

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560 (in PA only)

IRWIN A. POPOWSKY  
Consumer Advocate

FAX (717) 783-7152  
consumer@paoca.org

July 27, 2011

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg PA 17105

RE: Petition of Duquesne Light Company for  
Approval of its Energy Efficiency and  
Conservation and Demand Response Plan  
**(Petition for Approval of Modifications to  
its Demand Response Programs)**  
Docket No. M-2009-2093217

Dear Secretary Chiavetta:

Enclosed for filing please find the Prehearing Memorandum of the Office of Consumer Advocate in the above-referenced proceeding.

The copies have been served upon all parties of record as shown on the attached Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Tanya J. McCloskey".

Tanya J. McCloskey  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 50044

Enclosure

cc: Honorable John H. Corbett, Jr.

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for :  
Approval of its Energy Efficiency and :  
Conservation and Demand Response Plan :           Docket No.   M-2009-2093217  
**(Petition for Approval of Modifications** :  
**to its Demand Response Programs)** :

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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**I. INTRODUCTION**

Act 129 of 2008 mandated the Commonwealth's major electric distribution companies (EDCs) to reach certain energy consumption and peak demand reduction targets by milestone dates in 2011 and 2013. Under the Act, EDCs are required to reduce electricity consumption by 1 percent as of May 31, 2011 and by 3 percent as of May 31, 2013. Also as of May 31, 2013, EDCs must reduce their annual peak system demand by 4.5% over the top 100 summer hours. Pursuant to the requirements of Act 129, Duquesne Light Company (Duquesne or Company) filed an Energy Efficiency and Conservation and Demand Response Plan (Plan) with the Public Utility Commission (Commission) on June 30, 2009. Duquesne's Plan was approved in part and rejected in part by the Commission's Order issued October 27, 2009. Thereafter, Duquesne submitted a revised Plan, which was approved by the Commission in an order entered February 17, 2010.

To meet the peak demand reduction targets specified in the Act, Duquesne included within its Plan three demand response programs, one designed for residential customers, one for

small and mid-sized commercial and industrial customers and one for large commercial and industrial customers. The programs designed for residential and small/mid-sized commercial and industrial customers were air conditioning cycling programs (A/C cycling) and the program aimed at large commercial and industrial customers was a curtailable load program.

On May 9, 2011, Duquesne filed a Petition with the Commission seeking approval of certain changes to the Demand Response (DR) component of its Plan. In particular, Duquesne proposed to eliminate the residential and small/mid-sized commercial and industrial air conditioning cycling programs because the Company had determined them to be not cost-effective. Instead, Duquesne proposed to shift the funds that would have been spent on the residential A/C cycling program (\$2,928,070) to other existing residential energy efficiency programs. The funds would not be immediately earmarked for particular energy efficiency programs but would be held in reserve until the Company determines the most prudent use of the funds for residential customers. Upon reaching such a determination, Duquesne would file with the Commission for approval to expend the funds in accordance with the Company's determination.

As to the funds that Duquesne would have spent on the small and mid-sized commercial and industrial A/C cycling program, the Company proposed to shift these funds to the large commercial and industrial load curtailment program, which the Company maintains has been shown to achieve very cost effective demand reductions.

As support for its proposal, Duquesne stated that the costs and effectiveness of the A/C cycling programs have deteriorated significantly since the Company first proposed them in 2009. Duquesne originally expected these programs to produce a demand reduction of 26.3 MW at cost

of approximately \$150,000 per MW. Its latest estimates are that the programs will produce only 5 MW of demand reduction at a cost of about \$780,000 per MW.

By contrast, Duquesne originally projected that its Large Commercial and Industrial load curtailment program would achieve 10.8 MW of demand reduction at a cost of approximately \$51,550 per MW. It now estimates that this program will achieve 40 MWs of demand reduction for the same investment, meaning that each MW of reduction can be achieved for roughly \$14,000 per MW. In addition, Duquesne maintained that by shifting the funds budgeted for the small and midsized commercial and industrial A/C cycling program to the Large C&I load curtailment program, it would be able to attain additional reductions of at least 20 MW by way of the Large C&I program. To accomplish this, Duquesne estimated that it may have to spend only \$300,000 of the amount transferred from the small and midsized C&I program.

