

# CITIZEN POWER

*Public Policy Research Education and Advocacy*

April 7, 2016

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

**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 please find Citizen Power's Reply Brief, in the above referenced proceeding. Two paper copies and one electronic copy 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 to Modify its Smart Meter Procurement : Docket No. P-2015-2497267  
and Installation Plan :

**REPLY BRIEF OF CITIZEN POWER, INC.**

April 7, 2016

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## **I. INTRODUCTION**

On August 4, 2015, Duquesne Light Company (“Duquesne Light” or “DLC”) filed the above captioned Petition for Approval to Modify its Smart Meter Procurement and Installation Plan (“Petition”). The Petition set forth Duquesne Light’s proposed Amended Smart Meter Deployment Plan. The Petition requested 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. On March 17, 2016, Citizen Power, Inc. (“Citizen Power”) filed its Main Brief in this proceeding. Main Briefs were also filed by Duquesne Light and the Office of Consumer Advocate (“OCA”).

## **II. PROCEDURAL HISTORY**

On August 14, 2009, in Docket M-2009-2123948, Duquesne Light filed their Initial Smart Meter Plan in response to the Commission’s June 24, 2009 Implementation Order (“*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 in the above-captioned docket. In addition to the Petition, Duquesne Light submitted the written direct testimony of Brian J. Novicki, James T. Karcher, and William V. Pfrommer. On August 24, 2015, both the Office of Consumer Advocate (“OCA”) and Citizen Power filed Answers to the Petition requesting that the matter be referred to the Office of Administrative Law Judge (“OALJ”) for evidentiary hearings. Also on August 24, 2015, Duquesne Light filed the written supplemental direct testimony of James T. Karcher. On September 4, 2015, the Office of Small Business Advocate (“OSBA”) filed a Notice of Intervention. On September 18, 2015, OCA filed a Notice of Intervention. On October 2, 2015, the Commission issued a Notice of Prehearing Conference scheduled for October 13, 2015. On October 13, 2015 Citizen Power filed a Petition to Intervene.

On October 13, 2015, a Prehearing Conference was held by the Honorable Katrina L. Dunderdale, Administrative Law Judge. On October 14, 2015, a Prehearing Order was issued memorializing the discussion of the parties at the Prehearing Conference including setting forth a litigation schedule and granting Citizen Power’s Petition to Intervene.

Duquesne Light filed Supplemental Direct Testimony on August 24, 2015 and November 13, 2015. OCA filed Direct Testimony on December 12, 2015. Rebuttal testimony was filed by Duquesne Light on January 21, 2016. Surrebuttal testimony was filed by OCA on February 4, 2016. Duquesne filed rejoinder testimony on February 11, 2016. An evidentiary hearing was held on February 18, 2016 before ALJ Katrina L. Dunderdale, at which written testimony and exhibits were received into evidence. Cross-examination of witnesses was waived by all of the parties. Main Briefs were filed on March 17, 2016 by Citizen Power, Duquesne Light, and OCA.

**III. STATEMENT OF THE QUESTIONS INVOLVED**

1. Has Duquesne Light demonstrated that the benefits of implementing an Advanced Distribution Management System (“ADMS”) exceed the implementation and ongoing costs and correspondingly represent a reasonable use of ratepayer funds that is justified at this time?

Citizen Power’s suggested answer: No.

2. If the Commission determines that the implementation of ADMS is justified at this time, is it appropriate to allocate the total cost of the ADMS on a per meter basis?

Citizen Power’s suggested answer: No.

**IV. BURDEN OF PROOF**

As the petitioner for a Commission Order in this matter, Duquesne Light has the burden of proving that the proposed modifications to their Smart Meter Procurement and Installation Plan meet the requirements of Act 129 and the Installation Order. 66 Pa.C.S. § 332(a). To satisfy that burden, the proponent must prove each element of its case by a preponderance of the evidence. *Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600 (Pa. Cmwlth. 1990). A preponderance of the evidence is established by presenting evidence that is more convincing, by even the smallest amount, than that presented by the other parties to the case. *Se-Ling Hosiery, Inc. v. Margulies*, 364 Pa. 45, 70 A.2d 854 (1950). Additionally, the Commission’s decision must be supported by substantial evidence in the record. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & Western Ry. Co. v. Pa. PUC*, 489 Pa. 109, 413 A.2d 1037 (1980).

**V. SUMMARY OF REPLY ARGUMENT**

Citizen Power, in this Reply Brief, is focused on the arguments made by Duquesne Light in the Main Brief relating to the cost recovery of the ADMS project. Specifically, Citizen Power avers that the OMS implementation should not be recovered from the residential customer class. In the alternative, Citizen Power argues that ADMS costs should be recovered in base rates.

