



COMMONWEALTH OF PENNSYLVANIA

February 7, 2013

E-FILED

Rosemary Chiavetta, Secretary
Pa. Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Petition of Duquesne Light Company for Approval of its Act 129 Phase II
Energy Efficiency and Conservation Plan
Docket No. M-2012-2334399**

Dear Secretary Chiavetta:

Enclosed for filing is the Reply Brief, on behalf of the Office of Small Business Advocate, in the above-docketed proceeding. As evidenced by the enclosed certificate of service, two copies have been served on all active parties in this case.

If you have any questions, please contact me.

Sincerely,

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

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID #73995

Enclosures

cc: Parties of Record
Robert D. Knecht

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Duquesne Light Company Phase II Energy :
Efficiency and Conservation Plan : **Docket No. M-2012-2334399**

CERTIFICATE OF SERVICE

I certify that I am serving two copies of the Reply Brief, on behalf of the Office of Small Business Advocate, by e-filing, e-mail, and/or first-class mail (unless otherwise noted) upon the persons addressed below:

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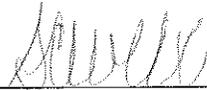
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
For Approval of Its Act 129 Phase II : **Docket No. M-2012-2334399**
Energy Efficiency Plan :

**REPLY BRIEF
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

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Dated: February 7, 2013

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I. INTRODUCTION

Act 129 of 2008 (“Act 129”) was enacted into law on October 15, 2008. Act 129 requires that each electric distribution company (“EDC”) with at least 100,000 customers must develop and file an Energy Efficiency & Conservation Plan (“EE&C Plan”) with the Commission for approval. Duquesne Light Company (“Duquesne”) developed, filed, and received approval of its initial EE&C Plan.

On August 3, 2012, the Commission entered the *Phase II Implementation Order* at Docket Nos. M-2008-2069887 and M-2012-2289411. The *Order* tentatively adopted EDC-specific targets for reduced energy consumption in Phase II of the EE&C Program, which is to run from June 1, 2013, through May 31, 2016. Duquesne filed its Phase II EE&C Plan with the Commission on November 15, 2012.

The OSBA filed a Notice of Intervention and Public Statement on December 5, 2012. The Office of Consumer Advocate (“OCA”) filed a Notice of Intervention and Public Statement on December 6, 2012. The Coalition for Affordable Utility Service and Energy Efficiency (“CAUSE-PA”) and Citizens Action Alliance of Pennsylvania (“CAAP”) filed Petitions to Intervene on December 6, 2012. Duquesne Industrial Intervenors (“DII”) and Citizen Power, Inc. (“Citizen Power”) filed Petitions to Intervene on December 7, 2012.

The OSBA filed a pre-hearing memorandum and participated in the pre-hearing conference on December 6, 2012. The OSBA issued discovery and ultimately determined that it did not have objections to the Company’s filing. Consequently, the OSBA did not file any testimony in this proceeding.

The OSBA reviewed the testimony that was filed in the proceeding and participated in settlement discussions. A settlement of the issues raised by parties that filed testimony was reached prior to the date of the evidentiary hearing. Ultimately, the OSBA had no objection to the modifications to the Company's filing as proposed in the partial settlement.

An evidentiary hearing was held on January 18, 2013. The testimony and exhibits of Duquesne, Cause-PA, CAAP and OCA were admitted. Additionally, DII conducted cross examination of one of the Company's witnesses on a limited number of issues.

Duquesne filed a Joint Petition for Partial Settlement on January 28, 2013.

The Company and DII filed main briefs on January 28, 2012, pursuant to the procedural schedule set forth in the Scheduling Order of Administrative Law Judge ("ALJ") Dennis Buckley. The OSBA submits this reply brief in response to the main brief filed by DII.

II. SUMMARY OF ARGUMENT

The OSBA had no objection to Duquesne's proposed Phase II EE&C filing as modified by the Joint Petition for Partial Settlement that was filed on January 28, 2013. DII did not offer any testimony on the record in this proceeding and filed a proposal for the first time in its main brief. The OSBA's reply is limited to the issues raised in DII's main brief.

