

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Re: Rulemaking to Amend the Provisions of 52 Pa.  
Code, Chapter 56 to Comply with the Provisions of 66  
Pa. C. S., Chapter 14; General Review of Regulations

Docket No. L-00060182

**COMMENTS OF  
DUQUESNE LIGHT COMPANY**

Duquesne Light Company hereby submits these comments in response to the Pennsylvania Public Utility Commission's ("Commission's") Advance Notice of Proposed Rulemaking Order adopted September 25, 2008 to Amend the Provisions of 52 Pa. Code, Chapter 56 to Comply with the provisions of 66 Pa. C.S., Chapter 14; General Review of Regulations at Docket No. L-00060182.

Duquesne has previously participated in this process at Docket M-00041802 (regarding the Implementation of Chapter 14) in supporting comments filed on behalf of member companies of the Energy Association of Pennsylvania (EAPA). Duquesne offered comments on May 8, 2006 regarding the Biennial Report to the General Assembly and Governor Pursuant to Section 1415 at Docket No. M-00041802F0003. Additionally, on February 14, 2007, Duquesne offered comments to the Advanced Notice of Proposed Rulemaking entered on December 4, 2006.

Duquesne appreciates the opportunity to provide its comments on the Notice of Proposed Rulemaking Order adopted September 25, 2008. Duquesne Light has reviewed the Comments filed by the Energy Association of Pennsylvania (EAPA) in this

proceeding and fully supports those Comments. While the EAPA's comments are instructive and representative of the industry, Duquesne desires to address several matters that are of specific concern.

### **Executive Summary**

Duquesne Light offers below its comments on a number of specific sections of the proposed regulations that it feels will continue to restrict its ability to effectively manage uncollectibles and overall bad debt expense, add new requirements and increase operating expense but which yield no apparent benefit, and lastly, those areas that Duquesne feels would benefit from changes or further definition and clarity.

Although Duquesne offers comments on additional concerns, Duquesne is especially concerned with areas of the proposed regulations found at:

1. §56.2, which under the definition of household income, requires an exclusion of "income intended for the use of a minor", such as Social Security, child support, SSI, and assistance from the Department of Welfare. Exclusion of these forms of household income, which is inconsistent with most other determinations of assistance program eligibility, such as for LIHEAP, CRISIS and the Pa. Department of Public Welfare benefits, will have a dramatic impact on Customer Assistance Program expenses, and will negatively affect payment arrangement length and repayment terms in direct contradiction with the General Assembly's intent enacting Chapter 14.
2. §56.38, which in contradiction of 1404(a), places restrictions on Duquesne's ability to collect and hold Security Deposits from applicants

deemed to pose a financial risk. It is Duquesne's position that §56.38 be stricken from the proposed regulations so that utilities are not required to provide service if the applicant fails to pay the full amount of the appropriate cash deposit.

3. §56.100, where the Commission is proposing requirements for additional winter surveying of premises terminated for failure to pay. The existing regulations already contain requirements mandating extensive outreach efforts. Duquesne questions the cost benefit that would justify adding two additional premise visit(s) that bring no new information to the Commission or customers in addition to that which is required today. It is Duquesne's position that no changes should be made to those current regulations requiring utilities to conduct one survey during the heating season.
4. §56.111, which extends medical rights to new service applicants. Medical rights, which mandate electric service to a premise due to a health-related situation, have long been an area abused by customers facing service termination due to nonpayment. Duquesne questions the need to extend these rights and protections to applicants yet to establish residency at a premise where the service is off. It is Duquesne's position that references to applicants in §56.111 be stricken and this section of the proposed regulations be limited to only customers or occupants of the premises.

## **General Comments**

Duquesne believes that the General Assembly was clear in their intent when enacting Chapter 14. Duquesne finds this clarity provided in the Legislative Declaration of Policy, in where the General Assembly stated:

*“The rules have not successfully managed the issue of bill payment. Increasing amounts of unpaid bills now threaten paying customers with higher rates due to other customer’s delinquencies...it is now time to revisit these rules and provide protections against rate increases for timely paying customers resulting from other customers delinquencies. The General Assembly seeks to achieve greater equity by eliminating opportunities for customers capable of paying to avoid the timely payment of public utility bills. 66 Pa. C.S. §1402”.*

In its proposed regulations, at §56.1, the Commission largely reiterates the intent of the proposed regulatory changes, and states:

*“Public utilities shall utilize the procedures in this chapter to effectively manage customer accounts to prevent the accumulation of large, unmanageable arrearages”.*

Through its recent decisions, the Commission has provided its position that §1405(d) permits the Commission (in addition to instances where there has been a change of income) to establish one payment agreement that meets the terms of Chapter 14 before the prohibition against a second payment agreement in §1405(d)

applies. Duquesne disagrees. The express language of 66 Pa. C.S. §1405(d) is clear.

