

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 9, 2012

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

RE: Petition of Duquesne Light Company for  
Special Permission to File A Tariff  
Supplement to Become Effective on Less  
Than Sixty Days Notice  
Docket No. P-2012-2295300

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer in the above referenced proceeding.

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

Sincerely,

A handwritten signature in cursive script that reads "David T. Evrard".

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

Enclosures

cc: Office of Administrative Law Judge  
Certificate of Service

154886

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company	:	
for Special Permission To File A Tariff	:	Docket No. P-2012-2295300
Supplement To Become Effective On	:	
Less Than Sixty Days Notice	:	

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ANSWER OF  
THE OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 5.61 of the Public Utility Commission's (Commission) Rules of Administrative Practice and Procedure, 52 Pa. Code §5.61, the Office of Consumer Advocate (OCA) files this Answer in response to the Petition of Duquesne Light Company (Duquesne or Company) in the above-captioned matter.

I. BACKGROUND

On December 28, 2009, Duquesne filed with the Commission its proposed Time-of-Use and Real Time Pricing Plan (Plan or TOU Plan) together with a Petition seeking approval of the Plan. In doing so, Duquesne was fulfilling the requirement of Section 2807(f)(5) of the Public Utility Code, which directed that a default service provider whose generation rate cap has expired must submit to the Commission for approval one or more time-of-use rates and real-time price plans by January 1, 2010. 66 Pa.C.S. § 2807(f)(5).

Duquesne's Plan was based on the fact that the Company's existing residential meters and their related systems are not capable of supporting time-of-use (TOU) pricing at the present time. As a result, Duquesne put forward a four-phase plan covering the years 2010 to 2013. The Plan moves in stepwise fashion through those years in anticipation of the Company's

broad deployment of smart meters beginning in 2014, at which time it expects to be in position to offer TOU rates to all customers.

Among the elements of Duquesne's Plan, was its intention to conduct two pilot programs during the summer of 2012. The first pilot, a Time-of-Week Program, was designed around the limited capabilities of the Company's existing residential meters. It would provide residential customers with an incentive to reduce their weather normalized weekday usage during the months of July and August from a baseline consumption mark determined during the corresponding months in the previous year. Under this program, if a customer reduces their usage by a pre-determined percentage (e.g., 10%), they would not only receive a lower bill, but would also receive a financial incentive (such as a rebate or credit) as a reward for curtailing usage during the high peak summer months. Participation in this pilot would be voluntary, but participants would have to be default service customers. Because the program will not require hourly usage data, the Company's existing meter reading system would be able to be modified for those enrolled in the pilot. The Company's target level of participation was 1,000 customers.

The second pilot was a Time-of-Day pilot enrolling approximately 100 voluntary participants who would be encouraged to move weekday usage from on-peak hours to off-peak hours during the months of June through August. The Company would have both an on-peak and an off-peak rate and would attempt to motivate participants to shift usage by setting the on-peak rate differential between 1.5 and 2.5 times the off-peak rate. This pilot would require that interval meters be installed in participants' homes and that bills be manually generated, hence the small number of participants. As with the Time-of-Week pilot, participants would be required to be default service customers.

Duquesne noted in its Plan that both pilot programs remained conceptual and that, based on research still to be conducted, the Company would submit clarifications, details, rates, and possible changes to the programs, as necessary, prior to implementation.

On June 23, 2010, the Commission issued an Order approving Duquesne's TOU Plan, subject to certain modifications related to Duquesne's proposals regarding cost recovery. The Commission's Order also established a schedule for the submission of certain information to the Commission. The first milestone set was for September 30, 2011 at which time the Company was to submit the description and design of its two 2012 pilot programs along with all supporting research and market data, the proposed rate design for the two pilots, proposed tariffs for the pilots, and the proposed customer education materials to be used in connection with the pilots.

