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August 31, 2011

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
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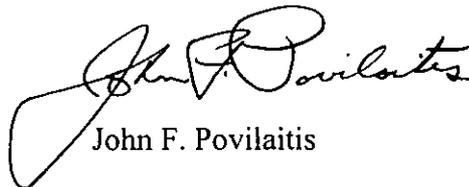
Re: Petition of West Penn Power Company for Expedited Approval of its Smart Meter
Technology and Installation Plan; Docket No. M-2009-2123951

Dear Secretary Chiavetta:

Enclosed for filing are an original and three (3) copies of West Penn Power Company's Revised Smart Meter Technology Procurement and Installation Plan (SMIP) Compliance Filing with regard to the above-referenced proceeding. Copies have been served as indicated on the attached Certificate of Service.

Thank you for your attention to this matter.

Very truly yours,


John F. Povilaitis

JFP/kra
Enclosures
cc: Certificate of Service

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**West Penn Power Company's
Revised Smart Meter Technology
Procurement And Installation Plan
(SMIP)**

Compliance Filing

Docket No. M-2009-2123951

August 31, 2011

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For Informational Purposes Only

Filed Pursuant to Commission Order Entered June 30, 2011

I. INTRODUCTION

A. Background

On October 15, 2008, former Governor Edward Rendell signed Act 129 of 2008¹ (“Act 129”) into law. Act 129 requires, among other things, that each electric distribution company (“EDC”) with at least 100,000 customers in Pennsylvania file a Smart Meter Technology Procurement and Installation Plan (“SMIP” or “Plan”). As directed by Act 129, the Pennsylvania Public Utility Commission (“Commission”) adopted a *Smart Meter Procurement and Installation Implementation Order* (“Implementation Order”) on June 18, 2009 at Docket No. M-2009-2092655, in which standards for EDC SMIPs were established.

In accordance with Act 129 and the Implementation Order, West Penn Power Company (“West Penn” or “Company”) filed its SMIP on August 14, 2009 (“WP Original SMIP”). The filing was assigned to the Office of Administrative Law Judge for hearing. Since the filing of the WP Original SMIP, West Penn’s parent, Allegheny Energy, Inc. announced in February 2010 its intention to merge with FirstEnergy Corp. (“FirstEnergy”), the consummation of which occurred on February 25, 2011. Administrative Law Judge (“ALJ”) Mark. A. Hoyer issued an Initial Decision by Order dated May 3, 2010. On July 21, 2010, the Commission entered an Opinion and Order on a Petition to Stay the Exceptions Period. Settlement discussions among the parties ensued and on October 19, 2010, the Company filed a Joint Petition for Settlement (“Settlement”). The Commission remanded the proceeding to the ALJ for purposes of considering the proposed merger’s impact on the WP Original SMIP as well as to confirm that the proposed Settlement was adequately supported by the record. After

¹ 66 Pa C.S. §§ 2806.1 et seq.

further settlement discussions, the Company; along with the Office of Consumer Advocate and the Office of Trial Staff, submitted on March 9, 2011, an Amended Joint Petition for Settlement of All Issues (“Amended Settlement”). The other parties to the proceeding did not object to the Amended Settlement and the ALJ approved the Amended Settlement without modification by Order dated May 3, 2011. The Commission approved the SMIP then pending (“hereinafter, “WP Current SMIP”) without modification on June 30, 2011. The Amended Settlement provides that as part of its compliance, the Company would submit a revised SMIP consistent with the Amended Settlement. West Penn submits this Revised SMIP in compliance with such commitment.

B. Amended Settlement Terms

The Amended Settlement generally includes the following commitments by the Company:

1. It will decelerate the deployment of smart meters from its original schedule.²
2. It will utilize some or all of the 30 month grace period authorized by the Commission to reevaluate back office systems, system-wide networks and its installation plan, redesigning its solution accordingly.³
3. It will file a revised SMIP, which shall include a deployment plan, anticipated to be filed in or about June, 2012.⁴
4. It will include in the revised SMIP a cost benefit analysis for deployment of smart meters to at least 90% of West Penn’s customers by December 31, 2018.⁵

² *In re Petition of West Penn for Expedited Approval of its Smart Meter Technology and Installation Plan*, Docket No. M-2009-2123951, Joint Petition, para. 15 (Mar. 9, 2011) (hereinafter, “Amended Settlement”).

³ Id.

⁴ Id.

⁵ Id.

