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File #: 2267/141701

December 7, 2012

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 of Its Final Smart Meter
Procurement and Installation Plan
Docket No. M-2009-2123948**

Dear Secretary Chiavetta:

Enclosed please find the Petition for Approval of Settlement for 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

CERTIFICATE OF SERVICE

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

VIA E-MAIL AND FIRST CLASS MAIL

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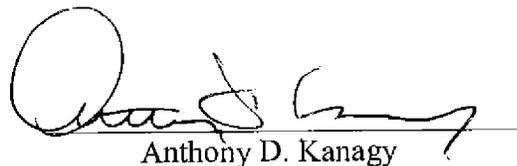
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Date: December 7, 2012


Anthony D. Kanagy

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
For Approval of Its Final Smart Meter : Docket No. M-2009-2123948
Procurement And Installation Plan :

JOINT PETITION FOR APPROVAL OF FULL SETTLEMENT OF ALL ISSUES

To The Honorable Katrina L. Dunderdale, Administrative Law Judge:

Duquesne Light Company (“Duquesne Light” or “Company”) and the Office of Consumer Advocate (“OCA”), (collectively the “Joint Petitioners”) by their counsel, submit this Joint Petition for Full Settlement of All Issues of the Company’s Final Smart Meter Procurement and Installation Plan (“Final Smart Meter Plan”) and request that Administrative Law Judge Katrina L. Dunderdale (the “ALJ”) approve the full settlement without modification as set forth in this petition and recommend that the Pennsylvania Public Utility Commission (“Commission”) adopt this full settlement without modification. All active parties in this proceeding either support or do not oppose this settlement. The Office of Small Business Advocate (“OSBA”), Duquesne Industrial Intervenors (“DII”) and Citizen Power, Inc. (“Citizen Power”) have all indicated that they do not oppose the settlement as further evidenced by letters of non-opposition which are provided as Appendices C through E hereto. In addition, Duquesne Light has served copies of this settlement on the non-active parties in this proceeding, including counsel for the Bureau of Investigation and Enforcement (“I&E”), the Department of Environmental Protection (“DEP”), Constellation NewEnergy Inc. (“Constellation”), ACORN

and Enernoc, Inc. (“Enernoc”). None of these parties have advised Duquesne Light that they oppose the settlement.

In support of this settlement, the Joint Petitioners state the following:

I. BACKGROUND

1. On November 14, 2008, Act 129 of 2008, P.L. 1592 (“Act 129”) became effective. Act 129 required Electric Distribution Companies (“EDCs”) to implement multiple programs to promote energy efficiency and conservation by electric customers. In addition, Act 129 required EDCs to file smart meter plans within 9 months after the effective date of the Act.

2. On June 24, 2009, the Commission issued its Smart Meter Implementation Order. *Smart Meter Procurement and Installation*, Docket No. M-2009-2092655, *Implementation Order* entered June 24, 2009 (“*Implementation Order*”). In the *Implementation Order*, the Commission established the standards that EDCs must meet for providing smart meter technology to customers and also provided guidance for meeting those standards.

3. On August 14, 2009, Duquesne Light filed its Initial Smart Meter Procurement and Installation Plan (“Initial Smart Meter Plan”) with the Commission. On May 11, 2010, the Commission entered an Order approving Duquesne Light’s Initial Smart Meter Plan, with certain modifications. In summary, the Commission approved Duquesne Light’s proposal to recover its smart meter costs through a reconcilable cost recovery mechanism, and set forth the details of how this mechanism would work.

4. Pursuant to the May 11, 2010 Order, the Company was required to file certain periodic updates with the Commission detailing its smart meter implementation status. Among others,¹ the Company made three filings requesting various Commission approvals.

5. Specifically, on July 1, 2010, the Company filed a Cost Benefit Analysis for the additional smart meter capabilities identified in the Implementation Order. Therein, the Company provided a detailed evaluation of the costs to implement each of the nine additional smart meter capabilities identified in the Implementation Order and the Company's recommendations regarding whether it should be required to implement these additional capabilities.

6. On December 29, 2010, Duquesne Light filed its Application for Approval of Assessment of Needs, Technology Solutions and Vendor Selection ("Assessment Application"). In the Assessment Application, the Company provided a detailed assessment of its Advanced Meter Infrastructure ("AMI") technology requirements, possible solutions and selection of technologies and vendors. The Company further requested that the Commission issue an order approving: (1) the procedure used to evaluate and select a primary AMI vendor, (2) the Company's Assessment of Needs, (3) the technology selection of RF mesh and associated findings, (4) the selection of the Company's primary AMI vendor, (5) updated cost projections for the entire Smart Meter Project and deployment, and (6) any other approvals that the Commission deemed to be necessary.

7. On January 31, 2011, the Company filed a Supplement to its Assessment Application also requesting Commission approval of the initial Assessment Application and Supplement. In the Supplement, Duquesne Light identified Itron, Inc. ("Itron") as its

¹ A complete description of the various status filings was included in the Company's Petition for Approval of its Final Smart Meter Plan, filed on June 29, 2012.

recommended primary contractor to design, construct, implement and oversee the Company's Smart Meter program.

8. On November 18, 2011, the Company filed a status update with respect to its Smart Meter Plan and further requested a six month extension, from December 31, 2011 to June 30, 2012, to file the Company's Final Smart Meter Plan. With respect to the status update, the Company provided a summary of the work that it had done in the previous 18 months.

9. On December 13, 2011, the Commission issued a Secretarial Letter granting the Company's request for an extension, until June 30, 2012, to file its Final Smart Meter Plan.

10. On June 29, 2012, Duquesne Light timely filed its Petition for Approval of its Final Smart Meter Plan, together with the direct testimony of David Wolfe (Duquesne Light St. No. 1) which included Exhibit A- the Final Smart Meter Plan, and the direct testimony of William Pfrommer (Duquesne Light St. No. 2) and Peter Honebein (Duquesne Light St. No. 3).

