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August 7, 2017

VIA E-FILED

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

Re: Review of Universal Service and Energy Conservation Programs
Docket No. M-2017-2596907

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 contact the undersigned or Audrey Waldock at 412-393-6334 or awaldock@duqlight.com.

Sincerely,

SS A LK

Shelby A. Linton-Keddie
Manager, State Regulatory Strategy
And Senior Legal Counsel

Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Review of Universal Service and Energy Conservation Programs	: :	**Docket No. M-2017-2596907**

COMMENTS OF
DUQUESNE LIGHT COMPANY

I. INTRODUCTION

On December 16, 2016, the Pennsylvania Public Utility Commission ("PUC" or "Commission") issued a Secretarial Letter seeking stakeholder input for a possible future rulemaking on the Low-Usage Reduction Program ("LIURP") regulations.[1] On May 5, 2017, the Commission issued an Opinion and Order initiating a study regarding the level of home energy burdens.[2] Shortly thereafter, on May 10, 2017, the Commission entered an Opinion and Order initiating a comprehensive review of the entire Universal Service and Energy Conservation Model. In its May 2017 Opinion and Order, the Commission incorporated the earlier work on LIURP and energy burden into the instant docket.[3]

In its May 2017 Opinion and Order, the Commission provided 90 days from entry of the Opinion and Order for interested parties to submit written comments. Consistent with this

[1] See Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at Docket No. L-2016-2557886

[2] *See* Energy Affordability for Low Income Customers at Docket No. M-2017-2587711

[3] To that end, on January 30, 2017, Duquesne Light submitted comments in response to the Commission's questions on changes and recommendations for LIURP regulations. Rather than repeat those comments here, these comments focus on other aspects of universal service, namely the CAP policy statement, which necessitate review. Because the earlier LIURP proceeding has been incorporated here, the Company requests that its previous comments and suggestions be incorporated as if they had been reproduced in their entirety.

direction, Duquesne Light Company ("Duquesne Light" or "Company") hereby submits Comments for the Commission's consideration.[4]

II. BACKGROUND

Operating for more than 135 years, Duquesne Light is a Pennsylvania electric distribution company ("EDC") that provides electric service to approximately 590,000 customers in and around the City of Pittsburgh, operating in portions of Allegheny and Beaver Counties. Of that 590,000, some 89% are residential customers, approximately 25% of whom are low-income, and only about 5% of whom use electric for heating. Accordingly, issues related to universal service programs and low-income, as well as payment troubled customers generally, are of extreme importance to the Company.

Duquesne Light's universal services programs consist of the following:

- Customer Assistance Program ("CAP") provides assistance via reduced payment arrangements and arrearage forgiveness funded through a reconcilable surcharge;
- Customer Assistance Referral and Evaluation Services ("CARES") assists payment-troubled and special needs customers obtain social service support and assistance;
- Hardship Fund administered by Dollar Energy Fund is voluntary contributions from Duquesne Light customers and is a direct financial assistance program; and
- Smart Comfort ("LIURP") is designed to assist customers with reducing energy usage and thus lower electric bills.

In addition, the Low Income Energy Assistance Program ("LIHEAP") and Weatherization Assistance Program ("WAP") are available to eligible Duquesne Light customers. Finally, although not the subject of this proceeding, Duquesne Light offers a number of energy efficiency

[4] Duquesne Light is a member of the Energy Association of Pennsylvania, who 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.

measures specifically targeted to low-income customers as part of its Watt Choices ("EE&C") plan.

III. COMMISSION STAFF REPORT

In the May 10, 2017 Order at the above-captioned docket, the Commission directed the Commission's Law Bureau to outline the statutory, regulatory and policy frameworks of existing Universal Service and Energy Conservation Programs. In its Staff Report released on July 14, 2017, the Law Bureau notes the various occasions on which the Commission has started to review universal services but did not ultimately make substantial changes.[5] The prior attempts to review universal services programs serves to highlight the intertwined nature of the various programs and the difficulty in resolving the role of government and business in addressing societal issues.

