

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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July 23, 2012

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Petition of Duquesne Light Company for
Approval of its Smart Meter Technology
Procurement and Installation Plan
Docket No. M-2009-2123948
P-2012-

Dear Secretary Chiavetta:

Enclosed for filing is the Answer of the Office of Consumer Advocate, in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in black ink that reads "Tanya J. McCloskey".

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

Enclosures

cc: Office of Administrative Law Judge
Office of Special Assistants

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for	:	
Approval of its Smart Meter Technology	:	Docket Nos. P-2012-
Procurement and Installation Plan	:	M-2009-2123948

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

The Office of Consumer Advocate (OCA) files this Answer to the, “Petition of Duquesne Light Company for Approval of its Final Smart Meter Plan” (Petition). The Petition was filed with the Public Utility Commission (Commission) on June 29, 2012. The Petition seeks: (1) approval of Duquesne Light Company’s (Duquesne or Company) Final Smart Meter Plan (Final Plan) without modification; and (2) a finding that the Final Plan fully complies with Act 129¹ and the Commission’s Implementation Order of June 24, 2009.² Accompanying the Petition are the Final Plan itself, together with the testimony of three witnesses in support of the Final Plan: David Wolfe, Duquesne’s Director of Technology, William V. Pfrommer, Duquesne’s Manager, Rates and Tariff Services, and Peter Honebein of the Customer Performance Group, LLC.

I. BACKGROUND

Pursuant to the requirements of Act 129 and the Implementation Order, Duquesne filed its initial Smart Meter Technology Procurement and Installation Plan (Initial Plan) on

¹ Act 129 of 2008, codified in relevant part at 66 Pa.C.S. §2807(f).

² Smart Meter Procurement and Installation, Docket No. M-2009-2092655, Implementation Order entered June 24, 2009.

August 14, 2009. By Order entered May 11, 2010, the Commission approved the Initial Plan, with certain modifications. The Commission approved Duquesne's proposal to recover its Smart Meter costs through a reconcilable recovery mechanism and it decided certain specific elements of the cost recovery mechanism such as rate base valuation, capital structure and return on equity. The Commission also approved Duquesne's milestone and status reporting schedule as well as the Smart Meter Implementation schedule.

On July 1, 2010, Duquesne filed its Cost Benefit Analysis related to the nine additional (additional to those required by Act 129) Smart Meter capabilities identified in the Implementation Order. On December 29, 2010, Duquesne filed its Application for Approval of Assessment of Needs, Technology Solutions and Vendor Selection (Application). The Application was accompanied by a report in which the Company detailed its assessment of its Advanced Meter Infrastructure (AMI) technology requirements, potential solutions and its choice of technologies. Though the Application, Duquesne sought Commission approval for: (1) the procedure used to evaluate and select a primary AMI vendor; (2) the Assessment of Needs; (3) the technology solution chosen; (4) the selection of its primary AMI vendor; and (5) the updated costs for the entire Smart Meter project. On January 20, 2011, the OCA filed an Answer to the Application in which it stated that it did not object to Duquesne's Assessment as filed. A Final Order was not entered on the Application.

On January 31, 2011, the Company filed a Supplement to its Application in which it identified Itron, Inc. as its proposed primary contractor to design, construct, manage and implement Duquesne's Smart Meter program. On March 31, 2011, Duquesne filed with the Commission a document called Establishment of Network Designs for the Duquesne Smart Meter Program. This document described the study Duquesne undertook to examine the

technical aspects of all components of its Smart Meter communication network. In the study, Duquesne reviewed its existing communication infrastructure, the network and communication infrastructure necessary for the Smart Meter program, and the private and public communications networks available for use by Duquesne.

On October 6, 2011, the Company filed a document called Installation, Testing and Rollout of Support Equipment and Software Update. This document described the equipment testing the Company intended to carry out prior to deploying Smart Meters across its service territory. On November 2, 2011, the Company filed a document called Establishment of Plans for Installation of Meters and Outside Communications and Training, in which it provided an overview of its Smart Meter deployment plan, details of its Smart Meter Program schedule and milestones and a description of its Staff Training Plan.

On November 18, 2011, Duquesne filed a status update with respect to its Smart Meter Plan along with a request for a six month extension of time to file its Final Smart Meter Plan. The Company had originally proposed to file its Final Plan by December 31, 2011 and requested that it be permitted to defer its filing until June 30, 2012. On December 2, 2011, the OCA filed an Answer to Duquesne's request for extension of time indicating that it did not oppose the request. On December 13, 2011, the Commission issued a Secretarial Letter approving the Company's extension request.

Duquesne has now filed its Final Smart Meter Technology Procurement and Installation Plan. The OCA provides the following answer.

