

**Testimony of
Duquesne Light Company
Before the
Pennsylvania House Policy Committee**

**Public Hearing on State Mandated Energy Programs
August 22, 2011**

Good Morning Chairman Reed and members of the Committee. My name is Bill Roland; I am here today representing Duquesne Light Company. I thank you for the opportunity to appear before you today to discuss state mandated energy programs. Recent government mandates in Pennsylvania include energy efficiency and demand reduction, smart meters applications and alternative energy renewable requirements

Energy Efficiency and Demand Reduction

Under the Energy Efficiency requirements, Duquesne must reduce the energy consumption of its customers from what it otherwise would have been by 1% by this past May 2011 and 3% by May 2013. Demand --- or peak consumption on the 100 hottest hours of the summer --- has to be reduced 4.5% by the summer of 2012. While it certainly is a laudable goal to reduce inefficient or wasteful consumption, the savings to consumers are difficult to quantify. These energy efficiency programs are not inexpensive. At Duquesne customer surcharges collect over \$80 million over a 3 and 1/2 year period to pay for the energy efficiency programs. Additionally, the lost revenues of the utility due to lower consumption may be recouped through base rate case filings that factor in the reduced consumption. Ultimately, higher rates result from the lower consumption. So, in the end, the residential sector may have reduced their consumption but in turn may have higher rates and the consumer pays an additional \$80 million through surcharges. In light of all this, Duquesne's preference is to allow companies operating in the free market to design energy efficient goods and services and allow consumers to make their own decisions based on individual choice.

The energy efficiency requirements and demand reductions in Act 129 are set to expire in May 2013 and Duquesne would recommend a thorough review of cost and benefit to determine if these requirements should be extended.

Smart Meter Application and Deployment

Likewise, smart meter development and installation is a state mandated energy program. A smart meter is a new meter that with the appropriate communication systems permits two-way communications between consumers and the utility or power markets. This would allow for real time pricing of electricity prices to the customer. The primary goal is to provide information and rates to customers that encourage customers to shift load from high on-peak pricing periods during the day to low off- peak pricing at night or weekends. This may be of benefit to some customers who are not home during the day, but for customers who are at home all day, such as senior citizens, the benefit seems harder to understand. Many smart meters are used today by large consumers of electricity such as factories and large commercial customers with multiple locations. For them, the time, cost, and analysis involved in such decision making are worth the savings on electricity price. The cost for Duquesne of its smart meter program is in the \$150 to \$225 million range. Additionally, some customers have reached out to Duquesne recently through letters, e-mails, and phone calls questioning whether the utility knowing a house's energy consumption on an hourly or 15 minute interval basis is an invasion of privacy and have asked Duquesne not to install smart meters at their residences. Certainly for Duquesne's largest customers, smart meters make sense, but for residential customers the impact is still unknown.

Alternative Energy

The Pennsylvania Alternative Energy Portfolio Act was passed eight years ago and requires that suppliers of power have a certain percentage of their overall portfolio generated from renewable sources, such as wind, solar, and hydro. Duquesne has complied with those requirements of this act since January 1, 2008. At Duquesne, compliance is achieved by purchasing renewable credits produced by the generation of these alternatives. While the cost of complying is not burdensome at this point, the percentage requirements ramp up quickly in future years (18% renewable requirement by 2020) and may become a significant portion of a customer's bill. Again, Duquesne believes that this should be an individual choice rather than government mandate. If a customer wishes to purchase 100% renewable electric supply from an alternative energy supplier they can do so. They will pay more for that choice, but it is *their* choice. The Legislature should consider whether it wishes to impose the additional costs of alternative energy on every customer rather than allowing customers to decide on their own.

Duquesne Light thanks you for this opportunity to speak with you today. We also thank you for the important work you do on other utility matters and bills before you.