

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

EXCEPTIONS OF CITIZEN POWER, INC.

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: February 17, 2010

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I. INTRODUCTION

Citizen Power, Inc. (“Citizen Power”) respectfully submits these Exceptions in response to the Initial Decision of Administrative Law Judge Robert P. Meehan (“ALJ”) issued on January 28, 2010.

Under Act 129 of 2009 (“Act 129”), Duquesne Light Company (“DLC”) was required to develop a Smart Meter Technology Procurement and Installation Plan (“SMPI Plan”), which it filed on August 14, 2009. 66 Pa. C.S. § 2807(f)(2). DLC is allowed to recover reasonable and prudent costs to provide smart meter technology, less any operational and capital cost savings realized, through either base rates or a reconcilable automatic adjustment clause. 66 Pa. C.S. § 2807(f)(7). The SMPI Plan was filed pursuant to the Smart Meter Procurement and Installation Implementation Order (“Installation Order”), issued by the Pennsylvania Public Utility Commission (“Commission”) on June 24, 2009, at Docket M-2009-2092655.

Citizen Power filed a pre-hearing memorandum and participated in the October 7, 2009 pre-hearing conference before ALJ Meehan. A technical conference took place on October 27, 2009 before ALJ Louis G. Cocheres and the evidentiary hearing was held on November 17, 2009 before ALJ Meehan. On December 8, 2009, Citizen Power filed its Main Brief in this matter. Citizen Power’s Reply Brief was filed on December 22, 2009.

II. EXCEPTIONS

Exception No. 1. The ALJ erred in rejecting the The Office of Consumer Advocate’s (“OCA”) recommendation that the common costs of the SMPI Plan be allocated between the single-phase meter group and the multi-phase meter group based upon the arithmetic average of the percentage shares of each group’s energy at meter and each group’s contribution to Duquesne’s annual single coincident peak.

Initial Decision, pg. 19.
OCA Main Brief, pg. 36.
OCA Reply Brief, pp.

The question of how to allocate “common costs” was one of the most contentious in this proceeding. Duquesne proposed that the common costs be allocated to two groups, customers with single-phase meters and customers with poly-phase meters, based upon the number of meters in each group. Citizen Power supported the position of the OCA that the common costs should be allocated to the same two groups based upon customer’s energy usage and contribution to Duquesne’s annual single coincident peak. The Office of Small Business Advocate (“OSBA”) provided a third alternative, that the common costs be allocated in proportion to the meter costs directly allocated to each customer class. ALJ Meehan accepted OSBA’s alternative allocation proposal. However, in the Installation Order, the Commission stated “all measures associated with an EDC’s smart metering plan shall be financed by the customer class that receives benefit of such measures.” Installation Order at 32. The OSBA’s alternative allocation proposal does not provide that the financing of common costs is allocated to the customer class that is receiving the benefits of the common costs.

ALJ Meehan rejected OCA’s proposal because he believed that it was not based upon reasonable cost of service practices and because the determination of how customer classes would benefit from the SMPI Plan was theoretical and speculative. Initial Decision at 19. However, Citizen Power respectfully disagrees with this analysis.

The requirement that the financing of all measures associated with a smart meter plan must be undertaken by the customer class receiving the benefits of the measures is a constraint upon the type of cost recovery practice utilized. In our opinion, the requirement that reasonable cost of service practices be used is not the same as saying that typical cost of service practices are requisite. In fact, many reasonable cost of service practices, including the OSBA's proposal, are not appropriate because they do not allocate costs to the customer groups that benefit. In comparison, OCA's proposal allocates costs based on the factors that caused the costs to be incurred; the benefits resulting from the SMPI Plan. Though not a typically mechanical cost of service practice, OCA's proposal is reasonable because it is fundamentally anchored by the underlying basis for the costs. Furthermore, the benefits derived by the customer classes are not theoretical and speculative. The main tangible benefit of reduced electric consumption and lower demand for peak electric power is lower electricity prices. This benefit is clearly enjoyed more by those that use the most electricity overall and contribute the most to peak demand. For these reasons, Citizen Power respectfully requests that the Commission grant this Exception and adopt the OCA recommendation for common cost allocation.

III. CONCLUSION

Citizen Power respectfully requests that the Commission approve OCA's recommendation that the common costs of the SMPI Plan be allocated between the single-phase meter group and the multi-phase meter group based upon the arithmetic average of the percentage shares of each group's energy at meter and each group's contribution to Duquesne's

annual single coincident peak for the reasons set forth above and in Citizen Power's Main and Reply Briefs.

Respectfully Submitted,

By: /s/ Theodore S. Robinson

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

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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 17th day of February, 2010.

SERVICE BY E-MAIL and FIRST CLASS MAIL

Gary A Jack, Esquire
Kelly L. Geer, Esquire
Duquesne Light Company
16th Floor
411 Seventh Avenue
Pittsburgh, PA 15219
Counsel for: *Duquesne Light Company*

Pamela Polacek, Esquire
Shelby A. Linton-Keddie, Esquire
Barry A. Naum, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Counsel for: *Duquesne Industrial
Intervenors*

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

George Jugovic, Assistant Counsel
Commonwealth of Pennsylvania
Department of Environmental Protection
400 Waterfront Drive
Pittsburgh, PA 15222-4745
Counsel for: *Department of Environmental
Protection*

Scott Perry, Assistant Counsel
Aspassia V. Staevska, Assistant Counsel
Commonwealth of Pennsylvania
Department of Environmental Protection
RCSOB, 9th Floor
400 Market Street
Harrisburg, PA 17101-2301
Counsel for: *Department of Environmental Protection*

David T. Evrard, Assistant Consumer Advocate
Tanya J. McCloskey, Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Counsel for: *Office of Consumer Advocate*

Harry S. Geller, Esquire
John C. Gerhard, Esquire
Julie George, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101-1414
Counsel for: *Pennsylvania Association of Community Organizations for Reform Now*

Divesh Gupta
Constellation NewEnergy
111 Market Place
Suite 500
Baltimore, MD 21202
Counsel for: *Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc.*

Administrative Law Judge Robert P. Meehan
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

Christopher A. Lewis, Esquire
Christopher R. Sharp, Esquire
Melanie J. Tambolas, Esquire
Blank Rome LLP
One Logan Square
Philadelphia, PA 19103
Counsel for: *Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc.*

Charles Daniel Shields, Esquire
Adeolu A. Bakare, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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

