

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 9, 2015

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 Prehearing Memorandum in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Aron J. Beatty'.

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosure

cc: Honorable Katrina L. Dunderdale, ALJ
Certificate of Service
*212975

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company to : Docket Nos. P-2015-2497267
Modify its Smart Meter Plan :

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. § 333, and in response to the Prehearing Conference Order issued by Administrative Law Judge (ALJ) Katrina L. Dunderdale in the above captioned matter, the Office of Consumer Advocate (OCA) provides the following:

I. INTRODUCTION

On August 4, 2015, Duquesne Light Company (Duquesne or Company) filed a Petition at the above-referenced docket to modify its smart meter plan (Petition). The Petition seeks approval of the following modifications to its Smart Meter Technology Procurement and Installation Plan (Plan), which was approved by the Commission by order entered May 6, 2013: (1) postponement of implementation of Time Of Use/Real Time Pricing and net metering functionalities from 2015 to 2016; (2) implementation, over a period of five years, of an Advanced Distribution Management System (ADMS), which involves, in sequential order, development of an electrical model of the Duquesne system, installation of an Outage Management System (OMS) and installation of a Distribution Management System (DMS); (3) acceleration of the schedule to deploy smart meters such that residential meters will be fully deployed by the end of 2018 and commercial and industrial meters by the end of 2019; (4) a

projected increase in the overall cost of the Plan from \$240 million to \$319 million; (5) addition of a \$15 million contingency component to its Plan budget to cover changes in scope or requirements, unforeseen cost increases or implementation difficulties; and (6) a request to make repairs, when necessary, to customers' service entrance equipment to allow for safe installation of smart meters.

The OCA filed a Notice of Intervention on September 18, 2015. The Office of Small Business Advocate (OSBA) filed a Notice of Intervention on September 3, 2015. Answers to the Petition were filed by the OCA and Citizens Power, Inc. on August 24, 2015.

The case was assigned to ALJ Dunderdale, who issued a Prehearing Conference Order on October 2, 2015. A Prehearing Conference is scheduled for October 13, 2015.

II. ISSUES

Based upon a preliminary analysis of the Company's Petition, the OCA has compiled a list of issues that it anticipates including in its investigation of the Plan. The OCA may pursue other issues that arise as discovery proceeds. The OCA has initially identified the following issues that may require further review:

- Cost-Effectiveness of Implementing ADMS: The OCA submits that a 20-year payback period (based on projected economic benefits) may be indicative of an investment that is not truly cost-effective as contemplated by the Commission's Implementation Order. The payback period is shortened considerably if the projected \$6 million of annual customer benefits are considered. However, for those benefits to become the basis for determining the cost-effectiveness of the ADMS investment, the OCA submits that a closer review of the details and assumptions underlying those projected benefits is warranted. Further, the unquantified benefits that Duquesne

identifies should be examined to determine whether they should be considered in making a determination on cost-effectiveness.

- Alternatives to ADMS: Duquesne indicates that it continues to search for less expensive alternatives to ADMS. Given the possible uncertainty over cost-effectiveness, this is a prudent course for Duquesne to take. The Company, however, has provided few details about the alternatives it has explored or others that may be available. The OCA submits that greater detail on these alternatives, including their cost and their benefits and drawbacks compared to ADMS, is needed in order to make an informed judgment on whether to proceed with ADMS or a suitable alternative.
- Contingency Component: Duquesne proposes to add a \$15 million contingency component to its overall Smart Meter Plan budget. This is in addition to the proposed \$79 million increase (from \$240 million to \$319 million) in its Plan budget related to implementation of ADMS and other smart meter functionality that is proposed in its Amended Plan. The OCA submits that the need for such a contingency component should be examined and if it is decided that it is needed, whether \$15 million or some lesser amount would be sufficient.
- Reasonableness of proposed Smart Meter Charge Cost Recovery: The OCA submits that it may be appropriate to conduct a closer examination of the ADMS benefits to determine whether some portion of ADMS costs might be more appropriately recovered through base rates rather than the Smart Meter Charge.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of Ms. Christina Mudd. Ms. Mudd will present testimony in written form and will also attach various exhibits, documents, and explanatory information to assist in the presentation

of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to the OCA's witness at the address below and a copy mailed to counsel for the OCA.

Ms. Christina Mudd
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
E-mail: cmudd@exeterassociates.com

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will notify ALJ Dunderdale and all parties of record.

IV. PROPOSED SCHEDULE

The OCA will work with the parties to develop a litigation schedule that will be acceptable to the Presiding Officer and all active parties involved in this proceeding.

V. SERVICE ON OCA

The OCA will be represented in this case by Assistant Consumer Advocate David T. Evrard and Senior Assistant Consumer Advocate Aron J. Beatty. Two copies of all documents should be served on the OCA as follows:

David T. Evrard
Assistant Consumer Advocate
Aron J. Beatty
Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
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E-mail: devrard@paoca.org
abeatty@paoca.org

As a courtesy, the OCA requests that all electronic correspondence be copied to Rebecca L. Nace (rnace@paoca.org).

VI. SETTLEMENT

The OCA is willing to participate in settlement discussions.

VII. PUBLIC INPUT HEARINGS

At present, the OCA has not received a request for a public input hearing. The OCA will make prompt notification and request a public input hearing should circumstances warrant.

Respectfully Submitted,



David T. Evrard
Assistant Consumer Advocate
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Aron J. Beatty
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PA Attorney I.D. #86625
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Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

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October 8, 2015
212928

CERTIFICATE OF SERVICE

Petition of Duquesne Light Company for :
Approval to Modify its Smart Meter : Docket No. P-2015-2490141
Procurement and Installation Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Prehearing Memorandum, 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 October 2015.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Johnnie E. Simms, Esquire
Bureau of Investigations and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

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411 Seventh Avenue, 16th Fl.
Pittsburgh, PA 15219

Sharon Webb, Esq.
Assistant Small Business Advocate
Office of Small Business Advocate
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Counsel for: *Office of Small Business Advocate*

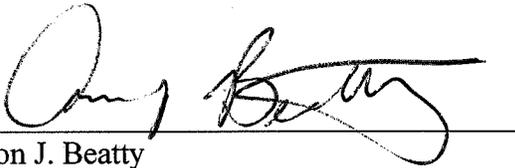
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