Duquesne Light commends the Law Bureau for its review of the various proceedings, regulations and policies that have governed customer assistance programs to date. Because this report is a recitation of the laws, regulations, and major proceedings that govern these programs and lacks specific recommendations, the Company has no response to the Staff Report itself. As explained below, however, Duquesne Light has a number of requested clarifications and suggestions for the Commission's consideration as this detailed view of universal service programs continues.

IV. COMPLEXITY OF PROGRAMS

As explained above and illustrated in part by the Staff Report, universal services programs are a patchwork of programs that utilize funding from utilities, Commonwealth agencies, and Federal programs. Each program has different goals and requirements that may be inconsistent or even counterproductive when combined with other programs. To further complicate matters, this

[5] Staff Report, Docket No. M-2017-2596907, fn. 14 and 16.

regulatory structure is placed alongside the very challenging landscape of serving customers who themselves have a vast and varied array of financial needs and challenges. Any program designed to serve this population should have a twofold goal: (1) is the program working as designed, and (2) is the funding mechanism for both participants and other ratepayers fair and equitable. While these may be two simple goals to articulate, measuring their success is not. As noted, *supra*, the Commission has initiated a study of energy burden on Pennsylvania residents. The Company hopes that the proposed study results provide data-driven information about the composition of Pennsylvania utility customers that can better inform the Company as it plans future universal service programs. In short, the goal of the energy burden study combined with any directives or conclusions from this proceeding should work to determine whether any proposed programs will provide meaningful relief to low-income customers and whether the funding for such programs is equitable and fair to the ratepayers that pay for these programs.

V. GENERAL COMMENTS

The Company applauds the Commission for recognizing the need to review programs that were last updated in the 1990s with some modifications in 2010. Providing meaningful assistance to low-income customers can be difficult based on factors outside of the control of the utility such as the customer's life skills, difficulties in accessing community-based organizations to provide the necessary paperwork, fluctuation in household composition, and inconsistent household income. For utilities, universal services is a balancing act between helping the most vulnerable in our communities and fiscal responsibility toward other ratepayers.

As part of this proceeding, Duquesne Light suggests that the Commission seek to evaluate the efficacy of the winter moratorium in providing meaningful relief to low-income customers. At the very least, while the Company understands the moratorium is a requirement of Chapter 14,[6] Duquesne Light hopes that this broad review will include an evaluation of opportunities that lessen the impact at the expiration of the winter moratorium and termination of services and a better means to maximize when funds can have the most tangible impact on reducing low-income terminations. The Company points to a study entitled "Pathways to Success in Low-Income Energy Assistance Payment Programs: The Differential Effects of Customer Characteristics and Program Design on Payment Rates"[7] published in 2013 for guidance. Interestingly, data in this study indicated that recipients of LIHEAP were less successful in CAP programs. The study further notes:

> LIHEAP recipients struggle more in the program than non-LIHEAP recipients. LIHEAP does not necessarily cause customers to be less successful in the program. However, we did find a correlation which is not surprising given how LIHEAP funds are distributed and the lack of communication with the customer as to when they are responsible for their bill payment. LIHEAP recipients tend to be most in need of assistance to pay their energy bills. Further, LIHEAP recipients would receive utility bills in the amount of $0.00 while LIHEAP funds were allocated. Once LIHEAP funds were exhausted, the customer would spontaneously begin to receive bills where they owed a certain amount but after months of zero balances owed, customers may have become accustomed to not owing anything and would realize they owed something after defaulting and receiving late payment notices.[8]

In addition to its finding on LIHEAP, the study identified a few other factors that lead to successful participation (defined as payment troubled customers paying bills on-time). For example, the successful CAP customer was twice as likely to have received weatherization services and likely to be in the program longer than 15 months. Those two factors alone point to

[6] 66 Pa C.S. § 1406(e)(1).
[7] *See* http://www.opiniondynamics.com/wp-content/uploads/2013/08/Pathways-to-Success-in-Low-Income-Energy-Assistance-Payment-Programs1.pdf
[8] *Id.* at 7.

the importance of coordination of WAP and LIURP benefits[9] and justify changing the time period for re-certification.