II. ANSWER

Duquesne's Final Plan and the accompanying Direct Testimony provides the following:

1. A description of the technical aspects of what it refers to as its AMI Project. This includes a description of Local Area Network and Wide Area Network technology that will be employed and a description of the Head-End Data Collection Engine that must be installed. Duquesne also provides information on the technical advantages of the new AMI system compared to its existing Automated Meter Reading (AMR) system.
2. A description of the Information Technology (IT) systems integration that must be accomplished to fully implement the AMI system. The Company describes four levels of integration that must be achieved.
3. A description of how Duquesne's AMI system will meet the Smart Meter capabilities required by Act 129 as well as the additional capabilities identified in the Commission's Implementation Order.
4. A description of the Company's Smart Meter deployment timeline. The Company will begin with a Smart Meter acceptance roll out of 5,000 meters in 2014. This will be followed by a ramp up to 90,000 meters deployed by the end of 2015. In the first quarter on 2016, Duquesne will begin full scale deployment of its Smart Meters at the rate of 9,000 meters per month. At this rate, the Company anticipates completing deployment by the end of 2020.
5. A high-level breakdown and explanation of the total Smart Meter Program costs incurred and anticipated through full deployment in 2020. The Company projects these costs to total \$238 million. Costs will be recovered through the Company's Smart Meter Charge which was approved by the Commission in its Order of May 11, 2010.
6. A description of the Company's Customer Education and Acceptance (CEA) Strategy. The core of this strategy is the use of what is described as a 90-60-30 day customer communication plan, referring to the number of days prior to installing Smart Meters in a particular area. The Final Plan details the type of communication that will occur with customers at each of those junctures.

The OCA is in the process of retaining experts to assist in its review of all aspects of Duquesne's Final Plan.

Based on its preliminary review of the Final Plan, the OCA has identified the following areas that require further review and analysis:

Compliance with Act 129 and the Commission Implementation Order: The OCA submits that a review of the Final Plan is necessary to determine whether the Final Plan complies with the requirements of Act 129, the Implementation Order, other applicable Commission Orders and the Public Utility Code;

Technology Selection and Implementation: The OCA intends to review the Company's selected technologies and meter functionalities to determine whether the technical elements of the Final Plan, including Duquesne's technology and functionality choices, vendor selections and IT integration activities represent prudent and cost-effective actions or plans of action for which recovery of costs from customers is warranted;

Total Costs and Cost Recovery: Duquesne's projected costs and its cost recovery proposals should be analyzed to assess whether Duquesne's anticipated total project cost of \$238 million represents a just and reasonable sum to be recovered from customers;

Privacy of Customer Information: Duquesne's Plan will need to be evaluated to determine whether appropriate systems and protocols are in place to protect the privacy of customer information obtained by Duquesne through the smart meters;

Security of the Smart Meter Systems: The OCA submits that Duquesne's Plan should be reviewed to assure that adequate protocols and measures are in place to provide necessary security;

Customer Education: The OCA submits that Duquesne's proposed Customer Education and Acceptance Strategy needs to be reviewed to ensure that it is a reasonable, practical and efficacious method of educating customers about Smart Meters and gaining customer acceptance.

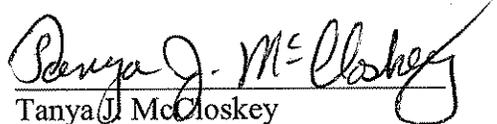
As noted, these areas of focus are based on the OCA's preliminary review. As the OCA's review of the Final Plan proceeds, additional areas of inquiry may arise.

The OCA submits that the Commission should refer Duquesne's Petition to the Office of Administrative Law Judge for the purpose of holding evidentiary hearings to address all issues presented by Duquesne's Petition.

III. CONCLUSION

The OCA respectfully submits that Duquesne Light Company's Final Smart Meter Technology Procurement and Installation Plan requires further review. The OCA requests that Duquesne's filing be referred to the Office of Administrative Law Judge for further proceedings.

Respectfully Submitted,


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Dated: July 23, 2012
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CERTIFICATE OF SERVICE

Petition of Duquesne Light Company for :
Approval of its Smart Meter Technology : Docket No. M-2009-2123948
Procurement and Installation Plan : P-2012-

I hereby certify that I have this day served a true copy of the foregoing document, the Answer 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 23rd day of July 2012.

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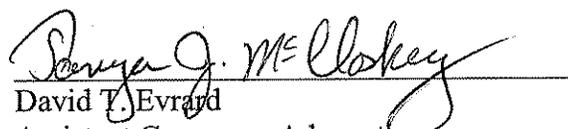
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