11. Duquesne Light's Final Smart Meter Plan sets forth a summary of changes required to implement Act 129's smart meter requirements, a description of how the Company selected its Advanced Meter Infrastructure ("AMI") Vendor and Technology, a description of the Company's proposed AMI deployment plan, a description of the smart meter capabilities, a description of the Company's estimated smart meter costs, details regarding post grace period deployment for new construction and customer requests and a description of the Company's customer education and outreach efforts.

12. On July 23, 2012, the OCA and Citizen Power filed Answers to the Final Smart Meter Petition. No other party filed an answer.

13. By Secretarial Letter issued August 17, 2012, the Commission notified the parties that the matter had been referred to the OALJ for further proceedings. On August 31, 2012, a Notice of Prehearing Conference was issued scheduling the conference for September 17, 2012.

14. Following the September 17, 2012 Prehearing Conference, a Prehearing Order was issued which established the parties of record,² and set forth the following litigation schedule:

Direct testimony of parties other than Duquesne	October 9, 2012
Rebuttal testimony	October 26, 2012
Surrebuttal testimony	November 8, 2012
Written rejoinder (by 12:00 p.m.)	November 13, 2012
Hearings	November 15-16, 2012
Main Briefs	December 7, 2012
Reply Briefs	December 21, 2012

15. The parties adhered to the established litigation schedule. However, on November 9, 2012, the Company filed a Motion for Continuance of the hearing date to resolve a new issues and further pursue settlement, which was unopposed by the active parties. The Motion was granted in part, and the November 15, 2012 hearing date was converted to a further Prehearing Conference.

16. Duquesne Light Company, OCA, DII, and Citizen Power were represented at the November 15, 2012 conference. At the November 15, 2012 further prehearing conference, counsel advised the ALJ that the parties were close to a full settlement of all issues. The ALJ gave the parties additional time to negotiate, and the parties were able to reach a settlement in principle of all issues.

² In addition to the parties that represented at the September 17, 2012 Prehearing conference, the Prehearing Order also provided that the Department of Environmental Protection, Enernoc, ACORN, and Constellation NewEnergy, Inc are parties in this proceeding.

17. In addition, Duquesne Light and the OCA placed their respective testimony and exhibits into the record at the November 15, 2012 conference.³ Duquesne Light's testimony and exhibits included Exhibit A – Duquesne Light Petition, Statement No.1 – Direct testimony of David Wolfe with Exhibit 1 – Final Smart Meter Plan including Appendices A-H, Statement No. 2 – Direct testimony of William Pfrommer, including Appendix A, Statement No. 3 – Direct Testimony of Peter Honebein, including Exhibit A, Statement No. 1-R, Rebuttal testimony of David Wolfe, including Exhibit DW 1-R, Statement No.3-R – Rebuttal testimony of Peter Honebein, including Exhibits PH 1-R – PH 4-R, Statement No. 1-RJ – Rejoinder testimony of David Wolfe, including Exhibit DW-1RJ, and Statement No. 3-RJ – Rejoinder testimony of Peter Honebein. The OCA testimony included OCA Statement No. 1, Direct Testimony of Christina R. Mudd (with Exhibits CRM-1 and CRM-2); OCA Statement No. 2, Direct Testimony of Nancy Brockway; OCA Statement No. 1-S, Surrebuttal Testimony of Christina R. Mudd; and OCA Statement No. 2-S, Surrebuttal Testimony of Nancy Brockway (with Exhibit NB-S-1).

18. The Joint Petitioners have been able to agree to a Settlement that resolves all issues in this proceeding. The Joint Petitioners are in full agreement that the Settlement is in the best interests of Duquesne Light, the Joint Petitioners and the Company's customers. The Settlement is set forth in the following section.

II. SETTLEMENT TERMS AND CONDITIONS

19. Duquesne Light's Final Smart Meter Plan is approved with the following clarifications and/or revisions.

a. Customer Education and Research Metrics

³ Duquesne Light and the OCA were the only parties that submitted testimony in this proceeding.

20. Within 60 days from the final order in this proceeding, the Company shall arrange to meet with the OCA and interested parties to obtain input on a plan to research the actual experiences of low-income customers to determine how such customers may be able to use smart meter technology to reduce their energy bills and to incorporate information regarding such customers into the Company's Customer Acceptance and Education Plan performance metrics. The Company also agrees to meet with OCA and interested parties to obtain input to research the actual experiences of low use (base load usage below 500 kWh), medically needy (customers with Chapter 56 medical certifications at the time a smart meter is installed) and other vulnerable customers to the extent such customers can be reasonably identified, and as agreed to between the Company and OCA, provided that the Company will not be required to research other vulnerable customers if such agreement cannot be reached. The meeting(s) will establish a review and reporting process and a timeline for deliverables. The timeline in the plan will align with scheduled smart meter deployment estimated to begin in the fourth quarter of 2014. With regard to researching the experiences of customers described above, the parties may consider the Company's gathering and sharing with interested parties' non-confidential information regarding such customers' load shapes and usage characteristics as a means of informing the design of potential programs to enable such customers to benefit from smart meter technology.

21. The Company will propose any potential customer education measures for Time-of-Use ("TOU") rates when it files for Commission approval of a TOU program under Act 129. The Company will seek Commission approval of such measures in conjunction with such TOU program. All Parties to this Settlement reserve their rights to contest the Company's proposed allocation of customer education costs in that filing.

b. Reasonable and Adequate Service

22. Duquesne Light shall comply with all provisions of Chapter 14 of the Pennsylvania Public Utility Code (66 Pa.C.S. Chp. 14) and Chapter 56 of the Commission's regulations (52 Pa.Code Chp. 56) with respect to the application of remote connect and disconnect. Specifically, Duquesne Light will:

- a) Send an appropriately trained representative to the customer premise before any termination is scheduled to occur. The representative will use reasonable efforts to make personal contact with a responsible adult occupant of the premise prior to the termination.
- b) Where personal contact is not made prior termination, the representative shall leave conspicuously at the residence a notice informing the customer that utility service is being disconnected and how the customer can effect reconnection. The notice shall include the number of a hotline where low-income and vulnerable customers can receive information on all Duquesne Light Universal Service and Energy Conservation programs and related payment information.
- c) Service shall not be terminated if the customer can show confirmation of payment through either authorized agent or automated payment systems. The representative shall be fully trained to direct low income and vulnerable customers to a hotline where they can receive information on all Duquesne Light's Universal Service and Energy Conservation program and related payment information.
- d) On or before October 1, 2016, Duquesne Light shall make a tariff filing with the Commission to reduce its restoration fee for reconnection where the remote feature is used.

