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December 8, 2016

VIA ELECTRONIC FILING

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 to Modify its Smart Meter
Procurement and Installation Plan
Docket No. P-2015-2497267**

Dear Secretary Chiavetta:

Enclosed please find the Reply Exceptions of Duquesne Light Company in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Anthony D. Kanagy

ADK/skr
Enclosure

cc: Honorable Katrina L. Dunderdale
Certificate of Service
Office of Special Assistants (*via e-mail*)

CERTIFICATE OF SERVICE

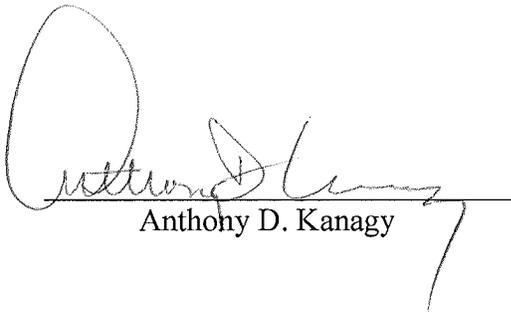
I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Date: December 8, 2016



Anthony D. Kanagy

**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 :

**REPLY EXCEPTIONS OF
DUQUESNE LIGHT COMPANY**

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I. INTRODUCTION

Administrative Law Judge Katrina L. Dunderdale (the “ALJ”) issued an Initial Decision (“ID”) in the above-referenced proceeding on November 8, 2016. Duquesne Light Company (“Duquesne Light” or the “Company”) and the Office of Consumer Advocate (“OCA”) each filed Exceptions to the ID on November 28, 2016. The OCA excepted to the ALJ’s recommendation that Bill Ready costs be recovered through the Smart Meter Charge (“SMC”). Duquesne Light hereby files this Reply Exception to the Exception of the OCA. For the reasons explained herein, the OCA’s Exception should be denied.

II. REPLY TO OCA EXCEPTION NO. 1: BILL READY COSTS SHOULD BE RECOVERED THROUGH THE SMART METER CHARGE.

A. THE COMMISSION HAS DIRECTED EDCS TO INCLUDE BILL READY COSTS IN THEIR SMART METER PLANS.

The ID recommends that Duquesne Light recover Bill Ready costs¹ through its SMC. (ID at p. 56). As support for the ID’s recommendation, the ALJ cites the Pennsylvania Public Utility Commission’s (“Commission”) Order in *Smart Meter Procurement and Installation*, Docket No. M-2009-2092655 (Final Order entered December 6, 2012) (“*Final Smart Meter Installation Order*”) and concludes as follows: “The Commission indicated that the costs of the Bill Ready functionality are related to customers who have smart meters, and Duquesne Light is correct to include this functionality in its SMP. . .” (ID at p. 56). The ID’s recommendation is consistent with the *Final Smart Meter Installation Order* in which the Commission directed electric distribution companies (“EDCs”) to include Bill Ready functionalities as part of their smart meter plans. Therein, the Commission stated: “it would be best to promote uniformity and

¹ Bill Ready is the billing process whereby an EDC provides the EGS with usage data and receives the total calculated EGSs’ charges and places those on the joint EDC/EGS bill to the customer. Rate Ready is the billing practice whereby the EDC receives the EGS’s rate and the EDC calculates the EGS charges to be included on the joint EDC/EGS bill to customers.

direct that all EDCs subject to the smart meter provisions propose Bill Ready and Dual Billing functionalities as part of their smart meter plans.” *Final Smart Meter Installation Order*, p. 10.

The OCA argues that the ALJ erred in recommending that the Commission allow Duquesne Light to recover Bill Ready costs through its SMC. In support of its position, the OCA states that “while the Commission required EDCs to include provisions for Bill Ready billing in their Smart Meter Plans, it does not necessarily follow that the costs of Bill Ready billing should or must be a smart meter cost, recoverable through the SMC.” (OCA Exec. at p. 3). The OCA’s conclusion is not logical. The Commission would not have ordered EDCs to include Bill Ready as part of their smart meter plans if it did not anticipate that EDCs could recover these costs, like all other costs associated with smart meter plans, through the SMC.

The Commission previously authorized Duquesne Light to recover costs associated with its smart meter plan through the SMC. *Petition of Duquesne Light Company for Approval of Smart Meter Technology Procurement and Installation Plan*, Docket No. M-2009-2123948 (Opinion and Order entered May 11, 2010) at p. 14. In compliance with the Commission’s *Final Smart Meter Installation Order*, Duquesne included Bill Ready functionality as part of its smart meter plan. Therefore, Duquesne is permitted to recover all smart meter plan costs, including Bill Ready costs, through its SMC. The OCA’s Exception should be denied because is not supported by the Commission’s directive that EDCs implement Bill Ready functionalities as part of their smart meter plans.