This proceeding, with a broad group of interested stakeholders, can identify barriers and develop concrete measures to enhance benefit coordination between various utilities and other agencies. While such coordination has been discussed in other venues, specific measures need to be implemented to ensure coordination of benefits that will meaningfully help customers and, hopefully, result in fiscal efficiencies for these programs.

As part of this proceeding, Duquesne Light believes it is essential for the Commission and stakeholders to consider behavioral economics and how low-income populations manage money and make spending decisions. On September 15, 2015, President Obama signed Executive Order 13707,[10] encouraging use of behavioral science insights in designing policies and programs and creating the Social and Behavioral Sciences Team to help advise agencies. The growing body of research into resource scarcity and how low-income people behave has provided much needed insight in designing public policy.

It is also important to recognize that individuals may be low-income for many reasons and that no program, no matter how well designed, will work for every payment troubled or low-income customer. In Duquesne Light's 2015 Universal Services and Energy Conservation Plan evaluation prepared by Applied Public Policy Research Institute for Study and Evaluation, a telephone survey determined that 36% of CAP participants were disabled, 40% had been unemployed in the past year, 56% had no more than a high school education and 71% had an

[9] The issue of coordination, especially with regard to LIURP and other measures, is a concept which Duquesne Light has already endorsed. For example, in the Company's LIURP Comments, Docket No. L-2016-2557886, submitted Jan. 30, 2017, "Programs that can result in usage reduction (such as LIURP and Watt Choices) tend to work best in tandem with other mechanisms or programs such as budget billing or CAP, which can further assist customers reduce arrearage (if one exists) and establish good payment habits," Duquesne Light Comments at 6.

[10] https://www.federalregister.gov/documents/2015/09/18/2015-23630/using-behavioral-science-insights-to-better-serve-the-american-people

annual household income below $20,000.[11] Other demographics indicate that 75% are renters, 92% are single, and 77% of the respondents relied on food stamps and public housing.[12] These statistics serve to highlight how important it is for customer assistance programs to be flexible to serve a variety of needs.

Finally, this proceeding presents an opportunity to explore the intersection of low-income customer programs and access to energy options such as net metering and customer choice. Duquesne Light asks that the Commission specifically review low-income customer access to net metering and how to integrate credits from net metering with any true-up payments and CAP credits. In addition, the issue of low-income customer shopping has been the subject of recent EDC default service plans and some EDCs, including Duquesne Light, are to hold stakeholder meetings to develop CAP shopping plans. To that end, when reviewing the entire scope of universal services, this proceeding should include consideration of the effect supply shopping has on low-income customers and residential customers that pay for these programs.

VI. SPECIFIC COMMENTS

A. Application Process

Duquesne Light encourages formation and utilization of a single statewide application form that could be completed by an individual and then provided to all utilities and related programs. Ohio uses a single form[13] for all of its utility assistance programs and could provide both a model for Pennsylvania as well as feedback on the value of such an application. The benefit to low-income customers would be a single stop that could speed application and enhance coordination across programs and utilities. Currently, there are different enrollment forms for different

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[11] *See* Duquesne Light's 2015 Universal Services and Energy Conservation Plan evaluation, July 2015, Applied Public Policy Research Institute for Study and Evaluation ("APPRISE"), p. viii.
[12] *Id.* at 35-36.
[13] Form available at https://development.ohio.gov/files/is/2017-2018%20HEAP%20Application.singlepage.pdf

programs, such as CAP, LIHEAP, and Watt Choices. While Duquesne Light does make an effort currently to coordinate and integrate Smart Comfort with overlapping Natural Gas Distribution Companies' ("NGDCs") LIURPs,[14] more can and should be done to coordinate efforts and negate the need for multiple authorizations to share information about a customer's potential eligibility for these programs as well as others such as DCED's WAP and EDC's Act 129 EE&C Programs. The Company recognizes that mechanisms will need to be developed to protect consumer data among utilities as well as other agencies and for sharing data. The efforts and experiences learned from developing the electric retail market and standardized electronic data interchange ("EDI") could be applied to customer assistance programs.