23. Duquesne will investigate alternatives for Voltage Monitoring functionality if the capability doesn't exist within the Oracle software solution by 2016.

c. Privacy and Security

24. During the first quarter of 2013, the Company shall hire a third party consultant to assist the Company in developing a privacy policy for customers' smart meter data. The development of said policy shall be carried out in consultation with interested stakeholders and shall be the subject of at least semiannual meetings with stakeholders during the development of the privacy policy. The third party consultant will be asked to report on the range of practices of other U.S. EDCs with respect to privacy policies for smart meter data. The allowed cost for this study shall not exceed \$40,000.

25. Duquesne will conduct a vulnerability assessment across the entire Advanced Metering Infrastructure (AMI) solution including penetration testing at the meter to validate the cyber security of its AMI system.

d. Miscellaneous Issues

26. Duquesne will adopt the "Green Button Initiative" in providing consumption data to customers. This standardized data format will enable customers to utilize smart phone applications developed by third parties.

27. The Company shall be permitted to recover any additional costs associated with implementing the terms and conditions of this Settlement through its SMC, except as limited herein.

28. The Joint Petitioners aver that the petitions and applications at Docket No. M-2009-2123948 that preceded the Company's Final Smart Meter Plan has been incorporated therein, as modified by the Final Smart Meter Plan, and all issues associated with those filings

have been fully resolved by the instant Settlement. The Joint Petitioners further aver that no further action is required on the petitions and applications that preceded the Final Smart Meter Plan.

D. THIS SETTLEMENT IS IN THE PUBLIC INTEREST

29. Pursuant to 52 Pa. Code § 5.231, it is the Commission's policy to encourage settlements. However, the Commission must first determine that the settlement is in the public interest. *See Pa. P.U.C v. York Water Co.*, Docket No. R-00049165 (Order entered Oct 4, 2004). Approval of this Settlement is in the public interest because it provides for: 1) additional customer education regarding smart meter technology and deployment and ensures stakeholder input on these issues, and 2) the protection of customer data and the security of the distribution system. Finally, the Settlement reduces administrative burden on the parties and Commission by avoiding the expense and uncertainty attended with a fully litigated proceeding and administrative adjudication.

30. Along with this Petition, the Joint Petitioners each submit statements in support of this Settlement as Appendices A and B. Therein, each of the Joint Petitioners provides a basis for finding that this Settlement is just, reasonable and in the best interest of the public.

IV. ADDITIONAL TERMS AND CONDITIONS

31. The Settlement is conditioned upon Commission approval of all terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may withdraw from this Settlement and may proceed with litigation and, in such event, this entire Settlement shall be void and of no effect. The Settlement may be withdrawn upon written notice to the Commission and all parties 5 days from the date of the entry of the Commission Order denying or modifying the Settlement.

32. Commission approval of this Settlement shall not be interpreted as approval of any Joint Petitioner's position on any issues, except as necessary to effectuate the terms of this Settlement. Accordingly, this Settlement shall not constitute or be cited as precedent in any other proceeding, except to the extent required enforce the terms and conditions herein.

33. This Settlement is the result of compromise and does not necessarily reflect the Parties position with respect to any issues raised in this proceeding. This Settlement is being presented in an effort to resolve the proceeding in a manner which is fair and reasonable. Accordingly, the Settlement is presented without prejudice to any position which any of the parties may have advanced, and without prejudice to the position any of the parties may advance in the future on the merits of the issues resolved herein, if fully litigated.

34. A copy of the Settlement will be served upon all parties in this proceeding.

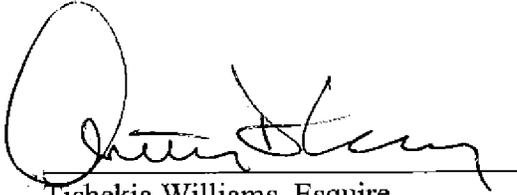
35. If the ALJ adopts this Settlement without modification in her Recommended Decision, the Parties waive their rights to file exceptions.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request:

1. That ALJ Dunderdale and the Commission approve the Company's Final Smart Meter Plan including all the terms and conditions embodied in this Joint Petition for Settlement.

2. That the Commission find this Settlement to be just and reasonable and therefore in the public interest.

Respectfully Submitted,

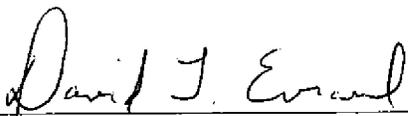


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Date: 12/7/12

Counsel for the Office of Consumer Advocate

Appendix A

exchanging proposals and counter proposals, which resulted in this Settlement. The Company believes that the Settlement is in the public interest and should be approved without modification.

I. Introduction

Duquesne Light is a public utility as that term is defined under Section 102 of the Public Utility Code, 66 Pa. C.S. § 102, certificated by the Commission to provide electric service in the City of Pittsburgh and in Allegheny and Beaver Counties in Pennsylvania. Duquesne Light is also an electric distribution company (“EDC”) and a default service provider as those terms is defined under Section 2803 of the Public Utility Code. 66 Pa. C.S. § 2803. Duquesne Light provides electric distribution service to approximately 579,000 customers.

Pursuant to Act 129 of 2008 (Act 129) and various Commission orders, on August 14, 2009, Duquesne Light filed its Initial Smart Meter Procurement and Installation Plan (“Initial Smart Meter Plan”) with the Commission. On May 11, 2010, the Commission entered an Order approving Duquesne Light’s Initial Smart Meter Plan, with certain modifications. Pursuant to the May 11, 2010 Order, the Company was required to make periodic milestone filings.