In its Exceptions, the OCA also claims that the ALJ erred in recommending that customers should pay for Bill Ready costs because it is “contrary to the position taken by the OCA” that Bill Ready costs should be recovered from EGSs. (OCA Exec., p. 1.) The fact that the ID is contrary to the OCA’s position is not grounds for overturning the ID’s recommendation

with respect to recovery of Bill Ready costs because the ID is consistent with Commission's directive in the *Final Smart Meter Installation Order*.

B. BILL READY FUNCTIONALITY ENABLES SMART METER CAPABILITIES.

In support of the ID's conclusion that Bill Ready costs should be recovered through the SMC, the ALJ explains that:

Bill Ready is a functionality that uses smart meter capability and was cited by the Commission in the *Final Implementation Order*. The Commission indicated that the costs of the Bill Ready functionality are related to customers who have smart meters. . . . The Bill Ready functionality will enable the suppliers to implement time of use (TOU) and other similar rates.

(ID at p. 56).

The OCA disagrees with the ALJ and the Commission regarding their classification of Bill Ready functionality. (OCA Exec. at p. 3). The OCA's position is inconsistent with the Commission's categorization of Bill Ready and smart meter capability. The Commission adopted a broad view of smart meter functionalities in its *Smart Meter Procurement and Installation Implementation Order*, Docket No. M-2009-2092655 (Order entered June 24, 2009) ("*Smart Meter Implementation Order*"). In its *Smart Meter Implementation Order*, the Commission stated:

The Commission recognizes that a fully functional smart meter involves more than just the meter hardware attached to the customer's premises. A fully functional smart meter that supports the capabilities required by Act 129 and as outlined below, involves an entire network, to include the meter, two-way communication, computer hardware and software, and trained support personnel.

Smart Meter Implementation Order at p. 6. The Commission further recognized in its *Final Smart Meter Installation Order* that Bill Ready facilitates TOU and Real Time ("RT") Pricing. "Bill Ready and Dual Billing capabilities present the best option for attaining TOU and RT pricing capabilities for EDCs covered by the smart meter mandate." *Final Smart Meter*

Installation Order, p. 10. Because Bill Ready costs are necessary for effectively implementing TOU and RT capabilities, Bill Ready costs should be recovered through the SMC. The OCA does not offer any basis to differentiate Bill Ready from other smart meter functionalities for purposes of recovery through the SMC. The OCA's Exception is contrary to the Commission's *Final Smart Meter Installation Order* and should be denied.

C. BILL READY CAPABILITY HAS THE POTENTIAL TO BENEFIT ALL CUSTOMERS.

The ID rejected the OCA's suggestion to recover Bill Ready costs from EGSs and concluded that it is "appropriate and reasonable to recover [Bill Ready] costs through the Smart Meter Charge because Bill Ready provides some benefit to customers." (ID at p. 56). Specifically, the OCA argues that EGSs are the primary beneficiaries of Bill Ready because Bill Ready will enable EGSs to "offer a greater range of products to attract more customers." (OCA Exec. at p. 2). The OCA disagrees with the ALJ that Bill Ready provides customer benefits. The ALJ cites several customer benefits in support of the ID's conclusion that Bill Ready costs are properly recovered from customers. As the ALJ points out, Bill Ready will allow suppliers to offer "competitive rates that may save customers money." Bill Ready facilitates TOU rates, a "functionality that may encourage customers to shop and to reduce consumption." (ID at p. 56). These customer benefits provide further support for recovering Bill Ready costs through the SMC.

The OCA attempts to discount the customer benefits of Bill Ready by indicating that not all of Duquesne Light's customers shop for their generation supply and not all customers who shop will take advantage of TOU rates. (OCA Exec. at pp. 3-4). According to the OCA, these customers receive no benefit from Bill Ready. (OCA Exec. at p. 4). The OCA's argument is without merit because Bill Ready provides customers with the choice to avail themselves of

TOU rate offerings at any time. Whether customers actually decide to shop or elect TOU rates is irrelevant because facilitating shopping provides alternatives to customers. For this reason, the Commission allows recovery of shopping-related costs from all customers. (Duquesne RB at p. 16).

The Commission recognized the importance of Bill Ready functionalities in the *Final Smart Meter Installation Order*. “Bill Ready and Dual Billing capabilities present the best option for attaining TOU and RT pricing capabilities for EDCs covered by the smart meter mandate.” *Final Smart Meter Installation Order* at p. 10. By directing EDCs to include Bill Ready functionalities in their smart meter plans, the Commission clearly viewed the customer benefits of Bill Ready as justifying the associated cost.

