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July 27, 2016

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

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 please find the Reply Brief of Duquesne Light Company in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Anthony D. Kanagy

Anthony D. Kanagy

ADK/skr
Enclosure

cc: Honorable Katrina L. Dunderdale
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF OF DUQUESNE LIGHT COMPANY

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I. INTRODUCTION

On July 20, 2016, Duquesne Light Company ("Duquesne Light" or the "Company"), the Office of Consumer Advocate ("OCA") and Citizen Power, Inc. ("Citizen Power") filed revised Main Briefs in the above-captioned proceeding. Duquesne Light hereby files its Reply Brief in response to the revised Main Briefs filed by OCA and Citizen Power in accordance with the procedural schedule adopted by Administrative Law Judge Katrina L. Dunderdale (the "ALJ").

II. PROCEDURAL HISTORY

A detailed procedural history is set forth on pages 1-4 of the Company's Main Brief.

III. STATEMENT OF THE QUESTIONS INVOLVED

Duquesne Light's position regarding the relevant questions involved in this proceeding is set forth on page 5 of the Company's Main Brief.

IV. BURDEN OF PROOF

Duquesne Light's position regarding the burden of proof in this proceeding is set forth on pages 5-6 of its Main Brief.

V. SUMMARY OF ARGUMENT

The primary issue in dispute is whether Duquesne Light's Advanced Distribution Management System ("ADMS") project should be approved. In response to the Commission's directive, Duquesne Light has evaluated the cost effectiveness of including outage and restoration communication and voltage monitoring capabilities through the ADMS project as part of the Company's Smart Meter Plan ("SMP"). The ADMS project will provide substantial benefits to the Company and its customers which outweigh the project's associated costs. OCA and Citizen Power argue that the ADMS project is not cost effective and should be denied. The fundamental difference between the parties with respect to whether the ADMS project is cost-effective involves whether to include customer benefits or savings in the analysis. OCA and Citizen Power improperly refuse to recognize $6 million per year in customer savings that will result from a five minute reduction in average outage time following implementation of the ADMS. OCA argues that customer savings related to the ADMS project cannot be reliably measured. However, Duquesne Light has supported the quantification of customer savings through two independent models. OCA has recognized that an ADMS will reduce outage time and will produce customer savings. Yet OCA has produced no study that calculates these benefits. Duquesne Light has demonstrated that the ADMS project is cost effective even if ADMS project costs reach the high end of the estimated cost range. Therefore, the ADMS project should be approved as part of the Company's SMP.

The second set of disputed issues involves the recovery of ADMS costs. The ADMS project is a smart meter technology project. The Commission has previously approved recovery of smart meter costs through the Company's Smart Meter Charge ("SMC") pursuant to Act 129, and the Company should be permitted to recover ADMS costs in the SMC. OCA argues that the ADMS project is a normal cost of doing business and project costs should be recovered in base rates. However, at the same time, OCA's witness testified that: (1) the Company's existing Outage Analysis System ("OAS") system is providing reasonable service to customers that meets the Company's obligation under the Public Utility Code, and (2) that the OAS does not meet the Commission's smart meter requirements under the *Smart Meter Implementation Order*. Therefore, the ADMS is not a normal cost of doing business for Duquesne Light.

OCA and Citizen Power also argue that ADMS costs should be allocated based upon the level of estimated benefits received by each rate class. The Commission has also previously rejected a prior OCA proposal to allocate smart meter costs based on the benefits provided to each customer class and instead directed that smart meter costs be allocated on a per meter basis. OCA's and Citizen Power's cost recovery and allocation proposals are contrary to the Commission's prior orders and should be rejected.

The final contested issue concerns recovery of Bill Ready costs. In response to the Commission's directive, Duquesne Light has included Bill Ready functionality as part of its SMP and proposes to recover these costs through its SMC. OCA suggests that Bill Ready costs be recovered from electric generation suppliers ("EGSs"), yet OCA presents no precedent in support of its proposal. Bill Ready costs are smart meter technology costs. Electric distribution companies ("EDCs") are authorized by statute and by Commission order to recover smart meter costs from customers through reconcilable smart meter charges. OCA's proposal is contrary to Act 129 and Commission orders regarding smart meter cost recovery and should be denied.