Answers to Duquesne's Petition seeking DR modifications were filed by the OCA and by Duquesne Industrial Intervenors (DII). A Petition to Intervene that included concerns about Duquesne's proposal was filed by Comverge, Inc.

As indicated in its May 19, 2011 Answer in this proceeding, the OCA did not specifically oppose the modifications that Duquesne proposed. It did, however, express support for the use of residential load control programs as a means of meeting the demand reduction requirements of Act 129 and as a long-term means of realizing lower generation prices and greater reliability. While Act 129's peak demand reduction compliance date is May 31, 2013, the OCA noted that if the residential A/C cycling program was in fact implemented, the benefits of the program would extend well beyond 2013 and the economics of the program could very well change over time. The OCA noted that it would prefer not to see the complete abandonment of residential load control programs.

In its Answer, the OCA also called for stakeholder involvement regarding the disposition of the funds not spent on the residential load control program. Duquesne proposed to transfer the \$2.9 million in savings to the residential energy efficiency programs it operates under its Plan. However, Duquesne did not make a specific proposal as to the distribution of this money among its various residential energy efficiency programs or explain how these programs will help to achieve the Act 129 requirement. The OCA requested the Commission to direct Duquesne to consult with interested stakeholders prior to presenting any proposal for the reallocation of residential A/C cycling program funds to the Commission for approval and that such process continue to consider forms of residential direct load control programs.

By Order entered June 30, 2011, the Commission granted Comverge's Petition to Intervene and determined that Duquesne's proposed DR modifications may result in a Plan that does not meet the requirements of Act 129 and the Commission orders issued thereunder. The Commission found that the pleadings raised significant questions of fact that were not resolved by the record. Accordingly, the Commission referred the matter to the Office of Administrative Law Judge for expedited evidentiary hearings and a Recommended Decision.

## **II. ISSUES AND SUBISSUES**

The OCA has identified the following issues with regard to Duquesne's proposed modifications to the EE&C Plan:

- Are the proposed changes to the EE&C Plan reasonable and in accordance with the requirements of Act 129;
- Whether the proposal to completely eliminate the residential direct load control program is reasonable;

- If some or all of the expenditures on the residential direct load control program are eliminated, what is the most reasonable use of the available funds to supplement the residential component of the EE&C Plan;
- What process should Duquesne undertake with its stakeholders regarding the use of any available funds from scaling back or eliminating certain programs.

The OCA reserves the right to raise additional issues as discovery and testimony moves forward.

### **III. WITNESSES**

The OCA has not yet determined whether it will present a witness in this proceeding. If the decision to present a witness is made, the OCA will timely inform Your Honor and the other parties.

### **IV. SERVICE ON OCA**

The OCA will be represented in this matter by Assistant Consumer Advocate David T. Evrard and Senior Assistant Consumer Advocate Tanya J. McCloskey. Two copies of all documents should be served on the OCA as follows:

Tanya J. McCloskey  
Senior Assistant Consumer Advocate  
David T. Evrard  
Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut St., 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Fax: (717) 783-7152  
Email: [tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)  
[devrard@paoca.org](mailto:devrard@paoca.org)

As a courtesy, the OCA requests that all electronic correspondence also be copied to Jessica J. Horner ([jhorner@paoca.org](mailto:jhorner@paoca.org)).

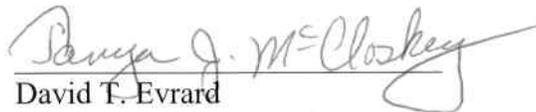
**V. SCHEDULE**

The OCA will work with the parties to arrive at a mutually acceptable procedural schedule.

**VI. SETTLEMENT**

The OCA is amenable to working with the other parties toward a settlement of this matter.

