

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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August 24, 2015

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17101

Re: Petition of Duquesne Light Company for
Approval to Modify its Smart Meter
Procurement and Installation Plan
Docket No. P-2015-2497267

Dear Secretary Chiavetta:

Enclosed for filing is the Office of Consumer Advocate's Answer in the above-referenced proceeding.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "David T. Evrard".

David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870

Enclosure

cc: Office of Administrative Law Judge
Certificate of Service
*211551

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company to	:	Docket Nos. P-2015-2497267
Modify its Smart Meter Plan	:	M-2009-2123948

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

The Office of Consumer Advocate (OCA) files this Answer to the “Petition of Duquesne Light Company to Modify its Smart Meter Plan” (Petition). The Petition was filed with the Public Utility Commission (Commission) on August 4, 2015. In its Petition, Duquesne Light (Duquesne of Company) seeks approval of the following modifications to its Smart Meter Technology Procurement and Installation Plan (Plan), which was approved by the Commission by order entered May 6, 2013: (1) postponement of implementation of Time Of Use/Real Time Pricing and net metering functionalities from 2015 to 2016; (2) implementation, over a period of five years, of an Advanced Distribution Management System (ADMS), which involves, in sequential order, development of an electrical model of the Duquesne system, installation of an Outage Management System (OMS) and finally installation of a Distribution Management System (DMS); (3) acceleration of the schedule to deploy smart meters such that residential meters will be fully deployed by the end of 2018 and commercial and industrial meters by the end of 2019; (4) a projected increase in the overall cost of the Plan from \$240 million to \$319 million; (5) addition of a \$15 million contingency component to its Plan budget to cover changes in scope or requirements, unforeseen cost increases or implementation difficulties; and (6) a request to make repairs, when necessary, to customers’ service entrance equipment to allow for

safe installation of smart meters. Accompanying the Petition is a copy of the Amended Smart Meter Technology Procurement and Installation Plan (Amended Plan) together with the testimony of three witnesses in support of the Amended Plan: Brian J. Novicki, Duquesne's Manager of Advanced Meter Infrastructure (AMI) Deployment (Duq. Lt. St. No. 1), James T. Karcher, Duquesne's Manager of Operations Technology Projects (Duq. Lt. St. No. 2) and William V. Pfrommer, Duquesne's Senior Manager, Rates and Tariff Services (Duq. Lt. St. No. 3). The OCA submits that Duquesne has not fully justified its request for an additional \$79 million (plus a \$15 million contingency provision) in Smart Meter costs at this time and therefore requests that Duquesne's Petition be referred to the Office of Administrative Law Judge for hearings.

I. BACKGROUND

In Paragraphs 3 through 15 of the Petition, Duquesne accurately recounts the history of its efforts to comply with the requirements of Act 129 of 2008¹ relative to the deployment of smart meters and the Commission's associated Smart Meter Procurement and Installation Implementation Order of 2009 (Implementation Order).² In that Order, the Commission directed EDCs to incorporate a number of smart meter capabilities into their programs beyond those mandated by Act 129. The Commission recognized, however, that some of these capabilities may not prove cost-effective and thus required the EDCs, when submitting their Smart Meter Plans, to also submit incremental cost and savings information related to each of the additional

¹ Act 129 of 2008, codified in relevant part at 66 Pa.C.S. §2807(f).

² Smart Meter Procurement and Installation, Docket No. M-2009-2092655, Implementation Order (Entered June 24, 2009).

smart meter capabilities. If a particular capability was shown not to be cost-effective, the Commission reserved the right to waive its required use by the EDC.³

When Duquesne filed its Final Smart Meter Plan for Commission approval in 2012 it addressed a number of the additional smart meter capabilities required by the Commission. Of particular relevance to the current proceeding, Duquesne's Final Plan indicated, with respect to the smart meter Voltage Monitoring and Reporting capability, that additional functionality needed to be developed before such a capability could be deployed and that the cost of these functionalities were unknown.⁴ Further, with respect to the Communication of Outage and Restoration capability, Duquesne indicated that to be fully implemented, this capability would require replacement of the Company's current Outage Analysis System and development of an electrical model of its system, all of which Duquesne concluded could not be cost-justified at that time.⁵

As indicated in Paragraph 14 of Duquesne's instant Petition, the Commission, in its May 2013 order ruling on Duquesne's Final Smart Meter Plan, found that Duquesne had not submitted sufficient cost-benefit data on the Voltage Monitoring and Outage Communication capabilities and directed Duquesne to make a subsequent compliance filing providing data supporting whether or not inclusion of these additional capabilities was cost effective.⁶ In its compliance filing, Duquesne explained the benefits of including the Voltage Monitoring and Outage Communication capabilities to its system and provided preliminary cost and benefit data

³ Implementation Order at 16-17.

⁴ Petition of Duquesne Light for Approval of its Final Smart Meter Plan at ¶¶ 59-61.

⁵ Id. at ¶¶ 64-65.

