

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Duquesne Light Company :
for Approval of its Smart Meter : **Docket No. M-2009-2123948**
Procurement and Installation Plan :

MAIN BRIEF OF CITIZEN POWER, INC.

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Dated: December 8, 2009

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I. INTRODUCTION

Act 129 of 2009 (“Act 129”) became effective on November 14, 2008 and requires, in the relevant part, that Electric Distribution Companies (“EDCs”) of greater than 100,000 customers develop a Smart Meter Technology Procurement and Installation Plan (“SMPI Plan” or “Plan”). 66 Pa. C.S. § 2807(f)(2). Act 129 also mandates that the EDCs provide smart meter technology to customers upon customer request, in new building construction, and in accordance with a depreciation schedule not to exceed fifteen years. Furthermore, Act 129 requires that the smart meter technology is capable of bi-directional communication, records electricity usage on at least an hourly basis, provides customers with direct access to price and hourly consumption information, allows for time-of-use rates and real-time price programs, and enables automatic control of the customer’s consumption. 66 Pa. C.S. § 2807(g). The EDC is allowed to recover reasonable and prudent costs to provide smart meter technology, less any operational and capital cost savings realized, through either base rates or a reconcilable automatic adjustment clause. 66 Pa. C.S. § 2807(f)(7).

The Pennsylvania Public Utility Commission (“Commission”) issued a Secretary Letter in Docket M-2009-2092655 on March 30, 2009 asking for comments responding to a staff proposal that set out proposed standards that each SMPI Plan must meet, procedures to be followed in conjunction with each SMPI Plan submittal, minimum smart meter capabilities, and

direction on smart meter deployment and cost recovery. Citizen Power filed comments on April 15, 2009. After reviewing the comments of several parties, the Commission issued its Smart Meter Procurement and Installation Implementation Order on June 24, 2009 (“Installation Order”).

The Installation Order established a 30 month grace period during which the Commission would not require the EDC to install smart meters at a customer’s premises. Installation Order at 7. The Installation Order also clarified that smart meters are to be deployed throughout the EDC’s service territory within a fifteen-year period after the approval of the SMPI Plan. Installation Order at 14-15. In addition, the Installation Order expanded upon the Act 129 capabilities that the smart meter technology must support, though the Commission reserved the right to waive any of these additional requirements if they are shown to not be cost effective. Installation Order at 16-17. SMPI Plan costs are to be allocated to the customer class that receives the benefit from such costs. Installation Order at 32.

The Installation Order also required that each EDC provide in their SMPI Plan a proposal for meeting eight milestones: (1) assessment of needs and technological solutions; (2) selection of technologies and vendors; (3) establishment of network designs; (4) establishment of plans for training personnel; (5) establishment of plans for installation, testing and rollout of support equipment and software; (6) installation, testing and rollout of support equipment and software; (7) establishment of plans to design, test and certify Electronic Data Exchange transaction capability consistent with the Installation Order; and (8) establishment of plans for installation of meters consistent with the rollout requirements in the Installation Order. Installation Order at 7-8.

II. PROCEDURAL HISTORY

Each EDC had ninety days from the effective date of Act 129 to submit a SMPI Plan. 66 Pa. C.S. § 2807(f)(1). On August 14, 2009, Duquesne Light Company (“DLC” or “Duquesne Light”) filed its Petition for Approval of Smart Meter Procurement and Installation Plan (“Petition”), in accordance with Act 129. Citizen Power timely filed a Petition to Intervene on September 25, 2009. On October 7, 2009, a Prehearing Conference was held with Administrative Law Judge (“ALJ”) Robert P. Meehan presiding. At the Prehearing Conference, the ALJ adopted a procedural schedule. In addition, Citizen Power’s Petition to Intervene was granted. On October 27, 2009, a technical conference was held.

In accordance with the Procedural Schedule, direct testimony was filed by intervening parties on October 29, 2009, rebuttal testimony was filed on November 6, 2009, and surrebuttal testimony was filed on November 12, 2009. A hearing was held on November 17, 2009.

III. DESCRIPTION OF DUQUESNE LIGHT PLAN

On August 14, 2009, in compliance with the Installation Order, DLC filed its SMPI Plan. DLC’s approach is to use the grace period to complete the analysis needed to meet the eight milestones as outlined in the Installation Order. Installation Order at 7-8. Specifically, DLC developed a timeline for meeting each of the milestones within the grace period in order to support an initial roll out of 8,000 Smart Meters in 2013. DLC SMPI Plan at 10-15. DLC plans to install the remaining 600,000 meters by between 2014 and 2018. DLC SMPI Plan at 13. In its SMPI Plan, DLC also indicated that it would be making two additional filings; a smart meter

capability cost benefit analysis on July 1, 2010 and a supplemental SMPI Plan that would include itemized project costs on December 31, 2011.