III. REPLY ARGUMENT

1. DII's Request for Modifications to Duquesne's Allocation among Customer Classes must be Rejected.

In its first two conclusions, DII requests that the Commission require Duquesne to modify its Phase II EE&C Plan (“the Plan”) to reflect a more equitable allocation of both programs and program costs among the various rate classes.¹ Since the Company’s proposal represents a complex balance of programs involving all of the rate classes, DII essentially requests that the Company “go back and try again.” DII did not file testimony in this proceeding. Considering that DII does not offer any specific criteria for a more equitable allocation in either testimony or DII’s main brief, the OSBA assumes DII intends also oppose any such revised plan submitted.

DII further argues that Duquesne’s Large Commercial and Industrial (“Large C&I”) rate class group is assigned a disproportionate share of costs in the Company’s proposal. DII’s only evidence in support of this assertion is a table presented on pages 4 and 5 of its main brief, which apparently has its origins in the Plan at page 154. DII concludes that Large C&I customers are assigned 36.2 percent of the Plan budget while representing 14.4 percent of total customer revenue. From this, DII concludes the Plan is inequitable.

As to any specific complaints regarding the Plan, DII offers none. DII does not identify any specific program targeted at Large C&I customers which it believes should be eliminated or reduced, nor does it identify any specific rates of other rate classes that should be increased in order to offset the proposed reduction for Large C&I classes. DII

¹ DII Main Brief at 16.

does not identify any particular assumptions made by the Company which demonstrate a bias to over-assigning costs to the Large C&I Class. In fact, DII did not even present any testimony in this proceeding (to which parties could submit expert rebuttal evidence) regarding the numbers upon which it relies to reach its conclusions.

In light of the lack of any credible record evidence, the OSBA respectfully submits that DII's first two conclusions should be summarily rejected.

If, however, the Commission requires additional reasons for rejecting DII's proposal, the OSBA offers the following. First, based on DII's own brief, there is no evidence that the energy savings measures associated with the Large C&I costs are any more expensive than energy savings measures for the other classes. As shown in Attachment A to DII's brief, the average cost per kWh saved is 14.8 cents for Large Commercial customers and 17.9 cents for Large Industrial customers, compared to an overall Plan average of 17.6 cents per kWh saved. By contrast, the cost per kWh saved for Small C&I customers is 32.7 cents. Thus, if there is any bias in the Plan to assigning unreasonably expensive savings measures to particular classes, that bias harms the Small C&I rate class group. Re-assigning programs and program costs to Small C&I customers as advocated by DII would simply make this problem worse.

Second, the OSBA submits that DII's comparison of program costs to total revenues is irrelevant. The Plan is an "energy efficiency and conservation" plan, and it is therefore focused on reducing electric energy and peak demands. A relevant comparison is therefore between the percentage of the Plan budget assigned to Large C&I class and the percentage of energy (kWh) consumed by the Large C&I class. Or, to put it another

way, the question is whether the EE&C charge per kWh for Large C&I customers is unreasonably high compared to those for the other rate classes.

To evaluate that question, OSBA refers the Commission to Company Exhibit WVP-4 and the Company's response to OSBA-I-2(d). Certain calculations based on those exhibits are included in this Reply Brief in support of the following observations.

Exhibit WVP-4 shows the 2013-2014 Plan budget by rate class. OSBA notes that, in this formulation, the Government program costs are included in the individual rate classes. Furthermore, the Company's response to OSBA-2(d) shows kWh for each rate class for the 12-months ending November 2012. The OSBA observes that for the Residential and Small C&I rate classes, the kWh figures from OSBA-2(d) are very similar to the 2013-2014 billing determinants from Exhibit WVP-4.

With this information, OSBA calculated the following statistics:

Summary of DII Plan Cost Allocation			
	Share of 2013-2014 Budget	Share of kWh	Average Unit Cost (cents/kWh)
Residential	45.5%	35.6%	0.21
Small C&I	13.5%	26.4%	0.08
Large C&I	41.0%	38.1%	0.18
Total	100.0%	100.0%	0.16

As shown, when a logical comparison is made, it is hardly surprising that the Large C&I class is assigned 41 percent of the energy conservation costs when it is responsible for 38 percent of the energy. Moreover, the average energy cost per kWh for Large C&I customers for the energy conservation programs is 0.18 cents per kWh, compared to a Plan average of 0.16 cents per kWh. In addition, the OSBA observes that the relatively low cost per kWh for Small C&I customers is quite logical, given the relatively low cost effectiveness of the programs for that class as shown in the DII brief in Attachment A. It would obviously be foolhardy to increase spending for that class, given the high cost needed to obtain additional savings.