⁶ Petition of Duquesne Light Company for Approval of its Final Smart Meter Procurement and Installation Plan, Docket No. M-2009-2123948 (Order Entered May 6, 2013) at 13.

with respect to these functions. The Company concluded that the incremental benefits of adding these capabilities warranted the investment and proposed a three-phase process for implementing them. That process would run from June 2014 through December 2020.⁷

In its instant Petition, based on further analysis conducted by Duquesne's consultant, the Company proposes to install ADMS over a five year period beginning in 2015 and concluding in the first quarter of 2021.⁸ This system would provide both the Voltage Monitoring and Outage Communication capabilities. Duquesne estimates the cost of installing ADMS at between \$46 million and \$56 million and annual operating costs of the system at \$2.8 million.⁹ The Company proposes to recover the costs of implementing ADMS through its Smart Meter Charge rider.¹⁰

II. ANSWER

In its Petition, Duquesne expresses its view that the benefits of implementing ADMS to deliver Outage Communication and Voltage Monitoring exceed the expected implementation costs.¹¹ As previously noted, the estimated cost for implementation of ADMS is between \$46 million and \$56 million. This estimate consists of \$42.2 million to \$51.6 million to implement the OMS and \$3.8 million to \$4.4 million to implement the DMS. The ongoing incremental annual costs to operate and maintain ADMS are estimated at \$2.8 million.¹²

⁷ Duquesne Light Company Smart Meter Procurement and Installation Compliance Filing, Docket No. M-2009-2123948, at ¶¶ 16, 23-28.

⁸ Petition at ¶¶ 28-32.

⁹ Petition at ¶ 35.

¹⁰ Petition at ¶ 49.

¹¹ Petition at ¶ 34.

¹² Petition at ¶ 35.

and the DMS portion of ADMS will yield \$2.285 million in annual savings when fully implemented.¹⁴ In addition to these benefits, the Company estimates that ADMS will produce \$6 million of what it refers to as societal or non-rate benefits on an annual basis.¹⁵ Further, in both its Petition and in the testimony of Mr. Karcher, Duquesne identifies additional operational, safety and customer benefits for which it says it is difficult to assign a monetary value.¹⁶

At the same time that Duquesne has proposed implementation of ADMS, the Company indicates that it continues to explore lower cost options to achieve enhanced outage and restoration communication and voltage monitoring capability. Some of these options, Duquesne notes, will have less functionality but will also be less expensive. The Company offers an example of a reduced electrical model that is capable of supporting an OMS but not a DMS. The Company maintains that even if lesser functionality is selected, the option chosen would still allow the Company to provide better outage restoration information to customers and reduce the duration of outages compared to current conditions.¹⁷

Based on its preliminary review of Duquesne's filing, the OCA has identified the following areas that it submits require further review and analysis:

- Cost-Effectiveness of Implementing ADMS: The OCA submits that a 20-year payback period (based on projected economic benefits) may be indicative of an investment that is not truly cost-effective as contemplated by the Commission's Implementation Order. The payback period is shortened considerably if the projected \$6 million of annual customer benefits are considered. However, for those benefits to

¹⁴ Karcher Testimony at 7, 13; Petition at ¶ 40.

¹⁵ Petition at ¶ 37; Karcher Testimony at 7.

¹⁶ See, Karcher Testimony at 7-9; Petition at ¶ 42.

¹⁷ Petition at ¶ 33; Duq. Lt. St. No. 2 (Karcher Testimony) at 16.

become the basis for determining the cost-effectiveness of the ADMS investment, the OCA submits that a closer review of the details and assumptions underlying those projected benefits is warranted. Further, the unquantified benefits that Duquesne identifies should be examined to determine whether they should be considered in making a determination on cost-effectiveness.

- Alternatives to ADMS: Duquesne indicates that it continues to search for less expensive alternatives to ADMS. Given the possible uncertainty over cost-effectiveness, this is a prudent course for Duquesne to take. The Company, however, has provided few details about the alternatives it has explored or others that may be available. The OCA submits that greater detail on these alternatives, including their cost and their benefits and drawbacks compared to ADMS, is needed in order to make an informed judgment on whether to proceed with ADMS or a suitable alternative.
- Contingency Component: Duquesne proposes to add a \$15 million contingency component to its overall Smart Meter Plan budget. This is in addition to the proposed \$79 million increase (from \$240 million to \$319 million) in its Plan budget related to implementation of ADMS and other smart meter functionality that is proposed in its Amended Plan. The OCA submits that the need for such a contingency component should be examined and if it is decided that it is needed, whether \$15 million or some lesser amount would be sufficient.
- Appropriateness of Smart Meter Charge Recovery of All Costs: In describing the various benefits that installation of ADMS would have on Duquesne's operations, it is apparent that some of the benefits are only remotely related to smart meters in that it was the Act 129 and Smart Meter Implementation Order requirements that provided

the impetus for installation of ADMS. The OCA submits that it may be appropriate to conduct a closer examination of the ADMS benefits to determine whether some portion of ADMS costs might be more appropriately recovered through base rates rather than the Smart Meter Charge.

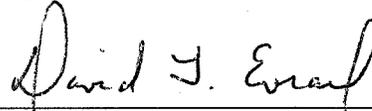
As noted, these areas of concern are based on the OCA's preliminary review. As the OCA's review of Duquesne's Amended Plan continues, additional areas of inquiry may arise.

The OCA submits that the Commission should refer Duquesne's Petition to the Office of Administrative Law Judge for the purpose of holding evidentiary hearings to address all issues presented by Duquesne's Petition and Amended Plan.

III. CONCLUSION

The OCA respectfully submits that Duquesne Light Company's Amended Smart Meter Technology Procurement and Installation Plan requires further review and requests that Duquesne's filing be referred to the Office of Administrative Law Judge for further proceedings.

Respectfully Submitted,



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August 24, 2015

CERTIFICATE OF SERVICE

Petition of Duquesne Light Company for :
Approval to Modify its Smart Meter : Docket No. P-2015-2490141
Procurement and Installation Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 24th day of August 2015.

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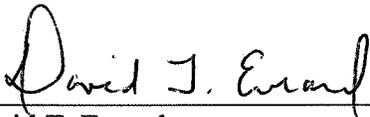
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