In order to facilitate meeting the milestones, DLC proposes splitting its efforts during the grace period into two components, “*Component 1 – Billing and Metering System Upgrades*” and “*Component 2 – Smart Meter Technology Infrastructure*”. DLC SMPI Plan at 20. The proposed costs for these components total \$38 million, \$17.2 million for component 1 and \$20.8 million for component 2. DLC Exh. B. DLC plans to use a Smart Meter Charge (“SMC”), a fixed rate per meter per month, as the cost recovery mechanism. A different SMC will be calculated for single-phase meters and poly-phase meters. Common costs will be allocated equally among all the meters whether they are single or poly-phase. DLC Exh. D at 9.

IV. ARGUMENT

The Commission should Allocate Common Costs to Customers Based on the Benefits Received

In its filing, DLC properly attributed the cost of each meter type to the set of customers that actually use that type of meter. However, as described by the Direct Testimony of Duquesne Witness Pfrommer, the Smart Meter Revenue Requirement (“SMRR”) for common costs, such as “infrastructure to collect, back haul, store and bill the customer”, will be allocated to SMRR for each meter type based on the number of meters. DLC Exh. D at 9. Using this method would allocate over 96% of the common costs of the smart meter program to customers who use single-phase meters. DLC Exh. WVP-2. This is despite the fact that single-phase meter customers do not receive 96% of the benefit resulting from the common costs. In his Direct Testimony on Behalf of the Pennsylvania Office of Consumer Advocate (“OCA”), Dr. Swan testified that DLC’s description of benefits in their American Recovery and Reinvestment Act

application suggests that a significant share of the benefits should result from reduced energy costs and avoided transmission and capacity costs. OCA St. 3 at 8. However, single-phase meters only consume 37% of the energy at the meter and account for no more than 47% of the peak demand. Exh. DES-1.

The Commission requires that “all measures associated with an EDC’s smart metering plan shall be financed by the customer class that receives the benefit of such measures.” Installation Order at 32. In the instant case, where the benefit resulting from the common costs is received by both poly-phase meter users and single-phase meter users, it is proper to allocate the common costs to each group according to the amount of benefit received. To allocate 96% of the common costs to single-phase meter users, when they receive less than half of the benefit, is unreasonable and contrary to the language of the Installation Order. As a proposed alternative to this irrational result, Citizen Power agrees with the recommendation of OCA Witness Swan that the common costs of the smart meter plan be allocated between the single-phase meter group and the multi-phase meter group based upon “the arithmetic average of the percentage shares of each group’s energy at meter and each group’s contribution to Duquesne’s annual single coincident peak. OCA St. 3 at 9.

V. CONCLUSION

Citizen Power believes that DLC’s SMPI Plan is generally in compliance with 66 Pa. C.S. § 2807(f) and (g). However, Citizen Power respectfully submits that the SMPI Plan should not be approved by the Commission without adjusting the allocation of common costs to the meter groups as described above.

VI. PROPOSED FINDINGS OF FACT

1. DLC proposed to allocate the cost of the smart meters themselves for each meter type to the to the group of customers (either single-phase meter customers or poly-phase meter customers) that use that type of meter. DLC Exh. D at 9.
2. DLC proposed to allocate the common costs based upon the number of meters. DLC Exh. D at 9.
3. Single-phase meters account for greater than a 96% share of the total meters, but only consume 37% of the energy at the meter and account for no more than 47% of the peak demand. DLC Exh. WVP-2. Exh. DES-1.

VII. PROPOSED CONCLUSIONS OF LAW

1. DLC must allocate common costs to the groups that benefit from those costs. Installation Order at 32.

VIII. PROPOSED ORDERING PARAGRAPHS

1. DLC's proposal to allocate common costs based between customer groups based on the number of meters in each group is denied.
2. Common costs shall be allocated to the customer group based on the capacity and energy benefits associated with those costs.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Main Brief of Citizen Power, Inc. upon the participants listed below, in accordance with the requirements of § 1.54 (relating to service by a participant).

Dated this 8th day of December, 2009.

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