedback on the Company's planned response.

In connection with these discussions, the parties have agreed to reconvene in or around May, 2023, to review USECP cost issues. Additionally, the Office of Consumer Advocate ("OCA") and the Coalition for Affordable Utility Services and Energy Efficiency ("CAUSE-PA") have indicated that they do not oppose the filing of this Letter in Lieu of Petition consistent with Settlement paragraph 14, or the Company's decision to not here propose programmatic cost containment measure(s) that would modify the approved USECP.

Please do not hesitate to contact me should you have any questions.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael W. Zimmerman".

Michael W. Zimmerman  
Senior Counsel, Regulatory

Enclosures  
cc: Certificate of Service

---

<sup>7</sup> See, e.g., *Joint Petition for Settlement* ¶53, filed September 3, 2021, at Docket No. R-2021-3024750 (expanding the Company's Hardship Fund eligibility and providing for additional contributions to the Hardship Fund for the period January 1, 2022, through December 31, 2023).

## 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 52 Pa. Code § 1.54 (relating to service by a participant):

### ELECTRONIC MAIL

Bureau of Investigation & Enforcement  
Richard Kanaskie  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265  
[rkanaskie@pa.gov](mailto:rkanaskie@pa.gov)

Office of Small Business Advocate  
NazAarah Sabree  
555 Walnut Street, 1<sup>st</sup> Floor  
Harrisburg, PA 17101  
[ra-sba@pa.gov](mailto:ra-sba@pa.gov)  
[tereswagne@pa.gov](mailto:tereswagne@pa.gov)

Office of Consumer Advocate  
Patrick Cicero  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
[pcicero@paoca.org](mailto:pcicero@paoca.org)

Pennsylvania Utility Law Project  
Elizabeth Marx  
Ria Pereira  
118 Locust Street  
Harrisburg, PA 17101  
[Emarx@pautilitylawproject.org](mailto:Emarx@pautilitylawproject.org)  
[rpereira@pautilitylawproject.org](mailto:rpereira@pautilitylawproject.org)

Joseph Magee  
Pennsylvania Public Utility Commission  
Bureau of Consumer Services  
400 North Street  
Harrisburg, PA 17120  
[Jmagee@pa.gov](mailto:Jmagee@pa.gov)

Louise Fink-Smith  
Pennsylvania Public Utility Commission  
Law Bureau  
400 North Street  
Harrisburg, PA 17120  
[finksmith@pa.gov](mailto:finksmith@pa.gov)



---

Michael Zimmerman  
Duquesne Light Company  
411 Seventh Avenue, 15-7  
Pittsburgh, PA 15219  
Phone: 412-393-6268  
Email: [mzimmerman@duqlight.com](mailto:mzimmerman@duqlight.com)

Dated: December 16, 2022