

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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

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

May 13, 2016

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

Re: Petition of Duquesne Light Company  
for Approval of its Electric Long-Term  
Infrastructure Improvement Plan  
Docket No. P-2016-2540046

Dear Secretary Chiavetta:

Attached for electronic filing are the Comments of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Erin L. Gannon

Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
E-Mail: EGannon@paoca.org

Attachment

cc: Paul T. Diskin, TUS  
Bohdan Pankiw, Law Bureau  
Certificate of Service

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CERTIFICATE OF SERVICE

Petition of Duquesne Light Company :  
for Approval of its Electric Long-Term : P-2016-2540046  
Infrastructure Improvement Plan :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Comments in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 13<sup>th</sup> day of May 2016

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Gina L. Lauffer  
Bureau of Investigation & Enforcement  
Pa Public Utility Commission  
400 North Street,  
Harrisburg, PA 17101

SERVICE BY EMAIL & FIRST CLASS MAIL, POSTAGE PAID

Sharon Webb  
Office of Small Business Advocate  
Suite 202, Commerce Building  
300 N. Second Street  
Harrisburg, PA 17101

Michael W. Gang, Esquire  
Anthony D. Kanagy, Esquire  
Post & Schell PC  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601

Tishekia Williams, Esquire  
Duquesne Light Company  
411 Seventh Avenue  
16<sup>th</sup> Floor  
Pittsburgh, PA 15219

/s/Erin L. Gannon  
Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
E-Mail: [EGannon@paoca.org](mailto:EGannon@paoca.org)

Darryl Lawrence  
Senior Assistant Consumer Advocate  
PA Attorney I.D. #93682  
Email: [DLawrence@paoca.org](mailto:DLawrence@paoca.org)

221002

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

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company :  
for Approval of its Electric Long-Term : P-2016-2540046  
Infrastructure Improvement Plan :

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COMMENTS OF THE  
OFFICE OF CONSUMER ADVOCATE

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Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 83487  
E-Mail: [EGannon@paoca.org](mailto:EGannon@paoca.org)

Darryl Lawrence  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 93682  
Email: [DLawrence@paoca.org](mailto:DLawrence@paoca.org)

Counsel for:  
Tanya J. McCloskey  
Acting 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  
Dated: May 13, 2016

## I. INTRODUCTION

On February 14, 2012, former Governor Tom Corbett signed Act 11 of 2012 (Act 11 or the Act) into law. Act 11 amends, *inter alia*, Chapter 13 of the Public Utility Code to permit water and wastewater utilities, Electric Distribution Companies, Natural Gas Distribution Companies and city natural gas distribution operations to petition for implementation of a Distribution System Improvement Charge (DSIC). See 66 Pa. C.S. §§ 1350-1360. In order to qualify for DSIC recovery, a utility must submit a Long-Term Infrastructure Improvement Plan (LTIIIP) for Commission approval. See 66 Pa. C.S. § 1352. See also In re: Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Final Implementation Order at 21 (Aug. 2, 2012) (Final Implementation Order).

The following seven elements must be included in a utility's LTIIIP: (1) types and age of eligible property; (2) a schedule for its planned repair and replacement; (3) locations of the eligible property; (4) a reasonable estimate of the quantity of property to be improved; (5) projected annual expenditures and measures to ensure the plan is cost effective; (6) the manner in which replacement of aging infrastructure will be accelerated and how repair, improvement, or replacement will maintain safe and reliable service; and (7) a workforce management training plan designed to ensure that the utility will have access to a qualified workforce to perform work in a cost-effective, safe, and reliable manner. See 66 Pa. C.S. § 1352(a); see also Final Implementation Order at 17-19. It is the utility's burden to demonstrate that its proposed LTIIIP and associated expenditures are reasonable, cost effective, and designed to maintain safe, adequate, and reliable service to customers. Final Implementation Order at 20. The OCA submits that when a utility seeks recovery of costs expended pursuant to its LTIIIP in a future proceeding, the utility must demonstrate, *inter alia*, that the costs were reasonably and prudently

incurred. Further, the utility will have to demonstrate that there is no overlap of costs already reflected in base rates with costs expended pursuant to an LTIP. 66 Pa. C.S. § 1357(a)(1)(i).

A utility must file its proposed LTIP with the Public Utility Commission (Commission) and serve copies on statutory advocates and all active parties in the utility's last base rate case. 52 Pa. Code § 121.4(a). Once filed, a utility's proposed LTIP will be assigned to the Commission's Bureau of Technical Utility Services (TUS) for analysis. Final Implementation Order at 20. TUS is to make a recommendation to the Commission, and other parties may file comments to a proposed LTIP within 30 days of the date it was filed. 52 Pa. Code § 121.4(c). If any party's comments raise issues of material fact, the proposed LTIP will be referred to the Office of Administrative Law Judge for hearing and decision, which litigation must be completed within 120 days. Final Implementation Order at 20.

Pursuant to the Commission's LTTIP regulations, minor modifications will be addressed concurrent with Commission staff's review of the utility's annual asset optimization plan. 52 Pa. Code § 121.5(b). The Commission requires public notice and comment and Commission approval for significant modifications to an approved LTIP. 52 Pa. Code § 121.5(a). Further, as provided by Section 1353(b)(2), a utility's DSIC will be terminated if the Commission determines that the utility did not comply with its approved plan. 52 Pa. Code § 121.

On April 15, 2016, Duquesne Light Company (Duquesne or the Company) filed its proposed electric LTIP with the Commission. The OCA submits these Comments on Duquesne's proposed LTIP for the Commission's consideration. The OCA is not requesting a hearing at this time, but the OCA does submit that the Company should provide additional information in order to demonstrate that its LTIP is accelerated and cost effective as required under Section 1352(a).

