

COMMONWEALTH OF PENNSYLVANIA



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November 28, 2016

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17101

Re: Petition of Duquesne Light Company for  
Approval to Modify its Smart Meter  
Procurement and Installation Plan  
Docket No. P-2015-2497267

Dear Secretary Chiavetta:

Enclosed for filing is the Office of Consumer Advocate's Exceptions to the Initial Decision in the above-referenced proceeding.

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

Respectfully Submitted,

/s/ David T. Evrard  
David T. Evrard  
Assistant Consumer Advocate  
PA Attorney I.D. # 33870

Enclosure

cc: Honorable Katrina L. Dunderdale, ALJ  
[ra-OSA@pa.gov](mailto:ra-OSA@pa.gov) (e-mail only)  
Certificate of Service  
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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for :  
Approval to Modify its Smart Meter : Docket No. P-2015-2497267  
Procurement and Installation Plan :

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EXCEPTIONS OF  
THE OFFICE OF CONSUMER ADVOCATE

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DATED: November 28, 2016

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## I. INTRODUCTION

On October 31, 2016, Administrative Law Judge Katrina L. Dunderdale issued her Initial Decision (I.D.) in Duquesne Light Company's (Duquesne or Company) proceeding involving its Petition Seeking Approval to Modify its Smart Meter Plan. In her I.D., ALJ Dunderdale determined that Duquesne's proposal to implement an Advanced Distribution Management System (ADMS)<sup>1</sup> did not meet the Public Utility Commission's (Commission) requirement for cost-effectiveness and should therefore be rejected. On that critical point, the OCA supports the ALJ's reasoning and conclusion. Elsewhere in the I.D., ALJ Dunderdale determined that the costs incurred by Duquesne in implementing Bill Ready billing should be borne by Duquesne's customers and recovered through the Company's existing Smart Meter Charge (SMC). The ALJ's determination is contrary to the position taken by the OCA in this case which is that the costs associated with Bill Ready billing are more properly borne not by customers, but by the Electric Generation Suppliers (EGSs), who stand to be the primary beneficiaries of the addition of Bill Ready to Duquesne's billing capabilities. Therefore, in reply to ALJ Dunderdale's determination on this point, the OCA files the following Exception to her I.D.

## II. EXCEPTION

OCA Exception No. 1: The ALJ Erred In Ruling that the Costs of Bill Ready Billing Should be Recovered Through the Smart Meter Charge. (R.D. at 56; OCA M.B. at 23-24; OCA R.B. at 10-11)

In its Smart Meter Procurement and Installation Final Order, the Commission directed all EDCs subject to the smart meter requirements of the Public Utility Code to include in their Smart

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<sup>1</sup> The ADMS is comprised of an Outage Management System (OMS) and a Distribution Management System (DMS). Each system is intended to meet one of the additional (beyond those required by Act 129) Smart Meter capabilities identified by the Commission in its Smart Meter Procurement and Installation Implementation Order, Docket No. M-2009-2092655 at 16-17 (Order entered June 24, 2009) (Implementation Order). The OMS is intended to provide the ability to communicate information to customers about outages and restorations. The DMS would enable Duquesne to monitor voltage at each meter. Each of the "additional" capabilities identified in the Implementation Order are subject to a cost-effectiveness standard. Implementation Order at 29-31.

Meter Plans proposals for implementing Bill Ready billing as a means of facilitating Real Time (RT) and Time-of-Use (TOU) pricing options on the part of EGSs.<sup>2</sup> In compliance with that directive, Duquesne, as part of the instant proceeding modifying its Smart Meter Plan, proposes to implement Bill Ready billing at a cost of \$7 million. Duquesne St. No. 1 at 6. The Company seeks approval to recover these costs through its Smart Meter Charge (SMC). Duquesne St. No. 3 at 6.

As noted above, it has been the OCA's position in this case that the cost of implementing Bill Ready billing should not be imposed on customers as Duquesne proposes, but rather should be borne by EGSs, who are the principal beneficiaries of an EDC's implementation of the Bill Ready billing functionality. Bill Ready billing enables EGSs to take interval data from customers' smart meters and calculate the generation and transmission charges for special pricing programs that they may offer (such as RT and TOU pricing) and then forward those charges to the EDC for inclusion on the EDC bill rendered to the customer. This contrasts with Rate Ready billing under which EGSs provide their rates to the EDC and the EDC calculates customer bills using the EGS' rate multiplied by the monthly consumption. Rate Ready billing presents greater challenges to implementing time-sensitive rate offerings on the part of EGSs. See, Comments of PPL Electric Utilities Corporation to Smart Meter Procurement and Installation Tentative Order at 6 (Order entered July 8, 2011). At present, Duquesne offers only Rate Ready billing. It is clear that being able to provide Bill Ready billing will facilitate the ability of EGSs operating in Duquesne's territory to offer a greater range of products to attract more customers. As such, EGSs are clearly the principal beneficiaries of this functionality and should bear the costs of its implementation and continuation.

