**BEFORE THE**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission : R-2014-2428744

Office of Small Business Advocate : C-2014-2443484

Office of Consumer Advocate : C-2014-2441653

James F. Mrozek : C-2014-2441286

Penn Power Users Group : C-2014-2442538

Pennsylvania State University : C-2014-2445716

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v. :

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Pennsylvania Power Company :

:

and :

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Petition of : M-2013-2341993

Pennsylvania Power Company :

For Approval of Smart Meter Deployment Plan :

:

**ERRATA NOTICE**

This is to advise all parties of record that the Recommended Decision issued on March 16, 2015 in the above-captioned proceeding contains typographical errors regarding incorrect amounts for the smart meter plan and a citation on p. 61 and 62. Please find the corrected pages attached.

The Recommended Decision on the PA PUC website will be corrected as indicated above. This correction will not affect the exception period established by the Commission’s Service Letter.

K. ALJs’ Recommendation on Partial Settlement

The Partial Settlement of this consolidated proceeding constitutes a significant reduction in the revenue increase originally requested by Penn Power. Upon consideration of the terms and conditions of the Settlement, and the statements of the parties in support thereof, it is our opinion the Settlement is an equitable, fair, and reasonable resolution of this consolidated proceeding, and the Commission should approve the Settlement submitted in this matter.

Upon consideration of the terms and conditions of the Partial Settlement, and the statements of the parties in support thereof, it is our opinion the Partial Settlement is an equitable, fair, and reasonable resolution, and benefits the public interest by permitting the Company to recover all reasonable costs incurred in its provision of electric service to ratepayers, with a reasonable rate of return, and also provides for the deployment of Smart Meters to all ratepayers in the Company’s territory. The presiding officers recommend the Commission should approve the Partial Settlement submitted in this matter

L. ALJs’ Recommendation Concerning Smart Meter Charge

The Smart Meter surcharge (SMT-C) filing on August 1, 2015 at Docket No. M‑2013-2341991 was handled concurrent with the base rate proceeding herein, pursuant to the Commission’s Suspension Order on October 2, 2014. Through the Partial Settlement, the parties propose the Company should subsume the current Smart Meter surcharge (SMT-C) into the base rate, “zero out” the SMT-C from the monthly billing statements until deployment costs expended exceed $12.483 million and then establish a procedure to determine baseline costs as of April 30, 2016. There are two elements to this proposal.

First, major portion of the total revenue requirement in this proposed base rate ($12.483 million out of $17 million) is associated with the Smart Meter deployment because ratepayers need to pay for the cost of the utility doing business, which includes the cost of deployment. Because the cost of deployment is so high ($12.483 million), the parties propose the Company should “zero out” the current SMT-C Rider (Rider G) from monthly bills and remove it from current billing statements. The Company will not begin to recover costs through Rider G again until the aggregate investment and expense revenue requirements for Smart Meter deployment exceeds $12.483 million, which is the same amount the parties propose should be recovered through this base rate increase. Until that amount is exceeded, the Rider G will disappear from monthly billing statements and will only return if additional deployment costs are incurred before the Company returns in another base rate proceeding.

Second, the Company is required by the Commission to develop a baseline for the costs of deployment in order that the Commission can determine the cost savings, if any, in the future from the use of Smart Meters. The Company resolves to create cost baselines as of April 30, 2016 and has eight categories of measurements it will track starting with the approval of this base rate. In addition, the Company will track one more measurement (avoided capital costs) but will use March 31, 2014 date as a baseline. The baselines are detailed in the Company’s exhibit (ME, Penelec, PP, WP Exhibit LWG-3) and also in Exhibit 6 to the Partial Settlement. The Company will also add five reporting metric to its Annual Progress Report to be filed in its Smart Meter Technology and Installation Plan, docketed at No. M-2013-2341991.

This utility must finish rolling out as many Smart Meters to its ratepayers as it can as quickly as it can. This proposed approach – to incorporate the costs of deployment into the base rate and, therefore, recover those costs as incurred going forward – allows the utility to recover costs, as permitted by statute, but avoids “double-dipping” because the Company will stop collecting money monthly through the use of the Rider G on the monthly bills. In essence, the customers will pay for the deployment but will no longer see that surcharge on their bills because the surcharge will be folded into the base rate in this proceeding.

In addition to requiring the Company to deploy Smart Meters across its territory, the Commission also has required the Company to develop a cost baseline for savings. Over the next few years, the Commission wants to see how the deployment of Smart Meters has impacted various costs, positive or negative. In order to be meaningful statistics, however, there must be a baseline to which all future statistics after that date (April 30, 2016) will be compared. The