VI. ARGUMENT

A. SUMMARY OF DUQUESNE LIGHT'S AMENDED SMP AND DISPUTED ISSUES IN THIS PROCEEDING

A summary of Duquesne Light's modified SMP and the disputed issues in this proceeding is provided on pages 9-13 of the Company's Main Brief and in the Summary of Argument of this Reply Brief.

B. ADMS ISSUES

1. ADMS Project Approval Issues

The ADMS project is cost effective and OCA's and Citizen Power's proposals that the Commission deny approval of the ADMS should be rejected.

The substantial benefits provided to Duquesne Light and its customers by the ADMS project clearly outweigh the project's associated costs. OCA and Citizen Power argue that the ADMS is not cost effective and, as a result, should not be approved. (OCA M.B., p. 17; Citizen

Power M.B., p. 8.) However, OCA and Citizen Power fail to consider all of the benefits that the Company and its customers will experience following implementation of the ADMS project. When properly considering the $6 million per year in customer savings that will result from a reduction in the average outage time and numerous other customer benefits, the ADMS is cost effective.

Specifically, OCA and Citizen Power express concern that the required costs for completion of the ADMS project may be closer to the high end of Duquesne Light's estimated cost range of $46 million-$56 million. (OCA M.B., p. 10; Citizen Power M.B., p. 8.) According to OCA, if the ADMS project costs reach the high end of this range, the project would no longer be cost effective. (OCA M.B., pp. 10-11.) OCA further asserts that Duquesne Light has not included incremental O&M costs as part of its analysis. (OCA M.B., pp. 10-13). Citizen Power states that "the cost effectiveness is unclear." (Citizen Power M.B., p. 8.) OCA's and Citizen Power's concerns are unwarranted. Even if the project costs were to reach the high end of the range and even considering the incremental O&M costs suggested by OCA, the ADMS project would still be cost effective. (Duquesne Light St. No. 2-R, p. 8.)

OCA's and Citizen Power's cost-benefit analyses improperly ignore $6 million per year in customer savings associated with the Outage Management System component of ADMS, which has the ability to reduce the average outage duration by five minutes. While five minutes represents the average reduction in outage time, the actual reduction in outage time during a particular outage event could be much longer. Their arguments also ignore the significant non-quantifiable customer benefits that will result from implementation of the ADMS.

Reducing average outage time will substantially reduce the amount of financial loss customers experience during an outage. (Duquesne Light St. No. 2-R, p. 4.) Duquesne Light's independent consultant, DNV GL, has estimated that a five minute reduction in average outage time will save Duquesne Light's customers $6 million per year in typical outage-related costs, including food spoilage, hotel bills during extended outages, lost sales and lost production. (Duquesne Light St. No. 2-R, p. 4.) In addition, numerous non-quantifiable customer benefits will result from the ADMS project, including increased customer satisfaction, increased safety to the public and Company employees, and enhanced operations in various Duquesne Light departments. (Duquesne Light St. No. 2, pp 7-9).

OCA asserts that the $6 million in annual customer savings as a result of shortened outage time as well as other customer benefits should not be considered because they are difficult to quantify. (OCA M.B., pp. 14-15.) OCA's proposal is unreasonable. OCA cites to Duquesne Light's Phase I study for support that the $6 million in customer savings is "difficult to quantify" and should not be considered. (OCA M.B., p. 15.) However, this is an incorrect interpretation of the Phase I study. The "difficult to quantify" benefits referred to in the Phase I study are the "soft" benefits, such as increased safety and customer satisfaction and enhanced Company operations, for which Duquesne Light has not assigned a dollar value. (Duquesne Light St. No. 2A, Ex. JTK 4, p. 1.) These "soft" benefits are different from the societal benefits cited in the Phase I study. The societal benefits are the $6 million in customer savings that will result from reduced outage times. (Duquesne Light St. No. 2A, Ex. JTK 4, p. 2.)