It states:

*“Absent a change in income, the Commission shall not establish or order a public utility to establish a second or subsequent payment agreement if a customer has defaulted on a previous agreement”.*

Duquesne fully acknowledges and respects the Commission’s authority to investigate complaints regarding payment disputes between a public utility, applicants and customers. However, Duquesne fails to see the benefit, absent a change in household income, of establishing multiple payment agreements for customers who have defaulted from a previous payment agreement. Further, it’s unclear to Duquesne how the Commission’s practice of establishing second or subsequent payment arrangements for customers who have defaulted on a previous agreement follows the Statement of purpose and policy language found §56.1(a), which states, in part:

*“This chapter assures adequate provision of residential public utility service, to restrict unreasonable termination or refusal to provide that service, while eliminating opportunities for customers capable of paying to avoid the timely payment of public utility bills and protecting against rate increases for timely paying customers resulting from other customer’s delinquency.”*

Duquesne respectfully requests the Commission reconsider its interpretation of §1405(d) and its practice of establishing second or subsequent payment agreement for those customers, absent a change in household income, who have defaulted on a

previous agreement. In so doing, the Commission will demonstrate its commitment to enforcing the intent of Chapter 14 and the future rate increase protection language found at §56.1(a). The Commission should adopt, as part of these regulations, the statutory language of §1405 (d).

Duquesne feels that there are several areas in these proposed regulations that appear to not follow the General Assembly's language or intent or the Commission's Statement of purpose and policy found at §56.1. It is incorporating those guiding principles that Duquesne herein offers these Comments, as set forth below.

### **Specific Comments made to Proposed Regulations**

#### *§56.2 Definitions*

Duquesne opposes the proposed definition of "Household Income" found at 56.2, that includes the language "does not include income intended for the use of a minor", and the stated examples given for a minor's income that includes "Social Security, child support, SSI, earnings, and grants from the Department of Public Welfare".

It has been long-standing industry practice to include these types of income when making determinations of a household's ability to pay. With the exception of income, each of the stated forms of assistance are generally provided to the parents or guardians of minor children to offset or provide for the basic care and expenses of minors within their care. The most recent application for a LIHEAP grant<sup>1</sup> requires applicants to provide the income type and amounts for each household member, and provides the following instructions of income stating:

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<sup>1</sup> <http://www.dpw.state.pa.us/Resources/Documents/Pdf/FillInForms/PWEA0001-LiheapApplication.pdf>

*“PRINT below the monthly amount before taxes and the source of income, such as employment, veteran’s benefits, Unemployment Compensation, public/cash assistance, SSI, Social Security, child support, interest/dividends from bank accounts/investments.”*

Similarly, the application for CRISIS grants requires the applicant to bring proof of their income, and lists SSI, Social Security, Pennsylvania Department of Public Welfare benefits, Child Support or Alimony, among others, as the types of income the applicant will need to verify. Even the Pennsylvania Department of Welfare’s application for benefits<sup>2</sup> requires income information for each household member, and includes income category codes for income received from employment, unemployment, SSI, SSDI, disability payments, child support, alimony, and veteran benefits, among many others.

Duquesne feels that the income types proposed to be excluded from household income determinations are forms of assistance awarded for the basic care of the minor and are required to be reported as income for other programs, such as LIHEAP, CRISIS, and Pennsylvania Department of Public Welfare benefits. It is inappropriate to exclude these forms of income or financial assistance in the proposed regulation’s definition of household income and when making determinations on the household’s ability to pay for electric service used by the occupants of the premise. This money is paid to parents or a minor’s guardian and definitely used to pay utilities.

In addition, should these earnings be excluded from household income, the likely result would be a substantial increase in Customer Assistance Program enrollments as more people would then qualify. Similarly, negotiated payment agreement terms would

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<sup>2</sup><http://www.dpw.state.pa.us/Resources/Documents/Pdf/FillInForms/APPL-FOR-BENEFITS.pdf>

be lower, and the time requirements for repayment would be longer based on the income exclusions, all of which increase the costs for the people who can pay. In essence, the result would be regulations that are in direct contradiction with the clearly stated intent of Chapter 14.

It is Duquesne's position that the definition of household income read as "the combined gross income of all occupants in a residential household who benefit from the public utility service" and strike any reference to not exclude supplemental assistance or income intended for the use of a minor.

*§56.36 (1) Reasons for denial of credit*

Section §56.36 (1) also details lengthy written and verbal requirements if an applicant is denied credit. Duquesne's concern with the proposed regulations found here are the requirements to provide duplicative notices, both verbally and in writing, given the differing customers needs and methods of contact with Duquesne. For example, many customers call and speak with a Customer Service Representative during normal business hours, and prefer to receive this information verbally. For these customers, Duquesne believes providing this information verbally should be appropriate, and no written notification should be needed.

Conversely, Duquesne Light has leveraged new technology and encourages customers to apply for service "online" through use of Duquesne's website. Duquesne has found that many customers enjoy and prefer to use this electronic technology over placing or receiving traditional calls to or from the Company, which allows them to submit applications for service at any time of the day or night. At the same time, these electronic applications afford cost saving opportunities for the Company as the

electronic applications can be processed during non-peak Call Center periods. In those instances when these electronic applications for service are denied for credit reasons, Duquesne provides a full written explanation of the reasons for the denial and the requirements necessary to obtain service. For these customers, Duquesne believes written notification to be completely appropriate. To add a requirement that also requires the Company to telephone the customer and provide this information verbally, appears to serve no purpose, provides no benefit to the applicant, and increases Company operating expenses.