Respectfully Submitted,



David T. Evrard  
Assistant Consumer Advocate  
PA Attorney I.D. No. 33870  
E-mail: [DEvrard@paoca.org](mailto:DEvrard@paoca.org)

Tanya J. McCloskey  
PA Attorney I.D. No. 50077  
E-mail: [TMcCloskey@paoca.org](mailto:TMcCloskey@paoca.org)

Counsel for:  
Irwin A. Popowsky  
Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

DATE: July 27, 2011

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CERTIFICATE OF SERVICE

Petition of Duquesne Light Company for :  
Approval of its Energy Efficiency and :  
Conservation and Demand Response Plan : Docket No. M-2009-2093217  
**(Petition for Approval of Modifications** :  
**to its Demand Response Programs)** :

I hereby certify that I have this day served a true copy of the foregoing document, Prehearing Memorandum of the Office of Consumer Advocate, 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 listed below:

Dated this 27th day of July 2011.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles Daniel Shields, Esquire  
Adeolu Bakare, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120  
Counsel for: *Office of Trial Staff*

SERVICE BY E-MAIL and FIRST CLASS MAIL

Gary A. Jack  
Kelly L. Geer  
Assistant General Counsels  
Duquesne Light  
16<sup>th</sup> Floor  
411 Seventh Avenue  
Pittsburgh, PA 15219  
Counsel for: *Duquesne Light Company*

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*

Daniel Clearfield, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street - 8<sup>th</sup> Floor  
Harrisburg, PA 17108-1248  
Counsel for: *Direct Energy Business, LLC*

Pamela Polacek, Esquire  
Barry A. Naum, Esquire  
Patrick L. Gregory, Esquire  
McNees Wallace & Nurick, LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
Counsel for: *Duquesne Industrial Intervenors  
and ClearChoice Energy*

Kurt E. Klapkowski, Assistant Counsel  
Commonwealth of Pennsylvania  
Department of Environmental Protection  
RCSOB, 9<sup>th</sup> Floor  
400 Market Street  
Harrisburg, PA 17101-2301  
Counsel for: *Department of Environmental  
Protection*

Divesh Gupta, Esquire  
Senior Counsel  
100 Constellation Way, Suite 500C  
Baltimore MD 21202  
Counsel for: *Constellation Energy*

Charles E. Thomas, Jr., Esquire  
Thomas T. Niesen, Esquire  
Thomas, Long, Niesen & Kennard  
212 Locust Street  
P. O. Box 9500  
Harrisburg, PA 17108-9500  
Counsel for: *Equitable Gas Company*

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

Theodore J. Gallagher  
Senior Counsel  
NiSource Corporate Services Company  
501 Technology Drive  
Canonsburg, PA 15317  
Counsel for: *Columbia Gas of Pennsylvania,  
Inc.*

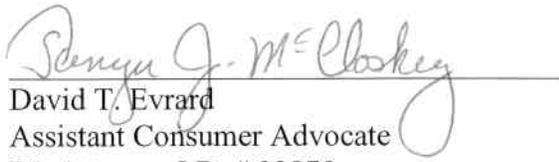
Daniel L. Frutchey  
Chief Regulatory Officer  
Equitable Distribution  
225 North Shore Drive  
Pittsburgh, PA 15212-5861  
Counsel for: *Equitable Gas Company*

Kevin J. McKeon, Esquire  
Tori L. Giesler, Esquire  
Hawke McKeon & Sniscak LLP  
P.O. Box 1778  
100 North Tenth Street  
Harrisburg, PA 17101  
Counsel for: *The Peoples Natural Gas  
Company d/b/a Dominion Peoples*

Scott H. DeBroff, Esquire  
Alicia R. Petersen, Esquire  
Rhoads & Sinon, LLP  
Twelfth Floor  
One south Market Square  
Harrisburg, PA 17108-1146  
Counsel for: *EnerNOC, Inc*

Carolyn Pengidore  
President/CEO  
Clear Choice Energy  
180 Fort Couch Road, Suite 265  
Pittsburgh, PA 15241  
For: *ClearChoice Energy*

Kenneth L. Mickens, Esquire  
Kenneth L. Mickens, Esquire LLC  
316 Yorkshire Drive  
Harrisburg, PA 17111-6933  
Counsel for: *Comverge Energy*



David T. Evrard  
Assistant Consumer Advocate  
PA Attorney I.D. # 33870  
E-Mail: DEvrard@paoca.org  
Tanya J. McCloskey  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 50044  
E-Mail: TMcCloskey@paoca.org

Counsel for  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

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