The $6 million per year in projected customer savings has been reliability measured through a comprehensive study performed by DNV GL using Duquesne Light-specific data. (Duquesne Light St. No. 2R, p. 4.) Because DNV GL's study contains proprietary formulas, Duquesne Light has also presented the results of the publicly available Interruption Cost Estimate ("ICE") model study. This study confirms the results of the DNV GL study.

OCA criticizes the ICE model for not containing information from the northeast region, where Duquesne Light's customers reside. (OCA M.B., p. 16.) The ICE model was developed for the U.S. Department of Energy, and thus, is a nationally accepted model. (Duquesne Light St. No. 2R, p. 6.) Furthermore, DNV GL's study cures the supposed data problem pointed out by OCA because it uses data specific to Duquesne Light's service territory, such as number of circuits at different voltages, current miles, capacitor information, voltage regulators, and number of customers. (Duquesne Light St. No. 2R, p. 4.) The results of the ICE model reinforce the results of the DNV GL model. (Duquesne Light St. No. 2RJ, pp. 2-3.)

The difficulty in quantifying customer benefits other than those achieved by shortening outages does not mean that these other "soft" benefits should be ignored. ADMS will increase safety for Duquesne Light and its customers by allowing the Company to dispatch crews to wire down calls more quickly and more accurately locate dispatched crews. (Duquesne Light St. No. 2, pp. 7-9.) Customer satisfaction will improve due to automatic messaging and the ability of customer service representatives to provide detailed outage information to callers using the outage management system ("OMS") dashboard. (Duquesne Light St. No. 2, pp. 7-9.) ADMS will also result in enhanced Company operations because operators will be able to manage outages from a single application and field workers will be able to use mobile data units to provide arrival times, trouble causes and other information. (Duquesne Light St. No. 2, pp. 7-9.) These benefits are further explained in Duquesne Light Statement No. 2.

OCA and Citizen Power have not even attempted to quantify the obvious customer cost savings that will result from the ADMS project and have provided no calculation of customer savings to consider in the cost-benefit analysis. The best estimate of customer savings should be considered in the cost-benefit analysis, which in this case is the result of the Duquesne Light-specific study performed using the DNV GL model. It is important to note that at the Further Hearing, OCA's witness, Ms. Sherwood, admitted that ADMS projects reduce outage time for customers. (Tr. 177.) Ms. Sherwood also admitted that customers experience benefits from reduced outage time. (Tr. 177.) However, OCA made no attempt to quantify these admitted benefits for customers. OCA's cost-benefit analysis is substantially flawed and should be disregarded for failure to even attempt to quantify substantial benefits for customers.

OCA also argues that the Commission has not recognized claims of customer savings in other contexts. (OCA M.B., p. 17). OCA cites to the Commission's *Energy Efficiency and Conservation Implementation Order* at Docket No. M-2008-2069887 (Order entered January 16, 2009) ("*EE&C Implementation Order*") in support. However, the context of the Commission's *EE&C Implementation Order* is distinguishable from the present case. The *EE&C Implementation Order* dealt with EDCs' Energy Efficiency and Conservation ("EE&C") plans, not smart meter functionalities such as the outage and restoration communication and voltage monitoring capabilities at issue here. Notably, the Commission in its *EE&C Implementation Order* interpreted Act 129 as specifying that only monetary cost savings are to be considered when determining the cost effectiveness of EDCs' EE&C plans. That same restriction does not apply to a cost-benefit analysis of smart meter functionalities. Therefore, the *EE&C Implementation Order* does not preclude customer savings or other benefits from being considered.

OCA attempts to use its argument that residential customers receive fewer benefits from ADMS as further support for its assertion that ADMS is not cost effective. (OCA M.B., p. 25.) OCA's argument is fundamentally flawed. Cost <u>allocation</u> has no bearing on a cost <u>effectiveness</u> analysis. The proper allocation of costs is irrelevant for purposes of determining whether a project's benefits outweigh its associated costs. Stated differently, the amount of benefit each customer class receives from ADMS does not change whether overall ADMS benefits outweigh total ADMS costs. Moreover, as explained below, residential customers will significantly benefit from shortened outages and from the "soft" benefits of the ADMS project.