B. Plan Submission

As outlined in 52 Pa. Code §54.74(a)(2), EDCs currently submit a universal services plan on a staggered schedule three-year cycle. In recent years, with the current 3-year cycle filing date independent of when a plan is actually approved and implemented, EDCs are almost in a constant stage of preparing a plan, awaiting Commission approval or implementing a recently approved plan. Once a plan is implemented, there is almost no tangible measureable period for evaluation and study before it is time to prepare the next plan. The Company believes that an objective evaluation of all EDCs and NGDCs program submittal and approval in the last 10 years will show that, in many cases, due to a variety of issues, there is a significant lag between the original filing date and ultimate plan approval. To that end, Duquesne Light believes that plan periods should be lengthened to something more like four or five years, rather than perpetuating this current cycle.[15] Similar actions have been approved in other "regular" filings, such as Default Service and EE&C

[14] See generally Duquesne Light LIURP Comments at 2, 4-5.
[15] This change would also require changing §69.265(7)(vi).

proceedings, where they started on three year cycles, and, at either an EDC's request or Commission action, have been approved for longer periods.

In addition, as mandated by 52 Pa. Code §54.76, each EDC is required to have an independent third-party evaluation at least every six years.[16] These two timeframes do not allow much coordination between findings and program revision. Moreover, with independent evaluation typically occurring on a 6 year cycle and plans in effect for 3, there is typically an entire plan enacted and expired before the next neutral evaluation takes place. To the extent the Commission envisions this independent review as necessary to critique and improve these programs, Duquesne Light suggests that this practice be amended so coordination and feedback from this evaluation can take place with enough time to amend plans as necessary.

C. Annual Reporting Requirements

In 52 Pa. Code §54.75(1)(ii), EDCs are required to report annually the following information:

> Annual collection operating expenses by classification of accounts. Collection operating expenses include administrative expenses associated with termination activity, negotiating payment arrangements, budget counseling, investigation and resolving informal and formal complaints associated with payment arrangements, securing and maintaining deposits, tracking delinquent accounts, collection agencies' expenses, litigation expenses other than Commission related, dunning expenses and winter survey expenses.

The definition of "Classification of accounts" states that accounts are classified by the following categories: all residential accounts and confirmed low-income residential accounts.[17] Historically, Duquesne Light provided this data on a percentage basis of the total customers and low-income

[16] *See* 52 Pa Code §54.76 (b): "The first impact evaluation will be due beginning October 31, 2002, on a staggered schedule. Subsequent evaluation reports shall be presented to the EDC and the Commission at no more than 6 year intervals."
[17] 52 Pa Code §54.72

customers, which as noted, *supra*, is about 25% low-income. Duquesne Light believes collection activities should always be applied consistently regardless of customer attributes and questions the usefulness of this information for the Commission. Accordingly, Duquesne Light suggests that the Commission take this opportunity to consider how it wishes to measure the success of universal service programs and work with utilities and stakeholders to better define and identify the data points that will provide that information.

D. Scope of Customer Assistance Program

The Company suggests the Commission revisit the language contained in 52 Pa. Code §69.264. The current language references a participation limit for CAP and enrollment in a pilot CAP. To date, Duquesne Light, and possibly other utilities, have never excluded participants from universal services because of a participation limit. Evaluation should be done to determine the correct trigger for participation limits. Examples of this could include a set number of participants per year or a ceiling on funding, depending on what policy goals the Commission is attempting to meet. Regardless, balance must be given to address the needs of participating customers with those that fund these programs.

