

CITIZEN POWER

Public Policy Research Education and Advocacy

March 10, 2013

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265


**Re: Petition of Duquesne Light Company for Approval of Default Service Plan for the
Period June 1, 2013 through May 31, 2015; Docket P-2012-2301664**

Dear Secretary Chiavetta:

Enclosed please find Citizen Power's Comments, in the above referenced proceeding.

Copies of this document have been served in accordance with the attached Certificate of Service.

Sincerely,



Theodore Robinson
Counsel for Citizen Power

Enclosures

Cc: Hon. Katrina L. Dunderdale
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Duquesne Light Company :
for Approval of its Default Service Plan : Docket No. P-2012-2301664
for the Period June 1, 2013 Through :
May 31, 2015 :**

COMMENTS OF CITIZEN POWER, INC.

I. INTRODUCTION

Citizen Power, Inc. ("Citizen Power") respectfully submits these Comments in response to Duquesne Light Company's ("Duquesne") Revised Retail Market Enhancement Program Design and Cost-Recovery Proposal ("RME Proposal") filed on March 11, 2013 in accordance with the schedule outlined in the March 28, 2013 Secretarial Letter.

II. COMMENTS

Citizen Power is generally in support of the Standard Offer Program as proposed by Duquesne in their RME Proposal. Specifically, we agree with the main components of the proposal including a 7% discount off the price to compare for 12 months, the specified types of calls into Duquesne that would be presented with the standard offer, and the August 1, 2013 start date. We also strongly support the efforts of Duquesne to minimize the costs of the program. However, we disagree with the proposed cost recovery methodology for the standard offer program. In our opinion, capping the Customer Acquisition Fee at \$30 for the period between September 2014 and May 2015 is an inflexible solution to the issue of providing price certainty

to EGSs that participate in the Standard Offer Program and may result in costs for residential customers without a corresponding benefit.

In the Illustrative Example of the Cost Recovery Methodology for the Standard Offer Program contained in Appendix F to the RME Proposal, Duquesne demonstrates the hypothetical cost impacts resulting from a Standard Offer Program with total costs of \$330,000 and 300 EDI transactions a month. The corresponding non-bypassable charges would be \$179,000 with a result of 6300 customers participating. In other words, \$28.41 ($\$179,000/6300$) in costs per EDI transaction is allocated to a non-bypassable account while \$23.97 (the remaining $\$151,000/6300$) in costs per EDI transaction is paid by the participating EGSs. Although Citizen Power believes that all the Standard Offer Program costs should be paid by EGSs, we believe that the Illustrative Example is a reasonable outcome.

However, if acquisition costs are significantly higher than a capped acquisition fee of \$30 in the second year of the program, the result is likely to be an incentive for EGSs to participate because they are immune to the price signals of the actual acquisition cost. Citizen Power understands that a capped acquisition fee brings more certainty to the participating EGSs and therefore, we agree that with reasonable acquisition costs there should be a cap. However, if the program is not very successful, the result will be high customer acquisition costs with very little recovery from the EGSs.

For example, if the program costs end up being \$500,000 and the number of monthly EDI transactions are only 100 per month, the resulting cost allocation is much different. In the period through June 2014, the program costs would be \$250,000 and the customer acquisition fees would be \$25,000 (1000 EDI transactions times the \$25 customer acquisition fee) resulting in excess costs of \$225,000. In the period from July 2014 through May 2015, the program costs

would be \$250,000 and the customer acquisition fees would be \$33,000 (1100 EDI transactions times the \$30 capped customer acquisition fee) resulting in excess costs of \$217,000. The corresponding non-bypassable charges would be \$442,000 resulting in 2100 customers participating. In other words, \$210.48 ($\$442,000/2100$) in costs per EDI transaction is allocated to a non-bypassable account while \$27.62 (the remaining $\$58,000/2100$) in costs per EDI transaction is paid by the participating EGSs.

We agree that the Standard Offer Program is likely to be successful and on that basis can agree to an allocation of the first year costs in excess of \$25 to a non-bypassable account. However, we do not agree with a hard cap of \$30 in the second year because it is unable to respond to a situation where the acquisition costs are higher than expected and this may incentivize EGSs to participate in a program that is inefficient. We therefore respectfully propose that if the actual program cost per EDI transaction through June of 2014 is greater than \$75, that the EDI transaction fee cap be adjusted upward on a dollar to dollar basis. The \$75 figure acts as a consumer contribution cap and was chosen because at that point, assuming program costs remain per EDI transaction remain consistent, 50% more of the costs will be assigned to a non-bypassable account than to the participating EGSs (\$45 to the non-bypassable account versus \$30 to the EGSs). We do not believe that any greater allocation is in the best interest of consumers.


As an example, if the actual program costs during the first year were \$110 per EDI transaction the transaction fee cap for the second year would be set at \$65. The \$110 actual cost is greater than the \$75 consumer contribution cap figure by \$35, which would then be added to the EGS cap of \$30 resulting in a new cap of \$65. If an EGS is unwilling to pay \$65 to acquire a

customer because they can get customers more cheaply through other means, it makes no sense for the Standard Offer Program to spend \$110 to get that same customer to shop.

III. CONCLUSION

Citizen Power respectfully requests that the Commission modify Duquesne's RME's proposal by capping the costs allocated to all residential and small commercial and industrial customers through a non-bypassable charge as indicated by these Comments.

Respectfully Submitted,

By: 
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Dated: March 10, 2013

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company for :
Approval of a Default Service Program and : Docket No. P-2012-2301664
Procurement Plan for the Period June 1, :
2013 through May 31, 2015 :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document of Citizen Power, Inc. upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons as listed below:

Dated this 10th day of April, 2013.

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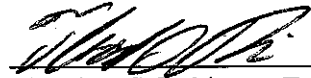
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