The significant benefits Duquesne Light and its customers will experience from implementation of the ADMS make clear that the Company's proposed ADMS project is cost effective. OCA even admits that the ADMS project is cost effective when customer savings are taken into account. (OCA M.B., p. 17.) The Commission previously directed Duquesne Light to consider whether voltage monitoring and communication of outages and restorations capabilities would be cost effective and, if so, to implement them as part of the Company's SMP. *Smart Meter Procurement and Installation,* Docket No. M-2009-2092655, *Implementation Order,* entered June 24, 2009, pp. 16-17 ("*Implementation Order*"); *Petition of Duquesne Light Company for Approval of Its Final Smart Meter Procurement and Installation Plan,* Docket No. M-2009-2123948 (Order entered May 6, 2013) ("*Duquesne Light 2013 Smart Meter Order*"). Duquesne Light has demonstrated that the ADMS is cost effective; therefore, it should be approved as part of the Company's SMP.

2. ADMS Cost Recovery Issues

a. OCA's and Citizen Power's assertion that ADMS costs should be recovered through base rates as opposed to the SMC is contrary to the Commission's *Duquesne Light 2010 Smart Meter Order* and should be denied.

OCA and Citizen Power propose that ADMS costs be recovered in base rates, rather than through the SMC. This issue has already been decided by prior order of the Commission, because ADMS is a smart meter cost and the Commission already has authorized Duquesne Light to recover smart meter costs through its SMC. *Petition of Duquesne Light Company for*

Approval of Smart Meter Technology Procurement and Installation Plan, Docket No. M-2009-2123948 (Order entered May 11, 2010) ("*Duquesne Light 2010 Smart Meter Order*").

Act 129 permits recovery of smart meter costs through a reconcilable automatic adjustment clause under Section 1307 or through base rates. 66 Pa. C.S. § 2807(f)(7). AMDS is necessary to meet the voltage monitoring and outage and restoration communication requirements of the *Implementation Order* and the *Duquesne Light 2013 Smart Meter Order*. Voltage monitoring and outage and restoration communication capabilities are defined as smart meter functionalities in these orders. *Implementation Order*, pp. 16, 30; *Duquesne Light 2013 Smart Meter Order*, p. 13. Therefore, ADMS costs are smart meter technology costs. The Commission has approved recovery of smart meter costs through a Section 1307 reconcilable automatic adjustment clause for Duquesne Light and all other Pennsylvania EDCs. *See Duquesne Light 2010 Smart Meter Order*, p. 14; *Petition of PECO Energy Company for Approval of Smart Meter Technology Procurement and Installation Plan,* Docket No. M-2009-2123994, Order entered May 6, 2010, pp. 17-18; *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Approval of Smart Meter Technology Procurement and Installation Plan*, Docket No. M-2009-2123950, Order entered June 9, 2010, pp. 37-28; *Petition of PPL Electric Utilities Corporation for Approval of Smart Meter Technology Procurement and Installation Plan,* Docket No. M-2209-2123945, Order entered June 24, 2010, pp. 10-11. In fact, the Commission expressly authorized Duquesne Light to recover its smart meter costs through its SMC, which is a Section 1307 reconcilable automatic adjustment clause, when it fully addressed the issue of smart meter cost recovery in the *Duquesne Light 2010 Smart Meter Order,* p. 14. Duquesne Light currently recovers its smart meter costs through the SMC in accordance with Act 129 the Commission's *Duquesne Light 2010 Smart Meter Order*.

OCA argues that ADMS costs are the type of capital and operating expenses that are traditionally recovered through base rates. (OCA M.B., p. 21.) OCA's argument fails to recognize that ADMS are smart meter costs and, unlike other capital and operating expenditures, Duquesne Light has been expressly permitted by statute and by the Commission to recover smart meter costs through a Section 1307 reconcilable automatic adjustment clause. *Duquesne Light 2010 Smart Meter Order*, p. 14. ADMS costs are no different than any other smart meter cost which Duquesne Light recovers through the SMC. OCA and Citizen Power have provided no basis for overturning the Commission's decision to allow Duquesne Light to recover smart meter costs through the SMC as is specifically authorized under Act 129. OCA's and Citizen Power's proposal to recover ADMS costs through base rates should be denied.