II. The Final Smart Meter Plan

Following several milestone filings, on June 29, 2012, Duquesne Light filed its Petition for Approval of its Final Smart Meter Procurement and Installation Plan (“Final Smart Meter Plan”) with the Commission at docket number M-2009-2123948. Duquesne Light’s Final Smart Meter Plan is based upon the extensive assessment that the Company conducted and the input it has received from Commission staff and interested parties. Duquesne Light’s Final Smart Meter Plan will meet all of the requirements of Act 129, the additional requirements set forth in the Implementation Order and provide smart meter technology to customers in a cost-effective manner.

As detailed in the Final Smart Meter Plan, Duquesne Light's Smart Meter Plan has two primary components: the Focus Project and the Advanced Metering Infrastructure ("AMI") Project. Under the Focus Project, the Company is replacing its customer information system with a Customer Care and Billing ("CC&B") system and is implementing a new Meter Data Management ("MDM") system. The upgrade of these Information Technology systems is necessary in order for Duquesne Light to provide smart meter technology to customers. The Company proposes to install Itron Smart Meters for all customers. The Itron Smart Meters will be connected by a Local Area Network ("LAN") that collects data from the meters and transmits it through a Wide Area Network ("WAN") to a Head End Data Collection Engine. These four components constitute the AMI system. Additional details regarding these four components are provided on pages 13-15 of the Company's Final Smart Meter Plan. Exhibit 1 to Duquesne Light St. No. 1.

Duquesne Light's AMI system will provide a technology architecture that enables the six minimum capabilities of Act 129 and the nine additional capabilities identified by the Commission in its Smart Meter Implementation Order. *Smart Meter Procurement and Installation*, Docket No. M-2009-2092655, Implementation Order entered June 24, 2009.

The six minimum capabilities required by the Commission's Implementation Order are: (1) bidirectional data communication, (2) recording usage on at least an hourly basis once per day, (3) providing customers with direct access to and use of price and consumption information, (4) providing customers with information on their hourly consumption, (5) enabling TOU rates and RT price programs, and (6) supporting the automatic control of customer's electric consumption. Implementation Order, pp. 29-30. The Company has provided a detailed description of how its Final Smart Meter Plan will meet the 6 minimum capabilities required by

the Implementation Order on pages 26-28 of its Plan. No party in this proceeding has raised any issues regarding whether Duquesne Light's Final Smart Meter Plan will meet the six minimum Act 129 capabilities set forth in the Implementation Order.

The Commission's Implementation Order also sets forth 9 additional capabilities that are not required by Act 129, but EDCs are required to evaluate whether these additional capabilities are cost effective. Implementation Order, pp. 30-31. These additional nine capabilities are: (1) Ability to remotely disconnect and reconnect, (2) Ability to provide 15-minute or shorter interval data to customers, EGSs, third-parties and an RTO on a daily basis, consistent with the data availability, transfer and security standards adopted by the RTO, (3) On-board meter storage of meter data that complies with nationally recognized non-proprietary standards such as ANSI C12.19 and C12.22 tables, (4) Open standards and protocols that comply with nationally recognized non-proprietary standards, such as IEEE 802.15.4, (5) Ability to upgrade these minimum capabilities as technology advances and becomes economically feasible, (6) Ability to monitor voltage at each meter and report data in a manner that allows an EDC to react to the information, (7) Ability to remotely reprogram the meter, (8) Ability to communicate outages and restorations, and (9) Ability to support net metering of customer-generators.

Implementation Order, p. 30.

As explained by the Company's witness, Mr. Wolfe, the Company proposes to implement all of the nine additional capabilities set forth in the Implementation Order in some capacity. Duquesne Light St. No. 1, p. 13. A description of how the Company intends to meet the 9 additional capabilities is set forth on pages 28-32 of the Final Smart Meter Plan. Many of the additional smart meter capabilities can be implemented with little or no additional costs to customers, including capabilities 3, 4, 5, 7 and 9. For the other additional capabilities, Duquesne

Light evaluated costs and benefits and has proposed to implement each of the capabilities in a cost-effective manner to avoid imposing unnecessary costs on customers for technology that may be unnecessary at the present time or duplicative of functionality provided by the Company to customers through other systems. These functionalities and Duquesne Light's approach for adopting these functionalities are described in more detail below.

Duquesne Light is proposing to fully adopt the remote connect and disconnect for availability. Exhibit 1, p. 28. This capability is available for single-phase meters having 240 volt service with a rating of 200 amps or less. The Company estimates that the additional cost to implement this functionality on a system-wide basis is approximately \$17.5 million. Final Smart Meter Plan, p. 28. However, there are many benefits to implementing the remote connect/disconnect functionality, including improved safety, operational efficiency, revenue collection, employee efficiencies and improved customer experience. Final Smart Meter Plan, p. 28. In addition, Duquesne Light notes that other EDCs, including PECO Energy Company, are implementing the remote connect/disconnect functionality.

With regard to 15-minute or shorter interval data, the Company explained that its meters are capable of recording data at 15-minute intervals, but that bandwidth and storage capacity would need to be expanded at an incremental cost to accommodate interval reads that are more frequent than hourly. Therefore, the Company proposed to expand this capability in the future if later applications require more frequent interval data. Final Smart Meter Plan, p. 29.

With regard to monitoring voltage, Duquesne Light's AMI system will provide the capability to monitor voltage at each meter. Final Smart Meter Plan, p. 30. However, Duquesne Light explained that an additional interface would need to be developed to further implement this capability and incremental cost information was not available at this time. Duquesne Light also

stated that it intends to implement the voltage monitoring capability, as a supplement to existing power quality systems, once the necessary software becomes available.

With regard to the ability to communicate outages and restorations, Duquesne Light is taking a cost-conscious approach for this functionality. In order to fully implement this functionality, the Company would need to replace its current Outage Management System (“OMS”) and develop a distribution system electrical model. Duquesne Light explained that the costs of these actions were not justified at this time. Therefore, the Company plans to implement this capability on a limited basis to supplement its existing system. Final Smart Meter Plan, p. 32. The Company believes that this is a cost-effective manner to implement this capability.