Thus, there is no reason to conclude that the Plan is unduly biased against Large C&I customers. The OSBA respectfully requests that the Commission reject DII's first two conclusions.

IV. CONCLUSION

For the reasons set forth above, the OSBA respectfully requests that the Commission reject the first two conclusions as set forth in DII's main brief

Respectfully submitted,



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Dated: February 7, 2013

Duquesne Light Company
 Energy Efficiency and Conservation, Phase-II
 Calculation of Proposed Surcharge, Effective September 1, 2013

A	B	C	D	E	F
			= B / C * 100	= 1 / (1 - .059)	= D * E
<u>Customer Class</u>	<u>2013-2014 Budget</u>	<u>Forecast Billing Units Sept 2013-Aug 2014</u>	<u>Proposed Monthly Charge Excl. GRT</u>	<u>PA GRT Factor</u>	<u>Proposed Surcharge Rate Inc. GRT</u>
1 Residential (RS, RH, RA)	\$8,876,946	4,255,227,759	0.21	1.0627	0.22 cents/kWh
2 Small & Medium Commercial (GS, GM, GMH)	\$2,529,251	2,925,519,144	0.09	1.0627	0.09 cents/kWh
3 Small & Medium Industrial (GM, GMH)	\$96,608	227,704,817	0.04	1.0627	0.05 cents/kWh
4 Large Commercial (GL, GLH, L) [Fixed]	\$935,716	8,501	\$110.07	1.0627	\$116.97 \$/Mo.
5 Large Commercial (GL, GLH, L) [Variable]	\$3,034,401	8,165,270	\$0.37	1.0627	\$0.39 \$/kW [PLC] (1)
6 Large Industrial (GL, GLH, L, HVPS) [Fixed]	\$1,661,072	2,551	\$651.15	1.0627	\$691.97 \$/Mo.
7 Large Industrial (GL, GLH, L, HVPS) [Variable]	\$2,363,803	3,507,494	\$0.67	1.0627	\$0.72 \$/kW [PLC] (1)
8 Total	\$19,497,797				

(1) PLC = Peak Load Contribution

Duquesne Light Company Phase II
Energy Efficiency and Conservation Plan
Docket No. M-2012-2334399

Interrogatories of the
Office of Small Business Advocate
Set I

Witness: William Pfrommer

OSBA-I-2

Reference Petition, page 6, targeted kWh and kW savings:

- d. In MS Excel electronic format, for the most recently available 12-month period, please provide a matrix showing a mapping of total kWh consumption from each of the Company's rate classes (as defined in the most recent cost allocation study) with the four rate classes shown on the referenced page.

Response:

Duquesne Light Company Phase II
Energy Efficiency and Conservation Plan
Docket No. M-2012-2334399

Interrogatories of the
Office of Small Business Advocate
Set I

Witness: William Pfrommer

- d. Attachment OSBA-I-2(d) provided in Excel file Attachment OSBA-I-2(c) 2(d).xls provides the total kWh consumption for the 12 months ended November 2012 mapped from the rate classes to the customer classes shown on page 6 of the Petition. The Company does not track customer kWh consumption separately for governmental accounts.

Attachment OSBA-I-2(d)
 Duquesne Light Company
 Docket No. M-2012-2334399
 Total kWh Sales - 12 Months Ending November 2012

Customer Class

Residential	4,193,088
Commercial	6,553,346
Industrial	3,409,388

<u>Rate Class</u>	<u>Customer Class</u>	<u>Sales kWh</u>
RA	Residential	50,350
RS	Residential	3,799,495
RH	Residential	343,243
GS	Commercial	88,427
GM<25 Com	Commercial	570,252
GM<25 Ind	Industrial	3,915
GM>25 Com	Commercial	2,005,673
GM>25 Ind	Industrial	208,937
GMH<25 Com	Commercial	43,918
GMH<25 Ind	Industrial	178
GMH>25 Com	Commercial	232,627
GMH>25 Ind	Industrial	8,913
GL Com	Commercial	2,248,564
GL Ind	Industrial	807,522
GLH Com	Commercial	461,510
GLH Ind	Industrial	46,385
L Com	Commercial	902,374
L Ind	Industrial	460,587
HVPS	Industrial	1,872,951