OCA also argues that the ADMS project should be recovered in base rates because it is "simply part of the cost of doing business as an EDC rendering adequate, safe and reliable service as required under the Public Utility Code." (OCA M.B., p. 20.) This argument is contrary to the record evidence, including the testimony of OCA's witness Ms. Sherwood. This argument has also been rejected by the Commission in the FirstEnergy Company's smart meter proceeding with respect to customer information system costs and should be rejected here as well. *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Smart Meter Deployment Plan*, Docket No. M-2013-2341990, et al., Order entered March 6, 2014, pp. 28-34.

The record evidence is clear that the ADMS project is not a normal cost of doing business for Duquesne Light. Duquesne Light currently provides outage communication services to customers through its OAS. Duquesne Light has used its OAS for many years to provide service to customers, and OCA's witness, Ms. Sherwood, testified that the OAS meets the Company's normal and reasonable service requirements under the Public Utility Code. (Tr. 175.) Duquesne Light would not be installing the ADMS system but for the Commission's *Smart Meter Implementation Order* and subsequent Order in Duquesne Light's 2012 smart meter proceeding directing the Company to perform additional cost-benefit analysis of outage communication and voltage monitoring functionality. *Petition of Duquesne Light Company for Approval of Its Final Smart Meter Procurement and Installation Plan*, Docket No. M-2009-2123948, Order entered May 6, 2013. The ADMS is <u>not</u> a normal cost of doing business for Duquesne Light but is upgrading the OAS to a higher level of service and maximizing the capability of smart meters. For these reasons, the Commission directed this functionality to be installed as a smart meter requirement. Therefore, Duquesne Light is entitled to recover its ADMS costs in the SMC. OCA also supports its flawed argument with the statement that the OMS has value apart from being connected to smart meters. (OCA M.B., p. 20.) This statement is irrelevant.[1] The relevant point is that ADMS is necessary to meet the *Smart Meter Implementation Order* requirements. Therefore, ADMS costs are recoverable in the SMC.

OCA further argues that Duquesne Light is attempting to bootstrap normal operating investment and expenses incurred in the ordinary course of business into smart meter costs and that "It is mere fortuity that the Smart Meter Charge is available at the time Duquesne proposes to make needed upgrades to its systems." (OCA M.B., p. 21.) This argument has absolutely no

[1] Despite OCA's attempts to minimize ADMS benefits earlier, OCA's arguments in the cost recovery section of its Brief reveal OCA's recognition that the ADMS project will provide substantial benefits to customers.

merit and is contrary to the history of the proceeding and to the evidence in this proceeding. Duquesne Light did not propose to install the ADMS project as part of its initial smart meter plan. In the Commission's May 6, 2013 Order arising out of the Company's 2012 smart meter plan, the Commission directed Duquesne Light to evaluate the cost-effectiveness of enhancing outage communication and voltage monitoring functionality. Duquesne Light evaluated and proposed ADMS to improve outage communication pursuant to the Commission's directives. Duquesne Light is not attempting, by any means, to bootstrap normal business requirements into the SMC.

Moreover, the OAS is providing reasonable and adequate service under the Public Utility Code, and there is no evidence to the contrary in this proceeding. Absent the ADMS, the OAS would have to be replaced in the future at some point.[2] However, this would not be in the immediate future. Further, Duquesne Light could time the implementation of the new system with a base rate proceeding to align cost recovery with the in-service date if it were required to recover new system costs in base rates. In addition to being completely inaccurate, OCA's argument that Duquesne Light is bootstrapping ADMS to the SMC fails to even mention any of these significant considerations.