No party in this proceeding has disagreed with the Company’s approach for implementing the capabilities set forth under the Commission’s Implementation Order. Duquesne Light believes that it has adopted a reasonable, cost-effective approach to provide these capabilities to customers.

As further explained in the Final Smart Meter Plan, the Company proposes to deploy Smart Meters over a seven-year period. This includes a two-year ramp up period to allow time for the Company to test its AMI system, followed by a deployment schedule of 9,000 meters per month, with full deployment of smart meters across the Company’s service territory by 2020, three years ahead of the statutory time period under Act 129. Final Smart Meter Plan, pp. 32-35. The deployment schedule includes phased-in meter functionalities from 2013-2017. The phase-in approach will allow the market for many of the advanced smart meter capabilities to become more mature over time. Duquesne Light notes that under its proposed implementation schedule, it will provide smart meter technology to all customers well in advance of the 15-year deployment schedule provided under Act 129.

The total estimated cost of the Final Smart Meter Program is approximately \$238 million. Duquesne Light has proposed to recover all smart meter costs through its existing Commission approved reconcilable Smart Meter Charge (“SMC”). Final Smart Meter Plan, pp. 37-39. No party has objected to this methodology.

Additionally, recognizing that the success of the smart meter deployment is dependent upon customer participation, Duquesne Light proposed a comprehensive Customer Education and Acceptance (“CEA”) strategy to educate customers, stakeholder groups and employees about the Company’s Smart Meter Program and its benefits. Final Smart Meter Plan, pp. 40-45.

The Joint Petitioners have requested that the Commission approve the Final Smart Meter Plan as filed on June 29, 2012, with the modifications and clarification contained in the Settlement.

III. Terms of the Settlement

The Settlement generally provides that the Company’s Final Smart Meter Plan is approved, except for certain modifications and clarifications set forth therein. The Company notes that parties had relatively few issues with the Company’s proposed Final Smart Meter Plan. The Company believes that parties had relatively few issues with the Company’s plan due to the extensive work that the Company performed prior to filing its Plan in order to develop a detailed, reasonable plan that fully complies with Act 129, the Commission’s Implementation Order and provides smart meter technology to customers at a reasonable cost.

a. Customer Education and Research Metrics

As explained above, the Company’s Final Smart Meter Plan includes a comprehensive Customer Education and Acceptance Plan (“CEA Plan”) designed to minimize potential customer backlash to smart meter technology and maximize customer’s use of smart meter technology. See Duquesne Light St. No. 3, Final Smart Meter plan, pp. 40-45.

In testimony, the OCA raised several issues with Duquesne Light's CEA Plan, primarily related to outreach to low-income and other vulnerable customers. OCA St. No. 2, p. 3. In response to OCA's concerns, the Company agrees to meet with the OCA and other interested parties to conduct research designed to enable the Company to potentially develop products and services specifically targeted to low-income and medically needy customers so that they may use smart meter technology to reduce their energy consumption. The Company will gather non-confidential data to research the actual experiences of low use (base load usage below 500 kWh), and medically needy customers (customers with Chapter 56 medical certifications at the time a smart meter is installed). The Company will also engage in discussions with interested parties to consider researching data on other vulnerable customers, such as elderly customers, to enable these customers to benefit from smart meter technology to the extent that they may be reasonable identified, and as agreed upon by the Company and OCA. These modifications to the Plan ensure that vulnerable customers that share in the cost of smart meter technology have a full opportunity to share in the potential benefits.

The OCA also raised issues regarding educating customers about TOU rates. OCA St. No. 2, pp. 10-11. In rebuttal testimony, the Company explained that it was premature to adopt specific TOU education proposals at this time and that it was more appropriate to address these issues when the Company files for approval of a TOU or RTP program. Duquesne Light St. No. 3-R, pp. 10-11. The Settlement adopts Duquesne Light's position. Under the Settlement the Company will propose any potential customer education measures for TOU rates when it files for Commission approval of a TOU program under Act 129.

b. Reasonable and Adequate Service

In testimony, the OCA expressed concerns about customer service when using remote disconnect capabilities. OCA St. No. 1, p. 14. In response to OCA's concerns, the Settlement

confirms that the Company will continue to comply with all provisions of Chapter 14 of the Pennsylvania Public Utility Code (66 Pa.Cs. Chp. 14) and Chapter 56 of the Commission's regulations (52 Pa.Code Chp. 56) with respect to the application of remote connect and disconnect. Specifically, Duquesne Light will send an appropriately trained representative to the customer premise before any termination is scheduled to occur. The representative will use reasonable efforts to make personal contact with a responsible adult occupant of the premise prior to the termination. Where personal contact is not made prior termination, the representative shall leave conspicuously at the residence a notice informing the customer that utility service is being disconnected and how the customer can effect reconnection. The notice shall include the number of a hotline where low-income and vulnerable customers can receive information on all Duquesne Light Universal Service and Energy Conservation programs and related payment information. Finally, service shall not be terminated if the customer can show confirmation of payment through either authorized agent or automated payment systems. The representative shall be fully trained to direct low income and vulnerable customers to a hotline where they can receive information on all Duquesne Light's Universal Service and Energy Conservation program and related payment information. Ensuring that existing customer's protections are not diminished by advancements in technology is also in the public interest.

Under the Settlement, the Company will also make a tariff filing with the Commission to reduce its restoration fee for reconnections where the remote feature is used, on or before October 1, 2016. This is in response to concerns raised by the OCA regarding potential cost savings associated with implementing this technology. See OCA St. No. 1, pp. 7-8. The reduced reconnection fee provides clear and tangible benefits to customers that may struggle to pay the

cost of their electric service bills, and mitigates a potential barrier to restoration following a termination, and is therefore in the public interest.