## II. COMMENTS

In its Petition, Duquesne asserted that its LTIP meets the seven requirements in Section 1352(a) and the Final Implementation Order. Attached to the Petition is Duquesne's LTIP, which provides the Company's plans to repair, upgrade and/or replace distribution-related equipment and facilities, which Duquesne grouped into six categories: 4kV, Overhead, Underground, Substations, Highway Relocation and Microgrid. Petition at 5. The LTIP covers the six-year period beginning January 1, 2017 through December 31, 2022, for which Duquesne plans expenditures totaling \$651.1 million. Of that amount, \$439.1 million represents baseline expenditures and \$212 million represents accelerated expenditures. LTIP at 30 (App. B). Duquesne states that several of the LTIP programs are already active system improvement programs, however, the Company proposes to accelerate the programs and, thereby, get the benefits to customers in an accelerated time frame. Petition at 7; LTIP at 15, 33 (App. B). The bulk of the acceleration is planned for years two and three of the LTIP period (2018 and 2019).

The OCA commends the Company for its considered discussion of each of the legislative and Commission elements required for the LTIP. As set forth below, the OCA submits that certain additional information may be needed for Technical Utility Services and the Commission to properly evaluate whether Duquesne's LTIP meets all the requirements of Act 11 and the Final Implementation Order. The OCA notes that its recommendations are relatively specific, however, and are not intended to be critical of the LTIP filing as a whole.

In this proceeding, the Commission must determine if Duquesne's LTIP will accelerate infrastructure repair and replacement in a cost-effective manner. See 66 Pa. C.S. § 1352(a)(5), (6). With regard to the required acceleration component, the Company must demonstrate that the acceleration of infrastructure repair and replacement set out in its LTIP is greater than the

normally occurring infrastructure repair and replacement the Company has previously accomplished in order to meet its adequacy of service requirements set forth in Section 1501. See 66 Pa. C.S. § 1501. With regard to the required showing of cost-effectiveness, the Company's filing has not fully described how its plan will prioritize and optimize expenditures. The OCA submits that additional information may assist the Commission in these determinations.

### Acceleration

1. Historic Spending and Rate of Replacement. The filing does not provide an estimate of how long it would have taken Duquesne to make its projected replacements for the 2017 to 2022 period at its average historic rate of replacement.<sup>1</sup> Likewise, the filing does not indicate – for the already active programs and initiatives contained in the LTIIIP – what was the actual quantity of eligible property improved and repaired in each year of the historic period. That information would allow comparison with the estimated accelerated quantity provided in Table 11 (page 30 of the LTIIIP).

2. Commission Reports. Pursuant to Commission regulations, Duquesne makes biennial filings regarding inspection, maintenance, repair and replacement and periodic filings regarding the Company's capital investment plans. See 52 Pa. Code § 57.191 *et seq.* and 52 Pa. Code § 73.1 *et seq.*, respectively. Comparison of these reports with the Company's LTIIIP could assist the Commission in determining if Duquesne's LTIIIP meets the acceleration requirement in Act 11. Further, the OCA submits that these reports may be helpful to TUS and the Commission for review of future LTIIIPs. The Commission may wish to have Duquesne supplement its filing

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<sup>1</sup> Petition of Philadelphia Gas Works, Docket No. P-2012-2337737, Petition for Approval of Long Term Infrastructure Improvement Plan at 13-14 (Dec. 3, 2012); Petition of Columbia Gas of Pa., Inc., Docket No. P-2012-2338282, Petition for Approval of Long Term Infrastructure Improvement Plan at 4-5, 8 (Dec. 7, 2012); Petition of Philadelphia Gas Works, Docket No. P-2012-2337737, Order at 17, 20 (Apr. 4, 2013).

with this information and more detail on the acceleration contained in its LTIP before it makes a final determination.

### Cost-Effectiveness

3. Duquesne indicates that its LTIP “will result in cost-effective improvements to aged components of its distribution system,” but the Company does not provide any calculations regarding avoided costs or other detailed information to assist the Commission in making that determination. LTIP at 8. For example, the Company has not provided any information regarding the age and expected useful life of the plant being replaced.<sup>2</sup> The Commission may wish to have Duquesne supplement its filing with additional detail that supports the Company’s assertion that its plan is cost effective.

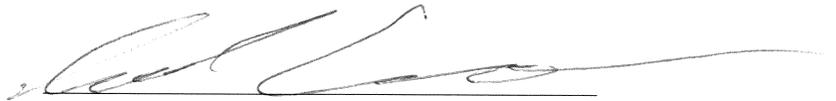
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<sup>2</sup> Petition of PECO Energy Co. for Approval of its Electric LTIP, Docket No. P-2015-2471423, Order at 8-10 (Oct. 22, 2015).

### III. CONCLUSION

The OCA submits that, while it is not requesting a hearing in this proceeding at this time, the Company should provide additional information with its filing to allow the Commission to determine if Duquesne's LTIP accelerates infrastructure repair and replacement in a cost-effective manner as required by Act 11.

Respectfully submitted,



Erin L. Gannon  
Senior Assistant Consumer Advocate  
PA Attorney I.D. #83487  
E-mail: [EGannon@paoca.org](mailto:EGannon@paoca.org)

Darryl Lawrence  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 93682  
Email: [DLawrence@paoca.org](mailto:DLawrence@paoca.org)

Counsel for  
Tanya J. McCloskey  
Acting Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Facsimile: (717) 783-7152  
Dated: May 13, 2016  
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