

CITIZEN POWER

Public Policy Research Education and Advocacy

August 24, 2015

Rosemary Chiavetta, Secretary
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: P-2015-2497267 and M-2009-2123948; Petition of Duquesne Light Company for approval to modify its smart meter procurement and installation plan.

Dear Secretary Chiavetta:

Enclosed for filing with the Commission on behalf of Citizen Power, Inc. is the Answer of Citizen Power in the above-captioned proceeding. Copies of this document have been served in accordance with the attached Certificate of Service.

Sincerely,



Theodore Robinson
Counsel for Citizen Power

Enclosures

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company	:		
for Approval to Modify its Smart Meter	:	Docket No.	P-2015-2497267
Procurement and Installation Plan	:		M-2009-2123948

ANSWER OF CITIZEN POWER, INC.

Citizen Power, Inc. (“Citizen Power”) files this Answer to the August 4, 2015 Petition of Duquesne Light Company (“Duquesne Light”) for Approval to Modify its Smart Meter Procurement and Installation Plan (“Petition”). The Petition requests that the Pennsylvania Public Utility Commission (“Commission”) approve the Petition, find that Duquesne Light’s Amended Smart Meter Plan fully complies with Act 129 and the Commission’s Implementation Order, and grant any waivers that may be necessary for Duquesne Light to implement its Amended Smart Meter Plan. The Petition proposes a number of significant modifications to the 2012 Smart Meter Plan. The Petition also includes a copy of the Amended Smart Meter Plan and the supporting direct testimonies of Brian Novicki, James Karcher, and William Pfrommer.

I. INTRODUCTION

On August 14, 2009, Duquesne Light filed their Initial Smart Meter Plan in response to the Commission’s June 24, 2009 Implementation Order. On May 11, 2010, the Commission approved a modified version of the Initial Smart Meter Plan. On July 1, 2010, Duquesne Light filed a Cost Benefit Analysis of the nine Smart Meter capabilities identified by the Commission

in their Implementation Order that went beyond those required by Act 129. On December 29, 2010, Duquesne Light filed their Application for Approval of Assessment of Needs, Technology Solutions and Vendor Selection (“Assessment Application”). On January 31, 2010, Duquesne Light filed a Supplement to their Assessment Application identifying Itron, Inc. as its recommended primary contractor to design, construct, implement, and oversee Duquesne Light’s Smart Meter Program.

On March 31, 2011, Duquesne Light filed the document “Establishment of Network Design for the Duquesne Light Smart Meter Program” which explained the study conducted by Duquesne Light to review the existing communication infrastructure compared to what was needed to implement the AMI. On October 6, 2011, Duquesne Light filed an update regarding the equipment testing planned in conjunction with the rollout of the smart meters titled “Installation, Testing and Rollout of Support Equipment and Software Update.” On November 2, 2011, Duquesne Light filed a status update on the Establishment of Plans for Installation of Meters and Outside Communications and Training. On November 18, 2011, Duquesne Light filed a request for an extension of time to file their final Smart Meter Plan, which was approved by the Commission via Secretarial Letter on December 13, 2011.

On June 29, 2012, Duquesne Light filed a Petition for Approval of their Smart Meter Deployment Plan which included a phased in approach to replace their current Advanced Meter Reading Infrastructure with AMI and identified four main components of the project: Itron Smart Meters, the local area network (“LAN”), the wide area network (“WAN”), and the Head-End Collection System. On December 7, 2012, Duquesne Light and the Office of Consumer Advocate filed a Joint Petition for Approval of Full Settlement (“Joint Petition”). Citizen Power, as well as the other intervenors, did not contest the Petition. On May 6, 2013, the Commission

entered an Opinion and Order, granting the 2012 Smart Meter Plan and Joint Petition in part and modifying in part. This Order required Duquesne Light to provide data regarding the cost effectiveness of voltage monitoring and communication of outages. On August 2, 2013, Duquesne Light submitted a Compliance Filing which elucidated the benefits of Volt/VAR optimization, outage notification, and transformer load monitoring capabilities.

On August 4, 2015, the Petition of Duquesne Light Company for Approval to Modify its Smart Meter Procurement and Installation Plan was filed. Citizen Power offers the following answer to the Petition.

II. ANSWER

Duquesne Light's Petition proposes the following modifications to the 2012 Smart Meter Plan: (1) changing the implementation date for Time of Use ("TOU"), Real Time Pricing ("RTP"), and net metering functionality to 2016 from 2015; (2) implementation of an Advanced Distribution Management System ("ADMS") which includes a new Outage Management System ("OMS") and Distribution Management System ("DMS") at an estimated cost of \$46M-\$56M plus an ongoing incremental cost of \$2.8M per year; (3) a ramped-up smart meter deployment schedule which would complete all residential meter installations by 2018 and all commercial and industrial meter installations by 2019; (4) an increase in the estimated cost of the Amended Smart Meter Plan to \$257M, exclusive of the ADMS costs; (5) approval of a \$15M contingency component to cover changes in scope or requirements, unforeseen cost increases, or implementation complications; (6) approval for additional repairs of equipment adjoining the new advanced metering infrastructure ("AMI") to insure safe installation of the new meters, which would have any costs incurred recovered through the Smart Meter Charge Rider; and (7) the continued collection of any AMI costs, as well as new costs relating to the Petition, through

the existing Smart Meter Charge Rider. Citizen Power is currently evaluating the contents of this plan, as well as the supporting direct testimonies. However, based upon a preliminary review of the Amended Smart Meter Plan, Citizen Power has identified a number of potential issues which we believe require further analysis.

