

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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February 7, 2013

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Petition of PECO Energy Company for
Approval of its Smart Meter Technology
Procurement Plan
Docket No. M-2009-2123944

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer to PECO Energy Company's Petition for Approval of Its Smart Meter Universal Deployment Plan, in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Aron J. Beatty".

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures

cc: Certificate of Service
165747

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company :
for Approval of Its Smart Meter : Docket No. M-2009-2123944
Technology Procurement Plan :

ANSWER OF THE OFFICE OF CONSUMER ADVOCATE TO
PECO ENERGY COMPANY'S PETITION FOR APPROVAL OF ITS
SMART METER UNIVERSAL DEPLOYMENT PLAN

I. INTRODUCTION

On January 18, 2013, PECO Energy Company (PECO or Company) filed a Petition in the above-captioned docket seeking approval of the second phase of its smart meter technology procurement and installation plan. The second phase consists of PECO's "Universal Deployment Plan" in which it proposes to substantially complete the installation of smart meters by the end of 2014 at a cost of approximately \$282 million. The Company proposes that the Commission review its filing in an expedited manner so that it can achieve substantial completion of its smart meter installations by the end of 2014.

The Office of Consumer Advocate (OCA) is an active participant in the Company's Smart Meter proceedings before the Commission. The OCA filed a Notice of Intervention and Public Statement in the above-captioned docket on September 1, 2009. The OCA files this Answer to the Company's Petition in order to ensure that the PECO universal deployment plan is in accordance with Act 129 and all other applicable statutes, is cost-effective and to ensure that any increase in rates resulting from the adoption of the proposed Plan and any related expenses is just and reasonable.

II. ANSWER

In its Universal Deployment Plan, PECO proposes to install approximately 1.2 million smart meters between the third quarter of 2013 and the end of 2014. Petition at ¶23. This deployment schedule is more aggressive than the ten year deployment schedule envisioned in PECO's original smart meter plan. PECO states that it has conducted a "comprehensive analysis of costs and benefits" that supports such an expedited deployment schedule. Id.

The OCA submits that the proposed schedule and underlying cost/benefit analysis must be thoroughly reviewed to ensure that the \$282 million Universal Deployment Plan is reasonable. The Company points to three primary areas of cost savings that justify expediting the deployment schedule. First, the Company states that an earlier deployment will eliminate payments to a third party vendor to operate PECO's existing AMR system. Petition at ¶24. Second, the Company states that a speedier deployment will reduce the meter and installation costs as economies of scale are achieved. Id. Third, the Company states that installing meters under an expedited schedule will produce operational savings. Id.

The OCA submits that these potential savings must be thoroughly analyzed before such an expedited and costly deployment plan is approved. In addition, while there may be benefits related to an expedited deployment, there may also be an increase in risks. The shorter timeframe may leave less opportunity to correct problems that may arise and may leave little room to incorporate advances in technology over the course of the program. These issues must be fully considered in reviewing PECO's plan.

Regarding cost recovery, the Company proposes to continue to recover smart meter costs through its Smart Meter Cost Recovery Surcharge (SMCRS). Petition at ¶25. PECO projects

that smart meter recovery will increase an average residential customers total monthly bill by approximately \$1.40 in 2012 and \$2.60 in 2014, after which time the SMCRS will decline. Petition ¶26. The OCA submits that the Company's proposed cost recovery must be reviewed to ensure that the rates remain just and reasonable.

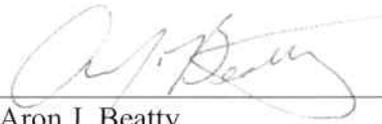
The OCA further notes that the Company has indicated that an issue remains regarding certain costs resulting from its first phase of its smart meter plan. During the initial installation of smart meters in its service territory, the Company experienced "several meter events involving overheating that raised safety concerns." Petition at ¶19. The Company removed all of the meters associated with these overheating events and replaced them with a different brand of meters. Id. The Company incurred substantial costs as a result of these problems and has stated that it intends to negotiate cost recovery with the meter vendor. Petition at ¶27. PECO then states in its Petition that it will "seek Commission approval to fully recover *any remaining deferred costs* through its currently authorized SMCRS." Petition at ¶27 (emphasis added).

The OCA submits that the Commission must not pre-approve any recovery of these costs in this proceeding. The Company should negotiate fully with the meter vendor to protect its ratepayers from any improper costs.

III. CONCLUSION

The OCA respectfully submits that the PECO Petition for Approval of its Smart Meter Universal Deployment Plan requires further review. As the Company has proposed in its Petition, the matter should be referred to the Office of Administrative Law Judge and hearings should be held to ensure that the proposed plan is reasonable and that customers only pay for those smart meter costs that are fully justified and appropriate.

Respectfully submitted,



Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

DATED: February 7, 2013
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CERTIFICATE OF SERVICE

Petition of PECO Energy Company :
for Approval of Its Smart Meter : Docket No. M-2009-2123944
Technology Procurement Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Answer to PECO Energy Company's Petition for Approval of Its Smart Meter Universal Deployment Plan, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 7th day February 2013.

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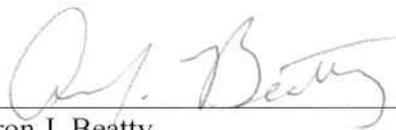
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