E. Energy Burden

Duquesne Light agrees with the Commission that the current design elements outlined in 52 Pa. Code §69.265(2)(i) for percentage of income plan need to be evaluated and updated. To that end, the Company applauds the Commission's efforts to initiate a study regarding energy burden and determine whether the current levels need adjusting. However, Duquesne Light is concerned about the timing of that study and its release in light of all the other actions taking place on these subjects, such as this review. A cornerstone of CAP programs, and a critical cost containment mechanism for ratepayers that subsidize these programs, is the correct energy burden level. While the Company understands and appreciates that this proceeding is a holistic review of ALL universal service programs, not just CAP, Duquesne Light questions the amount of changes that can be made to CAP without having the energy burden piece of the puzzle settled. In addition, in order to ensure that energy burden levels better reflect current economic conditions, Duquesne Light recommends that the Commission develop a mechanism to evaluate the percentages in this policy statement on a more frequent basis, such as every five years.

F. Control Features to Limit Program Costs

The current regulations appropriately provide for control features to limit CAP program costs. 52 Pa. Code §69.265(3). These control features include, but are not limited to, minimum payment terms, prohibition on nonbasic services, consumption limits, and maximum CAP credits.[18] Duquesne Light suggests, as part of this proceeding, that a review of these features be done to evaluate whether these restrictions are effective in controlling program costs or whether other measures exist that could be more effective.

In Commissioner Sweet and Vice Chairman Place's Joint Motion regarding energy affordability,[19] footnote 9 notes that CAP costs have increased 177% between 2001 and 2015 (inflation adjusted) and NGDCs' CAP costs have increased by 270% from 2002 to 2015.

As explained more fully below, the entire issue of controlling program costs is worthy of considerable review by utilities, the Commission and interested stakeholders.

[18] *See* 52 Pa. Code §69.265(3).
[19] *See Energy Affordability for Low Income Customers,* Docket No. M-2017-2587711. Joint Motion of Commissioner David W. Sweet and Vice Chairman Andrew G. Place (Mar. 16, 2017).

a. <u>Minimum Payment Terms</u>

One of the features to control the costs of universal service programs (of which CAP typically is the largest) is requiring a minimum payment from CAP participants. In the policy statement, a nonheating electric customer (which, as explained *supra*, is the bulk of Duquesne Light's CAP customers) should pay at least $12-$15 per month.[20] In 1999, a Duquesne Light customer's basic service charge was $6.38, so a minimum payment of $12 would cover the basic service charge and a small percentage of consumed electricity. As is true with all aspects of our economy, a dollar today doesn't have the spending power that it did two decades ago. Today, a $12 minimum payment for CAP participants barely covers the basic service charge of $10.00. In addition to updating energy burden percentages, Duquesne Light encourages the Commission to review articulated minimum CAP payments and explain how these amounts are derived. In formalizing these amounts, the base minimum payment should take into account numerous factors, including the need to pay the basic service charge, while also considering energy burden in determining the minimum payment. A first step could be to make the minimum payment $12-$15 **in addition** to the basic service charge. Such a change would ensure that a CAP participant always pays the fixed system cost to serve the customer, along with some portion of her energy usage.

b. <u>Non-Basic Services</u>

A CAP participant may not subscribe to nonbasic services that would cause an increase in monthly billing and not contribute to a bill reduction. 52 Pa. Code §69.265(3)(ii). However, nonbasic services that help reduce bills may be allowable. Duquesne Light requests that the Commission clarify what types of nonbasic services the PUC might consider as potentially

[20] *See* 52 Pa. Code §69.265(3)(i)(B).

contributing to a bill reduction. Further, consideration should be given to allowing other nonbasic services, that may or may not reduce consumption, which benefit customers.

c. Consumption Limits and High Usage Treatment

The current CAP policy statement contains a provision that limits on consumption should be based on a percentage of historical average usage, recommends 110% and allows for adjustments for extreme weather. 52 Pa. Code §69265(3)(iii). While the Company appreciates the existence of these limits, in practice, Duquesne Light finds that many of its CAP customers have changes in premises or family composition that could skew historical usage. To that end, any requirements that base consumption limits on historical consumption should allow for the difficulties in accurately assessing historical usage in some of the low-income population.