Pursuant to the Settlement, Duquesne Light will also investigate alternatives for voltage monitoring functionality if the capability doesn't exist within the Oracle software solution by 2016. Under the Company's Final Smart Meter Plan, the Company proposed to gather additional voltage data; however the Company does not propose to implement additional costly system upgrades needed to react to the added data in real time. Instead, the Company can access the additional data to aid its system analysis. The proposed voltage monitoring functionality was chosen in part, because of the capacity of the selected systems. The parties agree that the Company's selected technology solutions are reasonable, but the Company should explore alternative options if the functionality is not available within the Oracle software by 2016. Voltage variations can potentially damage customer and utility equipment. It is therefore in the public interest to continually evaluate methods for improving voltage monitoring functionality.

c. Privacy and Security

In testimony, the OCA expressed concerns about how the Company will protect customers' private information that is collected through smart meters. OCA St. No. 2, p. 3. In response to OCA's concerns, the Settlement provides that the Company shall hire a third party consultant to assist in developing a privacy policy for customers' smart meter data by the first quarter of 2013. Under the settlement, the Company will work collaboratively with interested stakeholders providing them with an opportunity to provide input during the development of the smart meter data privacy policy. The smart meter data privacy policy will be the subject of at least semiannual meetings with interested stakeholders. The third party consultant will be asked to report on the range of practices of other U.S. EDCs with respect to privacy policies for smart

meter data. However, the cost for the smart meter data privacy policy study shall not exceed \$40,000.

Also, under the Settlement, the Company will conduct a vulnerability assessment across the entire Advanced Metering Infrastructure (AMI) solution including penetration testing at the meter to validate the cyber security of our AMI system. The Company currently conducts penetration testing of its communications networks. The Settlement provides for added testing at the meter since the meters themselves will store significant customer data. This added level of testing provides for the security of the system and protection of customer information, and is therefore in the public interest. These modifications to the Final Smart Meter Plan support customer privacy and the security of the distribution system, and are in the public interest.

d. Miscellaneous Issues

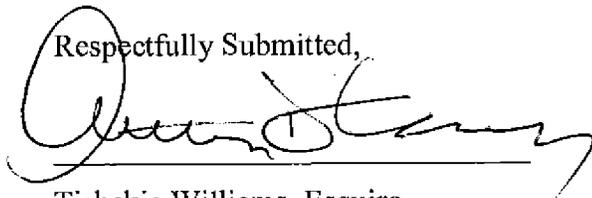
In this proceeding, the OCA has expressed concerns about Duquesne Light's plans to provide billing and usage feedback benefits for customers without high-speed internet access. OCA St. No. 2, p. 8. In response to concerns regarding this issue, Duquesne Light agrees to adopt the "Green Button Initiative" in providing consumption data to customers. This standardized data format will enable customers to utilize smart phone applications developed by third parties thereby facilitating the use of smart meter enabled products and services. Adopting the Green Button initiative will assist in providing customers that have smart phones, but no other internet service, access to smart meter data. In addition, the Company notes that the Commission has encouraged EDCs to adopt the Green Button initiative. *Smart Meter Procurement and Installation*, Docket No. M-2009-2092655, Final Order entered December 6, 2012.

The Settlement also provides that the Company will be permitted to recover any additional costs associated with implementing the terms and conditions of the Settlement, except

as otherwise limited by the Settlement. This provision clarifies cost recovery issues and is in the public interest because it allows the Company to recover its costs for implementing the Settlement provisions.

IV. Conclusion

Pursuant to 52 Pa. Code §5.231, it is the Commission’s policy to encourage settlements. However, the Commission must determine that the settlement is in the public interest. E.g. Pa. P.U.C v. York Water Co., Docket No. R-00049165 (Order entered Oct. 4, 2004). Approval of this Settlement is in the public interest because it provides for: 1) additional customer education regarding smart meter technology and deployment and ensures stakeholder input, and 2) the protection of customer data and the security of the distribution system. Finally, the Settlement reduces administrative burden on the parties and Commission by avoiding the expense and uncertainty attended with a fully litigated proceeding and administrative adjudication. The Settlement resolves all issues raised during the proceeding. For reasons discussed above, and set forth in the Joint Petition for Settlement, the settlement should be approved without modification as in the public interest.

Respectfully Submitted,


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Date: December 7, 2012

Attorneys for Duquesne Light Company

Appendix B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

OFFICE OF CONSUMER ADVOCATE
STATEMENT IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory to the proposed Joint Petition for Approval of Full Settlement of All Issues (Settlement) in the above-captioned docket, files this Statement in Support of the terms and conditions of the Settlement reached in this matter.

I. BACKGROUND

On June 29, 2012, Duquesne Light Company (Duquesne or Company) filed with the Public Utility Commission (Commission) its Final Smart Meter Technology Procurement and Installation Plan (Final Plan or Plan)¹ along with a Petition for Approval (Petition) of the Plan and the Direct Testimony of its witnesses – David G. Wolfe, William V. Pfrommer and Peter Honebein.

On July 23, 2012, Answers to Duquesne’s Petition were filed by the OCA and Citizen Power. In their Answers, both parties requested that the matter be set for hearings.

¹ The Final Plan describes the Smart Meter Program’s two major components, the FOCUS project and the Advance Meter Infrastructure (AMI) project, explains the Systems Integration necessary for the Program, describes how the Company selected its AMI Vendor and Technology, describes the AMI deployment timeline, describes the smart meter capabilities, sets forth the Company’s estimated smart meter costs and method of cost recovery, and describes the Company’s proposed customer education and outreach efforts.

By way of a Secretarial Letter dated August 17, 2012, the Commission informed the parties that it was granting the request for hearings and referred the case to the Office of Administrative Law Judge (OALJ) for further proceedings. The OALJ assigned the matter to Administrative Law Judge Katrina L. Dunderdale. Judge Dunderdale scheduled a prehearing conference for September 17, 2012.

At the prehearing conference, the parties agreed to a procedural schedule for the case which was memorialized in a Prehearing Conference Order issued by Judge Dunderdale. That schedule provided for Direct Testimony to be filed by parties other than Duquesne on October 9, 2012, Rebuttal Testimony to be filed on October 26, 2012, Surrebuttal Testimony to be filed on November 8, 2012, Written Rejoinder to be filed on November 13, 2012, and evidentiary hearings to be conducted on November 15 and 16, 2012.