D. THERE IS NO REASONABLE MECHANISM IN PLACE TO RECOVER BILL READY COSTS FROM EGSS.

The OCA argues that Duquesne Light should recover Bill Ready costs from electric generation suppliers (“EGSs”). The OCA seemingly reaches this conclusion without considering *how* Duquesne Light would possibly recover Bill Ready costs from EGSs. In testimony, Company witness Mr. Pfrommer explained several obstacles to recovering these costs from EGSs:

... no mechanism to recover Bill Ready costs from EGSs exists. Attempting to recover Bill Ready costs from EGSs is a complex process that would need to address many issues. EGSs enter and exit the market creating uncertainty for recovery. Some EGSs may not want Bill Ready functionality for product offerings, and therefore, would not be willing to pay for Bill Ready costs. The same logic applies to EGSs who do not want consolidated billing and choose to do their own billing.

(Duquesne Light St. No. 3-R, p. 5.)

The OCA does not address these problems with attempting to recover Bill Ready costs from EGSs. Instead, for the first time in its Exception, the OCA introduces a proposal for recovering Bill Ready costs by incorporating them into the Technical Support and Assistance Charge in the Company's Supplier Tariff. The OCA does not elaborate as to how Duquesne Light could achieve cost recovery from EGSs through this surcharge. The OCA's cursory suggestion must be rejected because it is untimely and not part of the record in this proceeding.

Throughout this proceeding, the OCA did not introduce a single recommendation as to how Duquesne Light could recover Bill Ready costs from EGSs. OCA's attempt to introduce a recommendation at this late stage of the proceeding is inappropriate. If the OCA wished to introduce such a proposal, it should have done so in testimony. By waiting until the exception stage, the OCA has deprived Duquesne Light of adequate time to evaluate and respond to its proposal. The OCA has effectively waived this argument. See *Application of PPL Electric Utilities Corporation*, Docket No. A-2010-2152104, 2011 Pa. PUC LEXIS 1135 at n. 10 (Order entered March 18, 2011) (new evidence and arguments not previously submitted for the record cannot be considered when improperly introduced at the exceptions stage of a proceeding). Duquesne Light should not be required to develop a charge for recovery of Bill Ready costs, as the OCA suggests. Instead, the OCA should have proposed a charge.

E. THE OCA'S ARGUMENTS REGARDING OTHER EDCS' BILL READY FUNCTIONALITY ARE UNSUBSTANTIATED AND IRRELEVANT.

Finally, the OCA points out that it is not aware of other EDCs recovering Bill Ready costs through the SMC. Rather, according to the OCA, other EDCs recover these costs from customers through existing rates. (OCA Exec. at p. 4). The OCA claims that "all other major EDCs had [Bill Ready] capability in place at the time the Commission issued its Smart Meter

Final Order in December of 2012.” (OCA Exec. at p. 4). OCA’s argument should be denied for several reasons.

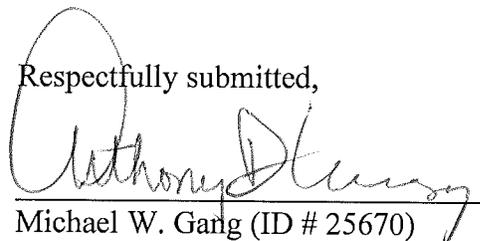
The OCA’s claim is entirely unsubstantiated. The OCA’s assertions regarding cost recovery by other EDCs should not be considered because they are not part of the record in this proceeding. The OCA cannot rely on facts that are not part of the record or attempt to introduce new evidence in support of its position at this late stage of the proceeding. See *Application of PPL Electric Utilities Corporation*, 2011 Pa. PUC LEXIS 1135 at n. 10.

The OCA’s claim is irrelevant. The OCA fails to mention that, while other EDCs had Bill Ready functionally in place, not all EDCs had Rate Ready in place before Act 129’s smart meter deployment requirement. PPL Electric Utilities Corporation (“PPL Electric”), for example, did not have Rate Ready in place before it implemented a smart meter plan. Following the Commission’s *Smart Meter Procurement and Installation Implementation Order* at Docket No. M-2009-2092655 (Order entered June 24, 2009), the Commission directed PPL Electric to implement Rate Ready in addition to Bill Ready. See *PPL Electric Utilities Corporation Retail Markets*, Docket No. M-2009-2104271 (Order entered August 11, 2009) at pp. 19-21. Thus, while other EDCs may have been recovering Bill Ready costs through existing rates, not all EDCs were recovering Rate Ready costs through existing rates. The fact that Duquesne Light implemented Rate Ready while others EDCs had in place Bill Ready, but not necessarily Rate Ready, provides no support for OCA’s argument that Bill Ready costs should not be recovered through the SMC.

III. CONCLUSION

WHEREFORE, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission deny the OCA's Exception and authorize Duquesne Light Company to recover Bill Ready costs through its Smart Meter Charge.

Respectfully submitted,



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Dated: December 8, 2016

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