5. At a minimum, it will perform the following analyses during the grace period:
 - A. A benchmark comparison of the costs of its revised, proposed network development and installation plan to those approved for several comparable companies;
 - B. An updated analysis similar to that submitted by Nevada Power to the Nevada Commission in Docket No. 09-07003;
 - C. An estimate of improvements in the Company's distribution system reliability in terms of cost savings, such as increased efficiency in responding to outages;
 - D. An estimate of savings in supply costs, including capacity and energy costs;
 - E. An estimate of the likely participation and electricity usage reductions of the Company's customers in response to the programs and rate offerings enabled by smart meters; and
 - F. An evaluation of the merits of deploying In-Home Devices ("IHDs") in conjunction with the deployment of smart meters; but will not deploy, prior to May 31, 2013, any such IHDs in support of the Company's Energy Efficiency and Conservation ("EE&C") Plan that is currently pending before the Commission for consideration in Docket No. M-2009-2093218.⁶
6. Between 2010 and 2013, it will promote and encourage customer requests for smart meters in order to achieve deployment of up to 25,000 smart meters, and will submit to interested parties, as part of its report on the status of its EE&C Plan, information on progress towards achieving that goal.⁷
7. It will recover costs associated with the development of the Revised SMIP as more fully discussed in Section III (E), *infra*.⁸
8. During the grace period, it will collect and provide non-confidential data to interested parties on its low income and vulnerable customers, including elderly heads of households and households that have been identified as having a disabled person who requires electricity as a medical necessity, which shall include

⁶ Id. at Paras. 16, 18.

⁷ Id. at Para. 17.

⁸ Id. at Paras. 19-25.

customer load shapes and usage characteristics, to the extent such customers are identified, and a granular analysis of the load shapes and usage characteristics to a sample of customers, to the extent sufficient data to perform such an analysis exists.⁹

9. During the grace period, it will review data collected on low income and vulnerable customers with interested parties in order to examine the potential for the development of specific smart meter programs for these customers.¹⁰
10. It will not use the remote disconnect feature for involuntary terminations and will work with other parties to vet the issues surrounding such a policy prior to implementation.¹¹
11. It will meet with registered interested parties, at least semi-annually during the development of the Revised SMIP.¹²

II. INTEGRATION WITH FIRSTENERGY SMIP

Upon completion of the merger with FirstEnergy, West Penn became part of a family of FirstEnergy Pennsylvania EDCs, joining Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company (the three collectively referred to as “the PA Companies” and together with West Penn, “All FE PA Companies”). The PA Companies submitted their SMIP in Docket No. M-2009-2123950. Rather than submitting three separate SMIPs, the PA Companies submitted a single comprehensive plan because they were all part of the same integrated distribution system and, as a result, a single comprehensive solution was deemed to be more efficient and cost effective. The PA Companies’ SMIP, as approved by the Commission, includes a 30-month grace period during which time the PA Companies indicated that they would assess their needs, select the necessary technology, secure vendors, train personnel,

⁹ Id. at Para. 26.

¹⁰ Id. at Para. 27.

¹¹ Id. at Para. 28.

¹² Id. at Para. 29.

install and test support equipment and establish a detailed smart meter deployment schedule consistent with the statutory requirements -- including a deployment plan for: (i) the grace period; (ii) post grace period/pre-build out completion; and (iii) build out period. As indicated in the PA Companies' SMIP Plan, these tasks are being performed during the first 24 months of the grace period (Assessment Period). At the end of the Assessment Period, the PA Companies intend to submit to the Commission a supplement to the SMIP Plan ("referred to herein as the "Deployment Plan") that includes among other things: (i) a detailed long term time line, with key milestones; (ii) a potential smart meter solution; (iii) the projected costs of such solution, along with an assessment of benefits; (iv) a network design solution; (v) a communications architecture design solution; (vi) a training assessment and proposed curriculum; (vii) a cost recovery forecast; (viii) a transition plan including communication to employees and consumers; and (ix) a detailed tiered roll-out plan. The PA Companies partnered with IBM and Black & Veatch Corporation ("B&V") to assist them with the development of their Deployment Plan which currently is expected to be submitted in or about June 2012.

Now that West Penn is part of the FirstEnergy family of Pennsylvania EDCs, FirstEnergy intends to incorporate the needs of West Penn and its customers into the above analyses, and submit a single SMIP Deployment Plan for the entire FirstEnergy Pennsylvania footprint, namely All FE PA Companies, after factoring in the commitments made by West Penn in its Amended Settlement. Accordingly, this report incorporates by reference the entire SMIP of the PA Companies as approved by the Commission in Docket No. M-2009-2123950. The remainder of this report will discuss

how each of West Penn's commitments described above will be achieved within the Deployment Plan.