On August 2, 2011, Duquesne petitioned the Commission to, among other things, extend the September 30, 2011 filing deadline to November 30, 2011. By Secretarial Letter dated September 27, 2011, the Commission granted Duquesne's request. On November 30, 2011, the Company filed its First Progress Report containing the information specified by the Commission in the June 2010 Order. The Progress Report included additional details about the two pilots. First, Duquesne indicated that both programs would run from June through September 2012 (originally both programs were to end in August). Second, Duquesne described more specifically the customer incentives to be incorporated in the Time-of-Week pilot. If a customer can reduce his or her usage by 10% or more below their 2011 baseline for the corresponding month, they will receive a 10% credit on the supply portion of their bill for the month. In addition, participants who reduce their monthly consumption by 10% or more for all four months of the program, will receive an additional 10% credit off their September 2012 supply charge. All incentive credits will be applied in the following month's bill. Third,

Duquesne provided specifics about the design of its Time-of-Day pilot. Participants will have two On-Peak/Off- Peak options. The first will be a five-hour on-peak option from 1 p.m. to 6 p.m. weekdays. The on-peak price will be 15.72 cents/kWh (two times Duquesne's current default service price of 7.86 cents/kWh) and the off-peak price, 6.13 cents/kWh. The second option will be a two-hour on-peak period from 4 p.m. to 6 p.m. weekdays. The on-peak price will be 31.44 cents/kWh (four times the current default service price) and the off-peak price, 5.86 cents/kWh. Duquesne explained that the off-peak price was set in order to mitigate bill impacts to participants if they took no action to modify behavior and used the same amount of electricity as the 2011 baseline period.

On March 20, 2012, Duquesne filed the instant Petition, together with Tariff Supplement No. 57 to its Tariff Electric – Pa. PUC No. 24, seeking permission to institute the Tariff Supplement on less than 60 days' notice. Specifically, Duquesne requests that the Tariff Supplement become effective on April 27, 2012. As reason to expedite the effectiveness of the Tariff Supplement, Duquesne cites the need to notify pilot participants of the final terms and conditions of the program before the June 1 start dates, and the need to have the Time-of-Day program participants choose which of the two pricing options they prefer by May 1, in order to ensure that they are placed on the appropriate time-of-day option by June 1.

## II. ANSWER

The OCA submits that the two proposed pilots represent a reasonable attempt on the part of Duquesne to evaluate customer responsiveness to time-sensitive electricity usage programs that have been designed within the confines of the limited capabilities of the Company's existing residential meters, or, in the case of the time-of-day program, with very limited use of Alpha meters – not necessarily the type of smart meters Duquesne will ultimately

deploy. Moreover, the pilots are of limited duration and limited participation (approximately 1,300 customers in the Time-of-Week program and 111 customers in the Time-of-Day program). As Duquesne has stated, the goal of the pilot programs is to use the data collected to assist in developing its smart-meter system and the comprehensive time-of-day rates to be offered when it begins to deploy smart meters in 2013.

Given the limited scope of Duquesne's pilot programs and their fundamental goal of gathering information on customer behavior in response to time-differentiated rates, the OCA does not object to these programs being implemented, nor does the OCA object to the request that the tariff implementing them be allowed to take effect on less than sixty days' notice.

The OCA would note that since Duquesne first proposed the pilot programs it seeks to put in operation, and in response to the Commission's Retail Markets Investigation, there have been proposed changes to the statutorily-mandated offering of time-of-use and real-time price plans by some Electric Distribution Companies (EDCs). While the subject pilots do not reflect some of the changes brought about by the Investigation, they nevertheless can provide useful information to Duquesne and the Commission regarding customer response to time-sensitive rate plans.

In terms of reflecting the changes to TOU programs brought about by the Investigation, the OCA anticipates that these will be addressed in Duquesne's next Default Service Plan filing or in a subsequent filing in connection with Duquesne's Smart Meter deployment.

### III. CONCLUSION

Accordingly, the Office of Consumer Advocate does not object to the implementation of the Time of Use pilot programs proposed by Duquesne Light Company, nor does it object to the tariff provisions implementing the programs being allowed to take effect on less than 60 days' notice.

Respectfully Submitted,

A handwritten signature in cursive script that reads "David T. Evrard". The signature is written in black ink and is positioned above a thin horizontal line.

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April 9, 2012

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CERTIFICATE OF SERVICE

Re: Petition of Duquesne Light Company for Special Permission to File a Tariff Supplement to Become Effective On Less Than Sixty Days Notice  
Docket No. P-2012-2295300

I hereby certify that I have this day served a true copy of the foregoing the Office of Consumer Advocate's Answer, 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 9th day of April 2012.

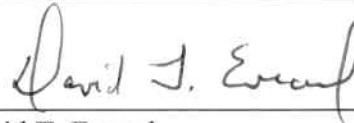
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