In practice, Duquesne Light does not limit consumption for CAP customers. However, Duquesne Light does evaluate usage during April, May, October and November to find the "peak within non-peak" to identify any high usage customers within its universal service programs to identify those customers that must schedule a Smart Comfort visit as a condition for CAP program acceptance.[21]

d. Maximum CAP Credits

As part of the control features to limit program costs, the current policy statement provides for maximum CAP credits based on the type of service. 52 Pa. Code §69.265(3)(v). Regardless of the method of providing benefits, a CAP participant should have a maximum benefit that reflects the difference between payment assistance and payment of all usage. Duquesne Light suggests,

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[21] *See* Duquesne Light LIURP Comments at 1-2, explaining Smart Comfort eligibility requirements: "Duquesne Light's Smart Comfort (LIURP) program targets low income residential customers whose gross household income is less than or equal to 150% of the Federal Poverty Level ("FPL") and senior citizens whose gross income is less than or equal to 200% of the FPL, with base load electric usage more than 500 kWh per base load month, and who have been a resident at their current address for at least six months."

in tandem with other reviews taking place, that the dollar amounts in this section be evaluated for inflation and the effect on energy burden.

G. Design Elements

In 52 Pa. Code §69.265(4), the policy statement outlines various design elements that should be included in a customer assistance program.

a. Eligibility Criteria

In 52 Pa. Code §69.265(4)(iii), the policy statement states that when determining if a CAP applicant is payment troubled, a utility should select one of four options to "prioritize" the enrollment of eligible, payment troubled customers. This section needs to be reviewed to determine if it still makes sense to "prioritize" CAP enrollments. As explained *infra*, Duquesne Light, and possibly other utilities, have never excluded participants from universal services because of a participation limit. Should the Commission determine that criteria for eligibility should exist and be applied, this section should be updated to reflect the current conditions associated with universal service programs, including addressing energy burden if the Commission determines that such a metric should be the defining criteria for receiving low-income services.

b. Annual Recertifcation

As currently written, Section 69.265(6)(viii) provides for an annual process that reestablishes a participant's eligibility for CAP participation. Duquesne Light recommends that, going forward, recertification be on a two year cycle instead of an annual basis.

In the study entitled "Pathways to Success in Low-Income Energy Assistance Payment Programs: The Differential Effects of Customer Characteristics and Program Design on Payment

Rates"[22], researchers found that the successful customer was likely to be in an assistance program longer than 15 months. In addition, assuming the Commission agrees with the Company's suggestion to lengthen Universal Service Plan periods to four or five years instead of three, biannual recertification would ensure that that a participant's income would be verified at least twice – once at enrollment and once at the program's midpoint, rather than every year.[23] This change, while small, would create administrative efficiencies and could be revisited, as needed, during future Plan proceedings.

VII. CONCLUSION

Duquesne Light recognizes the Commission is undertaking a complex exercise by initiating a long overdue comprehensive review of universal service programs. Through this proceeding, the Commission can seek to better understand and articulate the difficulties faced by the Commonwealth's citizens in obtaining necessary utility service and provide a framework for meaningful assistance that can have real and lasting impact. The Company looks forward to further discussion and examination of universal service programs in the coming months.

Respectfully submitted,

DATE: August 7, 2017

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[22] http://www.opiniondynamics.com/wp-content/uploads/2013/08/Pathways-to-Success-in-Low-Income-Energy-Assistance-Payment-Programs1.pdf, at 6.

[23] Of course, participants are also required to notify the Company of any changes in income so Duquesne Light can ensure the correct level of discount.