OCA argues that the ADMS is not needed to "enable" smart meters and, therefore, ADMS costs should not be recoverable under the SMC. (OCA M.B., p. 22.) This argument is incorrect because the ADMS project enhances outage communication and maximizes smart meter functionality. This argument is also completely contrary to the Commission's *Smart Meter Implementation Order* and should be denied. The Commission has taken a broad view of smart meter technology under the *Smart Meter Implementation Order* and in subsequent orders

[2] For cost of replacing or maintaining the OAS is not included in the cost-benefit analysis, if these costs were included, the ADMS project would be even more cost-effective.

implementing EDCs' smart meter plans. *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Smart Meter Deployment Plan*, Docket No. M-2013-2341990, et al., Order entered March 6, 2014. Duquesne Light believes that it would be completely unreasonable for the Commission to require the Company to implement ADMS to meet smart meter requirements and then deny cost recovery through the SMC.

OCA attempts to use its argument that residential customers receive fewer benefits from ADMS argument to further support its proposal that ADMS costs be recovered in a base rate proceeding. (OCA M.B., p. 23.) As explained previously, the Commission has already decided that ADMS costs, as smart meter costs, are properly recovered through the SMC. *Duquesne Light 2010 Smart Meter Order*, p. 14.

Citizen Power also argues that the costs of surveying the Company's distribution system should be separated from other ADMS costs and recovered in base rates. (Citizen Power M.B., p. 10.) Citizen Power argues that part of the inherent value of the existing distribution system is an effective inventory of all assets.

Citizen Power's proposal to separate surveying costs should be denied. As explained at the Further Hearing, Duquesne Light already has surveyed its distribution assets as necessary for its existing operations. (Tr. 75, 85-86.) Installing the electrical model requires a much more detailed survey in order to enhance outage communication and restoration capabilities. For these reasons, Citizen Power's proposal to separate surveying costs for recovery in base rates should be denied.

b. OCA's and Citizen Power's proposal to allocate ADMS costs based on the benefits to each customer class is contrary to the Commission's *Duquesne Light 2010 Smart Meter Order* and should be denied.

OCA and Citizen Power suggest that ADMS costs should not be allocated on a per meter basis, but should be allocated based on the benefits provided to each customer class. This issue has already been decided by the Commission in its *Duquesne Light 2010 Smart Meter Order,* where the Commission rejected OCA's proposal to allocate smart meter common costs based on benefits to each customer class and instead ordered that smart meter costs be allocated on a per meter basis.

OCA and Citizen Power argue that the residential class receives fewer benefits from ADMS than other classes. (OCA M.B., p. 25; Citizen Power M.B., pp. 9-10.) In its Main Brief, OCA states that it does not raise this argument "for the purpose of reopening the question of overall cost allocation vis-à-vis smart meter costs in this proceeding." (OCA M.B., p. 26.) Despite implicitly acknowledging that the Commission has already decided this issue, OCA nevertheless suggests that the smart meter cost allocation "may need to be addressed to better match costs with benefits." (OCA M.B., p. 26.) To the extent OCA and Citizen Power argue that ADMS costs should be allocated on the basis of customer benefits, this proposal should be rejected.

OCA's and Citizen Power's assertion is contrary to the Commission's prior order which rejected the argument that smart meter costs should be allocated based on benefits to each class, and instead directed that smart meter costs should be allocated based on number of meters *Duquesne Light 2010 Smart Meter Order*, pp. 11-12. As explained above, ADMS functionalities are smart meter technology. The parties have not distinguished ADMS costs from other smart meter costs, and the ADMS project costs should be allocated to customers on the same basis that the Commission has approved for other smart meter costs.

OCA and Citizen Power also fail to recognize the substantial "soft benefits" that residential customers will experience as a result of the ADMS project. While outages are shortened by an average of five minutes, the reduction in outage time could be much greater during a particular outage. Reductions in outage time will reduce the problems associated with being without electric service for residential customers. When outages are shortened during winter months, residential customers will experience reduced heating interruptions that force them to leave their homes. Shortened outage times will also reduce customer inconvenience of being unable to perform basic tasks like cooking that require electric service. Residential customers will also benefit from increased safety and the ability of customer service representatives to provide more detailed and timely outage information during calls. (Duquesne Light St. No. 2, pp 7-9).

OCA and Citizen Power have provided no basis for overturning the Commission's prior decision to allocate smart meter costs on a per meter basis. OCA's and Citizen Power's proposal to allocate ADMS costs based on the benefits to each customer class is not practical and should be denied.

