

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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IRWINA. POPOWSKY
Consumer Advocate

September 28, 2009

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Petition of West Penn Power Company
d/b/a Allegheny Power for Expedited
Approval of its Smart Meter Technology
Procurement and Installation Plan
Docket No. M-2009-2123951

Dear Secretary McNulty:

Enclosed for filing is the Prehearing Memorandum of the Office of Consumer Advocate,
in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Christy M. Appleby".

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824

Enclosures

cc: Honorable Mark A. Hoyer

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in every residential premise in its service territory unless a customer opts out. SMIP Plan at 12, 44; Petition at ¶ 8.

Allegheny Power estimates that the total cost for development, deployment, and operation and maintenance, including the stranded costs of existing meters and net of Customer Information System (CIS) and Smart Meter & Infrastructure benefits, will be \$580 million. Allegheny Power St. 4 at 4; See, SMIP Plan, Table 4.1, at 94; See benefit calculation at, SMIP Plan at 14 and Table 4.1 at 94.

Allegheny Power is proposing to recover the revenue requirements associated with this investment through a fully reconcilable automatic adjustment Smart Meter Technology (SMT) surcharge under Section 1307(f) that will be applied in a separate line-item as a monthly customer or meter charge on the bill. Allegheny Power St. 4 at 8. For residential customers, the Company is proposing an additional monthly charge of \$5.86/month in the first year (2010), \$14.34 in the second year and rising to \$15.77 per month in the fourth year (2013). SMIP Plan at 98. These proposed residential surcharges would increase the annual bills of residential customers by \$70 in the first year (2010) and by \$189 in the fourth year. The Company has reflected total off-setting benefits of \$43 million during this period in distribution system operations but has not projected any further offsetting reductions in the electricity supply cost component of customer bills.

Allegheny Power states that it does not require the 30-month grace period that is provided for in the Smart Meter Implementation Order. Petition at ¶ 13; see also, Smart Meter Implementation Order at 7. The Company has requested that the Commission expedite the approval for the Smart Meter Plan and the activities and expenditures proposed for the initial phase of the Plan, so that it can fully deploy its Smart Meters by 2013. Petition at ¶¶ 20-23.

On September 1, 2009, the Office of Consumer Advocate filed its Notice of Intervention and Public Statement in this matter. Thereafter, the Company's filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge (ALJ) Mark A. Hoyer for investigation. On September 3, 2009, a Prehearing Conference Order was issued by ALJ Hoyer. On September 30, 2009, a prehearing conference will be held in Pittsburgh and telephonically in Harrisburg.

The Office of Consumer Advocate has filed three sets of interrogatories to date. On September 25, 2009, the OCA filed Comments.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of Allegheny Power's filing, the OCA has compiled a list of issues and sub-issues which it anticipates will be included in its investigation of Allegheny Power's filing. It is anticipated that other issues may arise and may be pursued once the answers to all of OCA's interrogatories have been received and analyzed.

The following list sets forth the issues at this time that the OCA anticipates it will examine:

- (1) Reasonableness of Allegheny Power's proposed Smart Meter Plan for meeting Act 129 requirements;
- (2) Reasonableness of Allegheny Power's request to expedite the initial phase of its Smart Meter Plan;
- (3) Reasonableness of Allegheny Power's proposed Plan costs, including the preliminary proposed budgets;
- (4) Reasonableness of Allegheny Power's proposed cost recovery mechanisms and the allocation of Smart Meter costs; and

(5) Whether rates resulting from the Smart Meter Plan are just and reasonable.

The OCA specifically reserves the right to raise additional issues as may be necessary. The OCA would note that it also filed Comments in this Docket on September 25, 2009, in which the OCA identified its initial concerns and recommendations regarding Allegheny Power's Smart Meter filing. A copy of the OCA's Comments have been provided to the ALJ and the parties to this proceeding.

III. WITNESSES

The OCA intends to present the direct testimony of the following witnesses in this proceeding. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, comments and answers to interrogatories be mailed directly to the expert witness as well as mailing a copy to counsel for the OCA.

Smart Meter Plan and Cost Recovery

Rick Hornby
Synapse Energy Economics
22 Pearl Street
Cambridge, MA 02139
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E-mail: rhornby@synapse-energy.com

Nancy Brockway
NBrockway & Associates
10 Allen Street
Boston, MA 02131
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E-mail: nbrockway@aol.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, all parties of record will be notified.

III. SERVICE ON OCA

The OCA will be represented in this case by Assistant Consumer Advocates Christy M. Appleby and Darryl A. Lawrence and Senior Assistant Consumer Advocate Tanya J. McCloskey. Two copies of all documents should be served on the OCA as follows:

Christy M. Appleby
Assistant Consumer Advocate
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As a courtesy, the OCA requests that all electronic correspondence be copied to Jessica J. Horner (jhorner@paoca.org).

V. PROPOSED DISCOVERY RULES

In order to effectively investigate and adequately develop a record on these issues, the OCA requests a modification of the Commission's procedural rules, as set forth below:

(1) Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.

(2) Objections to interrogatories shall be communicated orally within three (3) calendar days of the service of interrogatories; unresolved objections shall be served to the ALJ in writing within five (5) days of service of the interrogatories.

(3) Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.

(4) Answers to motions to dismiss objections and/or answering of interrogatories shall be filed within three (3) calendar days of service of such motions.

(5) Ruling over such motions shall be issued, if possible, within ten (10) calendar days of the filing of the motion.

(6) Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.

(7) Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

The OCA reiterates that all time periods established in the foregoing discovery schedule should be calculated using calendar days. Service by e-mail shall be considered in-hand service, if followed by hard copy.

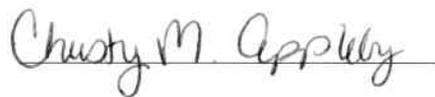
VI. SCHEDULE

The OCA will work with all parties to develop a mutually agreeable schedule.

VII. PUBLIC INPUT HEARINGS

The OCA has not received any requests for public input hearings. However, should the OCA receive substantial interest in convening public input hearings in this matter, the OCA will communicate the interest to the ALJ and all parties.

Respectfully Submitted,



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DATE: September 28, 2009

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CERTIFICATE OF SERVICE

Petition of West Penn Power Company :
d/b/a Allegheny Power for Expedited : Docket No. M-2009-2123951
Approval of its Smart Meter Technology :
Procurement and Installation Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Prehearing Memorandum of the Office of Consumer Advocate, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 28th day of September 2009.

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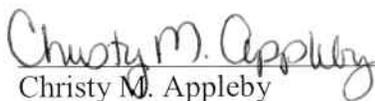
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