It is Duquesne's position that the proposed regulations found at §56.36 (1) not include the requirement to provide a verbal denial statement in addition to the written denial statement, as this imposes duplicative, unnecessary and costly requirements on the Company which serve no apparent purpose.

*§ 56.38 Payment period for deposits by applicants*

Duquesne believes that next to properly identifying credit risk, the most effective tool to mitigate uncollectible delinquencies is with the collection of a security deposit from those customers determined to pose a financial risk.

As stated in comments filed earlier by Duquesne, utilities are a creditor, in that they are required to provide service first, and then collect for that service after that service is provided. We feel that the General Assembly provided this valuable tool to the utilities in 1404 (a) when stating “the Commission shall not prohibit a public utility, **prior to or as a condition of providing service** [emphasis added] from requiring a cash deposit”. Adding additional time for payment of a security deposit when properly

requested contradicts the General Assembly's intent at 1404 (a), and results in many deposits not being able to be collected due to non-payment.

It is Duquesne's position that §56.38 be stricken from the proposed regulations so that utilities are not required to provide service if the applicant fails to pay the full amount of the appropriate cash deposit, consistent with statutory requirements as stated in 1404(e).

*§56.35 (2) (c), §56.36 Procedures and Standards to be Filed in Tariff*

In numerous places throughout the proposed regulations, such as at §56.35 (2) (c) and §56.36, the Commission is proposing to have utilities place their procedures and standards used to determine the applicant's liability for outstanding balances, their credit and application procedures and their credit scoring methodology and standards in tariff filings for Commission review.

Duquesne does not have an objection if the general procedures and methodology for credit are placed in a tariff. But the details of the procedures – such as the breaking levels on the credit scores, weight of factors, and other inputs to the assessment -- should not be tarified as those factors can and do change rapidly due to credit conditions, inflation, income levels, and modifications to the process. Duquesne estimates that the cost of each additional tariff filing resulting from this proposed regulation would increase operating expenses at approximately \$7,500 per filing.

Duquesne feels that this information may appropriately change frequently based on any number of factors, influences, or business decisions. If credit-scoring procedures, as one example, are required to be placed in the tariff, Duquesne's ability to quickly modify and implement changes to internal processes would be limited and

interfere with Duquesne's management of its business. This information should not be in the tariff.

While Duquesne opposes providing this information in the form of a tariff filing, Duquesne continues to welcome providing this information to the Commission for review at any time to ensure Duquesne is providing service, under reasonable terms, to its customers.

*§56.82 Timing of termination*

Chapter 14 states at 1406(d), "a public utility may terminate service for the reasons set forth in subsection (a) from Monday through Friday as long as the public utility can accept payment to restore service on the following day and can restore service, consistent with section §1407. The language in the proposed regulations adds additional requirements and states "a public utility may terminate service for reasons set forth in §56.81 from Monday through Friday as long as the public utility has offices open on the following day during regular business hours and personnel on duty who can negotiate conditions to restore service, accept emergency medical certificates, accept payment to restore service and can restore service, consistent with §56.191."

Duquesne's concern is with the language that places additional requirements on the utility than the requirements of Chapter 14, such as "having personnel who can negotiate conditions to restore".

The language in 1406(d) is clear. Further, negotiating conditions to restore service will not necessarily provide for, or hasten, service restoration. If there is a medical certificate presented, the service will be restored within 24 hours. However, if

the service was properly terminated, the utility is provided three days for restoration as provided in §1407.

Duquesne estimates that cost to provide these additional requirements would be \$9,600 per Saturday, or \$500,000 annually.

It is Duquesne's position that the language at §56.82 should follow that as stated in Chapter 14, specifically "the public utility can accept payment to restore service on the following day and can restore service, consistent with section §1407".

*§56.91 General notice provisions and contents of termination notice*

The proposed regulations at §56.91(5) require utilities to provide information on the ten-day termination notices that service would be terminated unless the customer enrolls in a "Universal Service Program". LIHEAP and CRISIS grants, as well as various company weatherization programs, etc., are also defined as "Universal Services" programs. If the Commission defines Universal Service Program, in Section 56.2 to be a Customer Assistance Program, i.e., a program offered by Duquesne, then Duquesne has no objection to this change. However, if it is going to be interpreted to mean enrollment in any of the various Universal Service programs, apart from the Customer Assistance Program, that should not stay a pending termination.

For example, a Smart Comfort visit, whose purpose is to assist a customer in usage reduction, has no impact on paying off an accrued arrearage, and therefore, should not be a valid reason to stay a pending termination.

Duquesne feels that the term "Universal Service Program" should be properly defined, or more appropriately, changed to only include enrollment in the company's Customer Assistance Program.