C. RECOVERY OF BILL READY COSTS

OCA's proposal to recover Bill Ready costs from EGSs, as opposed to recovering such costs through the SMC, is contrary to the Commission's *2012 Smart Meter Procurement and Installation Order* and should be denied.

Bill Ready is the billing process whereby an EDC provides an EGS with usage data, the EDC then receives the total EGS charges from the EGS and the EDC places the total EGS charges on a joint EDC/EGS bill to the customer. OCA recommends that Bill Ready costs should be recovered from EGSs rather than from Duquesne Light's customers through the SMC. (OCA M.B., p. 24.) The OCA's argument is flawed and should not be accepted. The OCA's argument fails to recognize that the Commission has specifically ordered EDCs to implement Bill Ready as part of their SMPs. *Smart Meter Procurement and Installation*, Docket No. M-2009-2092655 (Final Order entered December 6, 2012), p. 10 ("*Smart Meter Procurement and Installation Final Order*"). The Commission's *Smart Meter Procurement and Installation Final Order* makes clear that Bill Ready costs are directly related to an EDC's SMP and, as such, are recoverable as smart meter costs under the SMC. *Smart Meter Procurement and Installation Order*, p. 10. In fact, the Commission has directed EDCs to include Bill Ready as part of their SMPs because of the Commission's belief that Bill Ready capabilities facilitate Time-of-Use ("TOU") and Real Time Pricing. *Id.* The Bill Ready functionality will allow customers to receive more TOU options. As with all other smart meter costs, Bill Ready costs should be recovered from customers through the SMC as authorized by the Commission. *Duquesne Light 2010 Smart Meter Order*, p. 14.

In support of its proposal, OCA argues that EGSs are the "principal beneficiaries" of the functionalities provided by Bill Ready and that not all customers shop for their generation supply. (OCA M.B., p. 24.) OCA's argument misses the point that all customers are provided with the option and the capability to shop at any time. Therefore, Bill Ready benefits all customers regardless of whether they ultimately decide to receive service from an EGS. Customers may choose to shop at certain times and to remain on default service at other times. Bill Ready allows the customers to always have the option to shop should they so choose.

OCA has cited no precedent for directing that Bill Ready costs should be charged to EGSs. The Commission has permitted EDCs to recover shopping-related costs from customers.

The Commission has never required that these costs be segregated and recovered from EGSs or from only those customers who actually elect to exercise their option to shop.

Further, no mechanism exists for recovering these costs from EGSs, and OCA has not proposed any mechanism. (Duquesne Light St. No. 3-R, p. 5.) Attempting to recover Bill Ready costs from EGSs is problematic because EGSs freely enter and exit the market creating uncertainty for cost recovery. (Duquesne Light St. No. 3-R, p. 5.) Also, some EGSs may not want Bill Ready as part of their product offering and may not be willing to pay for it. (Duquesne Light St. No. 3-R, p. 5.)

EDCs recover smart meter costs from customers under Act 129, not from EGSs. OCA has failed to provide any support for its proposal that Bill Ready costs should be recovered from EGSs. OCA's proposal should be denied.

D. INCREMENTAL AMI PROJECT COSTS

OCA stated in its Main Brief that it supports the recovery of the additional $54 million of Advanced Metering Infrastructure costs through the SMC, expect for $7 million in Bill Ready costs. Duquesne Light has explained in Section C., above, why the $7 million in Bill Ready costs should be recovered through the SMC.

E. MISCELLANEOUS ISSUES

OCA lists the allocation of ADMS costs as a miscellaneous issue. Duquesne Light addressed this issue in Section B., above, related to ADMS issues.

VII. CONCLUSION

For the foregoing reasons, Duquesne Light Company respectfully requests that Administrative Law Judge Katrina L. Dunderdale recommend that the Pennsylvania Public Utility Commission approve the Company's Smart Meter Plan without modification, including the Company's proposed ADMS project and the Company's proposal to recover ADMS and Bill Ready costs through the Company's Smart Meter Charge.

Respectfully submitted,

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