

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Duquesne Light Company's Petition for
Approval to Modify its Smart Meter
Procurement and Installation Plan**

**Public Meeting held March 2, 2017
2497267-OSA
Docket No. P-2015-2497267**

STATEMENT OF CHAIRMAN GLADYS M. BROWN

Before the Commission is Duquesne Light Company's (Duquesne or the Company) Petition for Approval to Modify its Smart Meter Procurement and Installation Plan (Petition). Duquesne seeks three modifications.

First, the Company seeks authority to accelerate its deployment of smart meters from 9,500 per month to 12,500 per month, resulting in full deployment by December 31, 2018. This amendment is cost neutral since the increased annual meter costs will be offset by decreases in installation, management, and administration costs. Therefore, I support this modification.

Second, the Company proposes to implement "Bill Ready" billing functionality and recover associated costs of \$7 million in its Smart Meter Charge (SMC). Duquesne was directed to install a Bill Ready system in the Commission's 2009 Smart Meter Procurement and Installation Order.¹ In that Order the Commission did not direct a cost-benefit examination and we did not preclude recovery of Bill Ready implementation within the Smart Meter Charge. Therefore, I also support this modification.

The remaining proposed modification is one I wish to further discuss. Duquesne proposes to add an Advanced Distribution Management System (ADMS), consistent with Commission guidance in our Smart Meter Implementation Order (Implementation Order).² This system would offer two new functionalities. ADMS would provide the company with the ability to monitor voltage at the meter level. As well, ADMS it would provide the Company with the ability to more accurately monitor and respond to outages, otherwise known as an outage management system. The record in this proceeding indicates a total cost for ADMS of \$62 million over the next five years. The vast majority of these costs are associated with the outage management system.

The Company requests it be afforded rate recovery of these investments via its existing Smart Meter Charge (SMC). Duquesne posits that the benefits of these additional investments justify the ADMS project and recovery of its costs via the SMC.

It is important to note the record here indicates that other electric distribution companies (EDCs) in the state have invested in some form or fashion of outage management systems for which the costs were not recovered in a SMC. However, this precedent alone does not preclude a utility from recovering such costs in the SMC if the costs are proven to be cost-effective. The Commission's Implementation Order provided guidance on this, directing that EDCs must show

¹ Smart Meter Procurement and Installation Order entered December 6, 2012 at M-2009-2092655

² Smart Meter Implementation Order entered June 24, 2009 at M-2009-2092655

investments in technologies such as outage management systems and voltage optimization are cost-effective before recovering such costs in a SMC. The Order further states:

To the extent that an EDC or another party demonstrates that a particular Commission imposed requirement is not cost-effective, the Commission will have the option of waiving a particular requirement for that EDC or all EDCs.

A majority of the benefits which Duquesne asserts will accrue from the AMDS investment are projected. Specifically, Duquesne used two calculations to project customer savings from reduced outage times. A private consultant estimated annual customer savings of \$6 million per year using a proprietary formula and the U.S. Department of Energy's Interruption Cost Estimate (DOE-ICE) calculator estimated savings of \$4 million per year in 2023, increasing to \$6 million by 2039.

I believe it is vital that this Commission guide EDCs into the 21st century by supporting innovation and advancement in distribution system management. However, such support cannot be provided blindly. Regulatory proceedings must be evaluated considering appropriate customer protections, including cost prudence.

I submit the Commission does have the latitude to consider outage mitigation benefits proposed by a utility when such benefits are not otherwise restricted by statute. In this case there is no statutory restriction. However, the Commission must protect customers by analyzing the objectivity, transparency, and applicability of projected benefits. Doing so allows us to make a decision on the prudence of including these in any cost/benefit analyses. In this case, the benefits calculated by the private consultant are the result of a proprietary calculation. Therefore, this Commission has no means of evaluating the prudence of the results. As well, the inputs used in the DOE-ICE are based off surveys issued from 1989 – 2012 on utility customers who are not located in the mid-Atlantic or Northeast United States. For these reasons I believe it would be imprudent to include these savings projections in the cost/benefit analysis within this proceeding. Consequentially, the ADMS proposal appears to be non-cost-effective.

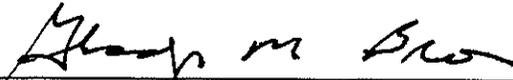
Duquesne presently operates an Outage Analytics System (OAS) which was designed in the late 1990s. Under the normal course of business electric distribution companies must update various components of their distribution grid and back-office support systems. This is essential to support utilities requirements to furnish and maintain adequate, efficient, safe, and reliable service. Look no further than Duquesne's current upgrade to its information technology systems, also called FOCUS, as an example. Much like Duquesne's information technology system, OAS will require an update at some point. In this proceeding the parties attempted to separate the costs of ADMS that would be incurred under the normal course of business and which costs were advancements under the provisions of Act 129 and the Commission's Implementation Order. However, the proceeding did not succeed in doing so, increasing the total proposed cost recovery figure, and therefore further supporting the determination of the Judge that the proposal is non-cost-effective. I concur with this result.

With this understood, I want to be clear that denial of cost recovery for the ADMS within the SMC should not be construed as a blanket rejection of Duquesne's potential investment in

this project. Rather, I encourage Duquesne to advance this project and propose recovery within a future base rate case. I also encourage the Company, if it so chooses to move forward, to analyze and record the benefits it is accruing to better justify the investment. Additionally, it may behoove the Company to consult with other utilities in the region that operate outage management systems to obtain more objective benefit projections. Last, I encourage Duquesne to do everything it can to mitigate the cost of any future ADMS investment so that it may more likely be determined cost-effective.

March 2, 2017

Date


Gladys M. Brown, Chairman