Pursuant to that schedule, the OCA timely filed both the Direct and Surrebuttal Testimony of its witnesses Christina R. Mudd and Nancy Brockway. Ms. Mudd's testimony focused on the issues of compliance of the Final Plan with Act 129 and the Commission's Smart Meter Implementation Order; technology selection and deployment; costs of the Final Plan; and the provision of safe and reasonable utility service. Ms. Brockway's testimony addressed the Company's Customer Education and Acceptance Plan, the impact of smart meters on low-income and other vulnerable customers, issues of customer privacy and cyber-security. The OCA was the only non-Company party to file testimony in this case.

Settlement discussions were initiated by the Company on October 31, 2012 and continued as described below.

On November 9, 2012, Duquesne filed a Motion seeking a continuance of the November 15 and 16 hearing dates in order to have additional time to resolve a cost recovery issue and to

pursue a full settlement of the case. Judge Dunderdale cancelled the hearings but determined that the parties should convene on November 15 for further Prehearing Conference.

At the further Prehearing Conference on November 15, the parties advised Judge Dunderdale that they were close to reaching a full settlement of the issues in the case. The Judge allowed time for the parties to continue to negotiate and they were able to reach a settlement in principle on all issues. In addition, Duquesne and OCA entered the testimony of their witnesses into the record.

II. TERMS AND SETTLEMENT

A. Customer Education and Research Metrics (Settlement ¶¶ 20, 21)

With respect to issues of customer education and research, the Settlement provides as follows:

Within 60 days from the final order in this proceeding, the Company shall arrange to meet with the OCA and interested parties to obtain input on a plan to research the actual experiences of low-income customers to determine how such customers may be able to use smart meter technology to reduce their energy bills and to incorporate information regarding such customers into the Company's Customer Acceptance and Education Plan performance metrics. The Company also agrees to meet with OCA and interested parties to obtain input to research the actual experiences of low use (base load usage below 500 kWh), medically needy (customers with Chapter 56 medical certifications at the time a smart meter is installed) and other vulnerable customers to the extent such customers can be reasonably identified, and as agreed to between the Company and OCA, provided that the Company will not be required to research other vulnerable customers if such agreement cannot be reached. The meeting(s) will establish a review and reporting process and a timeline for deliverables. The timeline in the plan will align with scheduled smart meter deployment estimated to begin in the fourth quarter of 2014. With regard to researching the experiences of customers described above, the parties may consider the Company's gathering and sharing with interested parties' non-confidential information regarding such customers' load shapes and usage characteristics as a means of informing the design of potential programs to enable such customers to benefit from smart meter technology.

Settlement ¶¶ 20.

This term of the Settlement is in response to a recommendation made by the OCA in testimony that Duquesne should research the actual experiences of its low-use, low-income, medically needy and other vulnerable customers to determine the extent to which such customers may be able to use the smart meter technology to reduce their energy bills. On this point, OCA witness Brockway stated:

Duquesne should determine the scope of needs in this area, understanding how many customers are vulnerable to missing opportunities from smart meter functions or even to adverse health, safety and comfort impacts brought about by efforts to reduce bills via time-varying pricing options that might not be workable for the individual's circumstances.

OCA St. 2 at 3. The OCA submits that such information is necessary in order to develop policy responses to assist and protect customers who will bear additional costs related to smart meter deployment. In particular, the smart meter data will be necessary to better inform the development of programs that may assist these customers in reducing their overall energy bills.

The quoted Settlement term commits Duquesne and the parties to discussing and designing the research to be conducted with respect to low-income, low-use, medically needy and other vulnerable customers to assist in developing programs to enable these customers to benefit from smart meter technology. The parties will establish a review and reporting process and set milestones for the production of specific deliverables. The process will be timed to coincide with the Company's smart meter deployment schedule. The OCA is satisfied that the process described in this Settlement term can address the concerns raised by the OCA in its testimony.

With respect to customer education efforts connected to the Company's implementation of Time of Use (TOU) rates, the Settlement (§ 21) provides that the Company will propose any such education measures at the time it files for Commission approval of its TOU program under

Act 129. The OCA finds this term reasonable as Duquesne's TOU program is currently still in development.

B. Reasonable and Adequate Service (Settlement ¶ 22)

The terms of the Settlement provide that when employing the remote disconnect functionality of its smart meters in cases of nonpayment, Duquesne will comply with all provisions of Chapter 14 (Responsible Utility Customer Protection) of the Public Utility Code and Chapter 56 (Standards and Billing Practices for Residential Utility Service) of the Commission's regulations.

Specifically, Duquesne agrees that it will:

- a) Send an appropriately trained representative to the customer premises before any termination is scheduled to occur. The representative will use reasonable efforts to make personal contact with a responsible adult occupant of the premises prior to the termination.
- b) Where personal contact is not made prior termination, the representative will leave conspicuously at the residence a notice informing the customer that utility service is being disconnected and how the customer can effect reconnection. The notice will include the number of a hotline where low-income and vulnerable customers can receive information on all Duquesne Light Universal Service and Energy Conservation programs and related payment information.
- c) Service will not be terminated if the customer can show confirmation of payment through either an authorized agent or automated payment system. The representative will be fully trained to direct low income and vulnerable customers to a hotline where they can receive information on all of Duquesne's Universal Service and Energy Conservation programs and related payment information.

Settlement ¶ 22

This Settlement term is in response to the OCA testimony which sought assurance that the procedures mandated by Chapter 14 and Chapter 56, in particular the requirement for an attempt to make personal contact with the customer at the time of termination, would not be eroded by use of the remote disconnect feature with the smart meter. The OCA submits that

this Settlement term assures that important customer protections regarding termination of essential utility services will be maintained.

Settlement ¶ 22 also provides that on or before October 1, 2016, Duquesne will make a tariff filing to reduce its restoration fee for reconnection where the remote connection feature is used. This provision is in response to the OCA's testimony that any operational savings associated with remote reconnection services should be met with an offsetting reduction in the charge to customers for the reconnection of service.