First of all, we are concerned about whether the proposed overall ADMS implementation is cost-effective and reasonable. The total estimated cost of the ADMS is \$46M-\$56M plus ongoing incremental annual costs to operate and maintain ADMS of \$2.8M per year. The estimated benefit is \$46.3M over a period of 20 years, plus a societal benefit of \$6M per year. This \$6M figure is based on the avoided consumer costs resulting from an estimated reduction of five minutes in customer average duration outage time which will be achieved using OMS. Citizen Power submits that the reasoning behind these figures should be analyzed, especially given the potential for a negative net present value of the ADMS project if the estimates for the estimated costs are understated while the estimated societal benefits are overstated. At a 6% discount rate and \$51M in estimated costs, the net benefit per year would have to be approximately \$3.25M in order to break even, and that does not even account for the fact that the full yearly benefit of the project will not be achieved until 2023.

Second, the costs of the AMI project as described in the 2012 Smart Meter Plan have increased from \$203 million to \$240 million. Although this increase is partially explained by the inclusion of costs to maintain smart meter operations through 2019 and the addition of Bill Ready – Rate Ready functionality, the increase is also based upon other drivers such as additional hardware and software, higher than estimated costs related to a system integrator vendor, additional internal labor costs, and an increase in the use of outside vendors generally.

Citizen Power believes that these additional costs need to be evaluated by the Commission in order to determine whether they are prudent.

Third, the inclusion of a \$15M contingency component seems excessive, especially given the increases in the costs of the AMI project may represent a number of the unexpected problems that will be faced in the implementation of the smart meter installation plan. Citizen Power believes that the Commission should examine whether this large of a contingency figure is necessary.

Fourth, Duquesne Light proposes to collect the additional costs, including the costs related to the implementation of the ADMS project, to the current Smart Meter Charge Rider. Citizen Power believes that the rationale used by the Commission regarding AMI cost recovery issued in its May 11, 2010 Order (M-2009-2123948, pp.8-12) may not be applicable to the ADMS costs since they go beyond what is necessary for a customer to participate in the smart meter program. Citizen Power submits that the Commission should investigate whether collection of the ADMS costs should flow through the Smart Meter Charge Rider or another, more equitable method.

III. CONCLUSION

Citizen Power believes that the Petition of Duquesne Light Company for Approval to Modify its Smart Meter Procurement and Installation Plan requires further review and respectfully requests that the Pennsylvania Public Utility Commission refer the Petition to the Office of Administrative Law Judge in order to initiate proceedings.

Respectfully Submitted,



Theodore Robinson
Staff Attorney
PA Attorney I.D. #203852
E-mail: robinson@citizenpower.com

Citizen Power
2121 Murray Avenue
Pittsburgh, PA 15217
412-421-7029
412-421-6162 (fax)

Dated: August 24, 2015

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
for Approval to Modify its Smart Meter : **Docket No. P-2015-2497267**
Procurement and Installation Plan : **M-2009-2123948**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Exceptions of Citizen Power, Inc. upon the participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant).

Dated this 24th day of August, 2015.

SERVICE BY E-MAIL and FIRST CLASS MAIL

Robert H. Hoaglund, Esquire
Tishekia Williams, Esquire
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219

Michael W. Gang, Esquire
Anthony D. Kanagy, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

Jonnie E. Simms, Esq.
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Sharon E. Webb, Esq.
Assistant Small Business Advocate
Office of Small Business Advocate
300 North Second Street
Commerce Building, Suite 1102
Harrisburg, PA 17101

Divesh Gupta
Assistant General Counsel
Constellation Energy Group, Inc.
100 Constellation Way, Suite 500C
Baltimore, MD 21202

Patrick Cicero, Esq.
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101-1414

Tanya J. McCloskey, Esq.
David T. Evrard, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Pamela Polacek, Esquire
Teresa K. Schmittberger, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166

Christopher A. Lewis, Esq.
Blank Rome, LLP
One Logan Square
130 North 18th Street
Philadelphia, PA 19103-6998

Kimberly H. Childe, Esq.
PA Department of Environmental Protection
RCSOB, 9th Floor
400 Market Street
Harrisburg, PA 17101-2301

Scott H. DeBroff, Esq.
Alicia R. Peterson, Esq.
Rhoads & Sinon LLP
One South Market Square
12th Floor, PO Box 1146
Harrisburg, PA 17108-1146

By:



Theodore S. Robinson (PA Bar #203852)
Citizen Power
2121 Murray Avenue
Pittsburgh, PA 15217
(412) 421-7029 (phone)
(412) 412-6162 (fax)