III. WEST PENN'S SPECIFIC COMMITMENTS

A. Deceleration, Reevaluation and Deployment Plan (Commitment Nos. 1, 2, 3 and 4)

By bringing West Penn within the scope of the PA Companies' SMIP, the deployment of Smart Meters is naturally decelerated. (Commitment No. 1.) In September 2011, the FirstEnergy SMIP team, comprised of personnel from All PA FE Companies, the FirstEnergy smart meter group, and consultants from IBM and B&V (collectively, "SMIP Team") will be launching a study of the smart meter analyses and other work performed by West Penn prior to the merger. This study entails (i) the review of SMIP work performed by West Penn; (ii) the results of such work; (iii) identification of work that can be incorporated into the overall work plan as set forth in the PA Companies' SMIP Plan; (iv) a gap analysis of work that still needs to be done to bring West Penn within the scope of the Deployment Plan, either by supplementing earlier work already performed for the PA Companies, or expanding the scope of work to be performed so as to also include the needs of West Penn. Naturally, in order to complete such an analysis, those performing the study must reevaluate West Penn's back office and other relevant system needs. (Commitment No. 2.)

The SMIP Team currently anticipates filing with the Commission the *Deployment Plan of All FE PA Companies in or about June 2012*, which will include a cost-benefit analysis of deploying smart meters to All FE PA Companies' customers within various specified time frames, including a scenario in which smart meters are

deployed to 90 % of all such customers by December 31, 2018. (Commitment Nos. 3 and 4.)

B. Analyses and Studies (Commitment Nos. 5, 8 and 9)

As part of the development of the Deployment Plan for All FE PA Companies, various studies, assessments, evaluations and analyses (collectively “Studies”) are being performed as described in the PA Companies’ SMIP. To the extent that the Studies did not include those included in Commitment No. 5 above, the scope of the Studies has been expanded to fulfill this commitment for West Penn. The results of virtually all of the Studies will be used to develop the Deployment Plan and will support the underlying conclusions set forth therein. (Commitment No. 5.) Additionally, the SMIP Team has been reviewing the known available load research data of All FE PA Companies to determine its applicability for providing reliable insight into the differences between hourly usage by low income customers vis-à-vis the remainder of the residential class. The SMIP Team anticipates sharing these results with interested parties in a meeting tentatively scheduled for September 19, 2011. (Commitment Nos. 8 and 9.) The date, time and location will be confirmed after Labor Day.

C. Deployment of Smart Meters (Commitment Nos. 6 and 11)

In the PA Companies’ original SMIP Plan, the companies indicated their intent to deploy up to 10,000 smart meters through 2013 as part of their initial field assessment. To date, the PA Companies have installed approximately 60 smart meters in their test lab and commenced field testing of approximately 400 additional smart

meters.¹³ As part of the implementation of certain energy efficiency and demand reduction programs included in West Penn's Energy Efficiency and Conservation ("EE&C") Plan, the amended version of which is currently pending before the Commission in Docket No. M-2009-2093218, West Penn intends to deploy up to 25,000 smart meters by 2013 (Commitment No. 6), thus increasing overall deployment of smart meters in the FirstEnergy Pennsylvania footprint. West Penn will share its progress on its deployment during its semi-annual updates with interested stakeholders, the first of which is anticipated to be held in November, 2011. (Commitment No. 11.) Information surrounding acceptance of the EE&C programs (and thus smart meter enrollment) will also be included in West Penn's annual and quarterly EE&C status reports. (Commitment No. 6.)

D. Remote Disconnect and IHDs (Commitment Nos. 5F and 10)

During the grace period, All FE PA Companies agree that they will not utilize the remote disconnect feature for involuntary disconnections (Commitment No. 10), and West Penn will not utilize IHDs prior to May 31, 2013 as part of its compliance with its EE&C requirements. (Commitment No. 5F.) Further, FirstEnergy fully intends to participate in any proceedings, meetings or other discussions concerning the use of the remote disconnection feature and compliance with Commission regulations and Pennsylvania law. (Commitment No. 10.)

E. Cost Recovery (Commitment No. 7)

The SMIP Team is currently performing various Studies in order to develop an estimate of costs to deploy smart meters in All FE PA Companies' respective

¹³ In support of the West Penn EE&C plan, marketing and enrollment activities for the Critical Peak Rebate program began on August 15, 2011. To date, 26 smart meters have already been installed in West Penn's service territory, with additional requests pending.

service territories. Given West Penn's agreement to re-evaluate its deployment of smart meters during the grace period, as well as its integration into the PA Companies' SMIP Plan, West Penn is not currently in a position to provide detailed cost estimates for its full deployment efforts or related incremental cost estimates. Thus, while the WP Current SMIP provides cost estimates for the initial phases of the Company's deployment efforts, the detailed estimate of costs for full deployment will be included in the Deployment Plan that will be filed in or about June 2012.