**VI. REPLY ARGUMENT**

**A. SUMMARY OF DUQUESNE LIGHT'S MODIFIED SMART METER PLAN AND DISPUTED ISSUES IN PROCEEDING**

On August 4, 2015, Duquesne Light Company (“Duquesne Light”) filed the above captioned Petition for Approval to Modify its Smart Meter Procurement and Installation Plan (“Petition”). The Petition proposes a number of significant modifications to the 2012 Smart Meter Plan including: (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 estimated cost of \$5-\$6M for ADMS run operations as well as 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 has identified the disputed issues as whether the ADMS Project, as proposed, is cost effective and whether the proposed use of the Smart Meter Charge Rider is appropriate.

## **B. ADMS ISSUES**

### **1. ADMS Project Approval Issues**

Citizen Power does not address this issue in this Reply Brief.

### **2. ADMS Cost Recovery Issues**

In its Main Brief, the Company argues that it is appropriate to recover ADMS costs through its SMC. DLC Main Brief at 21-24. The company points out that the text of Act 129 of 2008 allows them to recover smart meter technology costs either through base rates or a reconcilable automatic adjustment clause under Section 1307. DLC Main Brief at 21-22. Furthermore, Duquesne Light argues that the Commission has previously denied attempts to allocate smart meter costs on bases other than number of meters. DLC Main Brief at 24. However, there is the additional requirement that “all measures associated with an EDC’s smart metering plan shall be financed by the customer class that receives the benefit of such measures.” Implementation Order at 32. Citizen Power submits that if a customer class receives a negligible

amount of benefits from a measure, it should not be required to contribute toward the financing of such measure.

The OMS implementation is expected to cost between \$42.2 and \$51.6 million dollars. DLC St. No. 2, pg. 11. However, the quantifiable benefits of the OMS implementation are limited to reduced call volume related to customer outreach, increased efficiencies during and after storm events, and customer benefits resulting from reduced outage time. DLC St. No. 2, pg. 7. The benefits from the reduced call volume and storm efficiency accrue directly to Duquesne Light and therefore the associated costs are not recoverable.<sup>1</sup> The only costs that are to be recovered are those related to the benefits associated with reliability improvements. Less than 2% of these societal benefits accrue to those in the residential class, a de minimis amount. DLC Exhibit JK 2-R, pg. 2. Therefore, the residential class should not be required to contribute toward the OMS implementation project.

In the alternative, if the Commission determines that ADMS costs, including the OMS implementation costs, should be collected from the residential customer class, Citizen Power proposes that the costs are allocated to base rates. Although Duquesne Light has pointed out that it is allowed to recover smart meter technology costs either through base rates or a reconcilable automatic adjustment clause under Section 1307, the issue is not what is allowed as an option but which option is most appropriate in the given circumstances. Although the Commission has allowed Duquesne Light to recover other smart meter costs through automatic adjustment charges, Duquesne Light has not given any reason for why the particular costs at issue should be

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<sup>1</sup> “An electric distribution company may recover reasonable and prudent costs of providing smart meter technology under paragraph (2)(ii) and (iii), as determined by the commission. This paragraph includes annual depreciation and capital costs over the life of the smart meter technology and the cost of any system upgrades that the electric distribution company may require to enable the use of the smart meter technology which are incurred after the effective date of this paragraph, **less operating and capital cost savings realized by the electric distribution company from the installation and use of the smart meter technology.**” *Emphasis added.* 66 Pa. C.S. § 2807(f)(7).

collected in a similar manner other than continuity with past practice. DLC Main Brief 22-24. Citizen Power contends that the decision on how to allocate the smart meter costs for each individual smart meter function should be based upon what is appropriate for the given circumstance. In this case, the benefits from the ADMS are much more similar than those found with distribution system upgrades than the benefits from the smart meters themselves which are derived from efficiencies from TOU pricing.

**C. RECOVERY OF BILL READY COSTS**

Citizen Power takes no position on this issue.

**D. INCREMENTAL AMI PROJECT COSTS**

Citizen Power takes no position on this issue.

**E. MISCELLANEOUS ISSUES**

Citizen Power has not identified any miscellaneous issues it wishes to address.

**VII. CONCLUSION**

Citizen Power avers that the residential customer class should not be required to pay for OMS implementation, from which they receive negligible benefit. In the alternative, all ADMS costs should be collected from base rates.

Respectfully submitted,

  
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Date: April 7, 2016

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PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Procurement and Installation Plan :

**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 7<sup>th</sup> day of April, 2016.

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