C. Privacy and Security (Settlement ¶¶ 24, 25)

Concerns regarding the privacy and security of the customer data collected by smart meters were raised in testimony by the OCA. The crux of the privacy issue was expressed by OCA witness Brockway in her Direct Testimony:

The primary privacy problem that comes as a by-product of smart metering is the collection of granular data regarding customer usage. Duquesne proposes to capture meter readings of usage once every hour of every day. In a typical 30-day month, then, Duquesne will go from having two data points (beginning and end of the billing period), to having 720 discrete readings. The additional granularity of data raises the risk in many customer's minds that their lifestyle, habits, presence in the home, and other personal data will be revealed to and used by the utility, as well as authorized electricity suppliers, conservation suppliers and third parties generally, and also that it will fall into the hands of unauthorized third parties.

While there is a concern about hackers gaining access to usage data, the more serious problems have to do with customers' ability to control access to and use of the data by entities that are acting within the law and rules.

OCA St. 2 at 17-18.

Ms. Brockway's testimony also points out that standards related to smart meter privacy remain a work in progress:

Increasingly, commissions and other policy-making entities are addressing the need for standards in the area of smart meter privacy. There are a number of sources of principles to guide the development of specific privacy protections, and some states have moved forward in the development of privacy regulation. But as yet there remain areas of

uncertainty in customer rights to privacy that could dampen customer acceptance of smart metering.

OCA St. 2 at 18. Ms. Brockway goes on to identify several resources for developing privacy standards and policies including the U.S. Department of Homeland Security, the White House and the California Public Utilities Commission. OCA St. 2 at 18-19.

Recognizing that issues concerning the privacy of customer information are unsettled and that guidance on the topic may be available from other agencies and other jurisdictions, the Settlement (§ 24) provides that during the first quarter of 2013, Duquesne will hire a third party consultant to assist the Company in developing a privacy policy for customers' smart meter data. The development of the policy is to be carried out in consultation with interested stakeholders and will be the subject of semiannual meetings with stakeholders during the time the policy is being developed. The third party consultant will be asked to report on the range of practices of other U.S. EDCs with respect to privacy policies for smart meter data. The Settlement imposes a \$40,000 limit on the cost of the third party consultant.

The OCA submits that this Settlement term represents a satisfactory manner of addressing the concerns it raised with respect to the privacy of customer information. The Company will retain expert assistance to advise on privacy practices in other jurisdictions and to help develop a privacy policy for Duquesne. In addition, the ongoing stakeholder process established by this Settlement term will enable the OCA and other interested parties to contribute the expertise of their personnel and consultants to the privacy policy development. Further, allowing the Company's privacy policy to be developed over a period of time permits the incorporation of new developments in privacy practices as this is an area of knowledge that continues to evolve.

With respect to cyber-security, OCA witness Brockway testified as follows:

Smart grid technology bumps up utility cyber risks significantly, by interconnecting previously stand-alone components of the grid, collecting unprecedented amounts of information, linking new and legacy systems that may not be compatible, and linking parts of the grid to accessible communications networks such as Wi-Fi and the Internet.

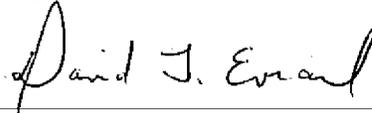
OCA St. 2 at 21.

Settlement ¶ 25 responds to cyber-security concerns. Pursuant to that Settlement term, Duquesne commits to conducting a vulnerability assessment across its entire Advanced Metering Infrastructure (AMI), including penetration testing at the meter as a means of validating the cyber security of its AMI system. The OCA submits that this is an important step in an ongoing effort to protect the AMI system from cyber-intrusion.

III. CONCLUSION

As described above, the terms of the Settlement in this proceeding address, in a reasonable and practical manner, fundamental concerns identified by the OCA with respect to Duquesne Light's Final Smart Meter Plan. The OCA therefore submits that the Settlement is in the public interest and in the interest of Duquesne's customers and should be approved by the Administrative Law Judge and the Commission.

Respectfully Submitted,



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December 7, 2012

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Appendix C



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF SMALL BUSINESS ADVOCATE

December 7, 2012

Hon. Katrina L. Dunderdale
Administrative Law Judge
Pa. Public Utility Commission
301 Fifth Avenue - #220
Pittsburgh, PA 15222

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

Dear Judge Dunderdale:

On Friday December 7, 2012, Duquesne Light Company filed a Joint Settlement Agreement with the Commission in the above-referenced matter. The OSBA was not a signatory to the Joint Settlement Agreement but did not oppose the modifications to the Company's filing proposed in the Joint Settlement Agreement

As evidenced by the enclosed certificate of service, all parties have been served as indicated.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon E. Webb".

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

Enclosure

cc: Sec. Rosemary Chiavetta

Parties of Record

Robert D. Knecht

Appendix D



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December 7, 2012

Honorable Katrina L. Dunderdale
Administrative Law Judge
Pennsylvania Public Utility Commission
Suite 220, Piatt Place
301 Fifth Avenue
Pittsburgh, PA 15222

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

Dear Judge Dunderdale:

The Duquesne Industrial Intervenors ("DII") hereby submits this letter to indicate its non-opposition to the "Petition For Approval of Settlement" in the above-referenced proceeding.

Please feel free to contact us with any questions regarding this letter. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 

Pamela C. Polacek (I.D. No. 78276)
Teresa K. Schmittberger (I.D. No. 311082)

Counsel to the Duquesne Industrial Intervenors

TKS/leh

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Appendix E

CITIZEN POWER

Public Policy Research Education and Advocacy

December 7, 2012

Honorable Katrina L. Dunderdale
Administrative Law Judge
Pennsylvania Public Utility Commission
Suite 220, Piatt Place
301 Fifth Avenue
Pittsburgh, PA 15222

Re: Petition of Duquesne Light Company for Approval of its Smart
Meter Technology Procurement and Installation Plan; Docket
Number M-2009-2123948

Dear Judge Dunderdale:

Citizen Power has reviewed the December 7, 2012 Joint Petition for Settlement of All Issues in connection with the above-referenced proceeding. Please be advised the Citizen Power is not opposing the terms and conditions set forth in the settlement. Citizen Power will not, however, be a signatory to the settlement.

Very truly yours,



Theodore S. Robinson, Esquire
Staff Attorney
Citizen Power
2121 Murray Avenue
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