Cost Recovery for Phases 1 through 4 of the WP Current SMIP¹⁴

As of the filing of the WP Current SMIP, the Company expended approximately \$45.1 million in Phases 1 and 2, of which the Company currently proposes to recover \$40 million through the smart meter surcharge. The \$40 million will be recovered via a levelized surcharge over a 5.5-year period beginning with a smart meter surcharge start date of September 1, 2011. The levelized surcharge will not include interest on over- or under-collections. In order to allow for full recovery of the costs associated with the deployment of the WP Current SMIP, West Penn will include \$5.712 million in interest charges. Such interest charges will be amortized for recovery over a 5.5-year period coincident with the recovery of the \$40 million of Phase 1 and 2 costs.

Reasonable and prudent costs associated with the activities defined in Phase 3, estimated to be \$26.7 million, the activities defined in Phase 4, estimated to be \$250,000, and an additional \$1 million for additional Phase 2 design expenses will be among those included in the smart meter surcharge. Collection of the operation and maintenance (O&M) expenses incurred during these phases, estimated at \$11 million, will occur in the

¹⁴ See Amended Settlement, paras. 19 – 25. For a description of the various phases, see the Current SMIP.

year in which the O&M expense is projected to be incurred. The capital costs incurred during these phases are estimated at \$16.9 million and will be collected through an annualized rate, based upon an annual revenue requirement that includes the effect of the agreed upon book life depreciation periods, a 10% return on equity, accumulated deferred income taxes, the Company's capital structure, and Allowance for Funds Used During Construction ("AFUDC") that will accrue during the period between the Company's incurrence of the capital costs and the capital in-service date.

The smart meter surcharge will be reconciled through annual true up filings. Reconciliation of the \$40 million of Phase 1 and Phase 2 costs will result in an adjustment (positive or negative as the case may be) to the deferral balance, with the deferral levelized over the remainder of the 5.5-year levelization period. Reconciliation of capital costs and all other O&M costs will be collected in the smart meter surcharge for the upcoming year. As such, the levelized smart meter surcharge will be updated through annual filings, and ultimately will include costs approved by the Commission for Phase 5, which will be described in detail in the Deployment Plan scheduled to be submitted in or about June 2012.

The depreciation book lives for the following capital asset types used in West Penn's calculation¹⁵ of the smart meter surcharge revenue requirement are as follows:

- | | | |
|----|--------------------|----------------------------------|
| a. | Smart Meters | 15 years |
| b. | Hardware | 5 years |
| c. | Software (non-CIS) | 10 years |
| d. | Software (CIS) | 10 years |
| e. | In-Home Devices | TBD (if deployed beyond EE&C/DR) |

¹⁵ The book lives used for purposes of making such a calculation are limited to West Penn only. Nothing herein should be construed as acceptance of these book lives for purposes of calculating the PA Companies' respective surcharges, or for purposes of overall cost recovery that will be requested in the Deployment Plan.

Cost Recovery Request

On August 22, 2011, West Penn submitted to the Commission in Docket No. M-2009-2123951 a compliance tariff filing for a Smart Meter Technologies Surcharge, Supplement No. 208, Electric – Pa. P.U.C. No. 39 and Supplement No. 153, Electric – Pa. P.U.C. No. 37. The Smart Meter Technologies Surcharge rates were calculated as described above and are identical to those included in the Amended Settlement. The tariff language is in substantially the same form as that already approved for, and implemented by, the PA Companies. West Penn's rates included as the Smart Meter Technologies Surcharge are to become effective on September 1, 2011. West Penn will submit a separate filing for rates that will become effective on January 1, 2012.

IV. CONCLUSION

West Penn thanks the Commission and interested parties for the opportunity to update them on West Penn's progress towards the development of a smart meter solution for West Penn's customers. Should the Commission or any of the interested parties have any questions about the content of this Report, or need any additional technical information, please contact Mr. Dana Parshall at 330-384-5721 (parshalld@firstenergycorp.com). For any legal-related questions, please contact Kathy Kolich at 330-384-4580 (kjkolich@firstenergycorp.com).

Respectfully submitted,

WEST PENN POWER COMPANY

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document in accordance with the requirements of 52 Pa. Code § 1.54 et seq. (relating to service by a participant).

VIA FIRST CLASS AND ELECTRONIC MAIL

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