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<sup>2</sup> Smart Meter Procurement and Installation, Docket No. M-2009-2092655, at 10 (Order entered December 6, 2012) (Smart Meter Final Order).

To be sure, the I.D. includes several points that support the OCA's position in this case.

Initially, the ALJ recognizes that:

Bill Ready is a billing function that is not a smart meter function, *per se*, and in that regard is not related to providing smart meters or smart meter technology to customers. Yet Bill Ready is a functionality that uses smart meter capability and was cited by the Commission in the Final *Implementation Order*.

I.D. at 56 (italics in original) Thus while the Commission required EDCs to include provisions for Bill Ready billing in their Smart Meter Plans, it does not necessarily follow that the costs of Bill Ready billing should or must be a smart meter cost, recoverable through the SMC.

The ALJ also noted that “[Bill Ready billing] allows EGSs to take advantage of the TOU and Real Time Pricing programs. Almost the entire benefit of having Bill Ready functionality is a benefit *only the EGSs will enjoy* although the cost of the function will be borne entirely by customers.” I.D. at 56 (emphasis added).

Despite making these cogent points, the ALJ nevertheless finds that the cost of the Bill Ready functionality should be carried entirely by customers through the SMC. The Judge reaches this conclusion on two grounds: (1) that although Bill Ready billing benefits EGSs, not EDCs, there is *some* benefit to customers; and (2) there is not currently a mechanism by which Duquesne could bill the EGSs. The OCA takes exception on both grounds.

The ALJ notes that Bill Ready billing will enable EGSs to implement TOU and other similar rates such that the EGSs will be able to offer competitive rates that may save customers money. I.D. at 56. While it may be the case that a segment of Duquesne customers would benefit from the new EGS rates, it is also true that about 30-40% of Duquesne's residential and commercial customers shop for their generation supply.<sup>3</sup> Additionally, not all customers who

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<sup>3</sup> See, PA OCA Electric Shopping Statistics, October 1, 2016 indicating that 31.6% of Duquesne's residential customers and 42.2% of its commercial customers were shopping as of that date.

shop will necessarily avail themselves of the special rates offered by EGSs as a result of Bill Ready billing. Many will prefer to remain on fixed rates that don't vary by time of use. It is most likely that a substantial portion of Duquesne's customer base will derive *no* benefit from the Bill Ready functionality.

With regard to whether there exists a mechanism for billing EGSs for the costs of Bill Ready billing, it is true that none of the charges imposed by Duquesne on EGSs pursuant to its Electric Generation Supplier Coordination Tariff currently provides for such recovery. Nevertheless, if the Commission determined that recovering Bill Ready costs from EGSs was more appropriate than seeking it from customers, it could direct Duquesne either to develop a new charge for that purpose or to modify an existing charge. One such possibility might be to incorporate the costs of Bill Ready billing into the Technical Support and Assistance Charge that is currently imposed by Duquesne on EGSs under its Supplier Tariff.<sup>4</sup>

Finally, the OCA notes that Duquesne, albeit for legitimate reasons, is coming late to adding Bill Ready functionality. All other major EDCs had this capability in place at the time the Commission issued its Smart Meter Final Order in December of 2012. Indeed, some of the EDCs appear to have had Bill Ready billing in place prior to the passage of Act 129 and the imposition of smart meter mandates on the EDCs. For these EDCs, the costs of Bill Ready are recovered through existing rates. The OCA is not aware of any other EDC that recovers such costs through their Smart Meter Charge. Thus, Duquesne's insistence that it be permitted to recover Bill Ready costs through its SMC is unique among the EDCs. Indeed, as noted above, the ALJ observes that Bill Ready billing is *not* a smart meter function and is *not* related to providing smart meters or smart meter technology to customers. As such, the OCA submits, it is not necessarily a smart meter cost that should be recovered through the SMC.

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<sup>4</sup> Duquesne Light Company Electric Generation Supplier Coordination Tariff at 42.

### III. CONCLUSION

For all of these reasons, the OCA submits that the Commission should decline to accept the I.D.'s recommendation that Bill Ready costs be recovered from customers through Duquesne's SMC and instead accept the OCA's position that these costs are properly recovered from EGSs.

Respectfully Submitted,

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November 28, 2016

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CERTIFICATE OF SERVICE

Petition of Duquesne Light Company for :  
Approval to Modify its Smart Meter : Docket No. P-2015-2497267  
Procurement and Installation Plan :

I hereby certify that I have this day served a true copy of the Office of Consumer Advocate's Exceptions to the Initial Decision upon parties of record 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 28<sup>th</sup> day of November 2016

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