

SMART METER COST RECOVERY SURCHARGE

Purpose: The purpose of this surcharge is to provide for full and current cost recovery of all incremental costs associated with the Company's PaPUC-approved Smart Meter Program and to recover on a full and current basis the legacy meter cost.

Applicability: The surcharge shall be a per-customer charge calculated to the nearest one cent, which shall be added to the fixed distribution rates for billing purposes for all commercial and industrial customers with metered service. The surcharge shall be on a cents per kwh basis for residential customers calculated to the nearest one hundredth of a cent. The rate shall be calculated separately for each customer class (residential, small commercial and industrial, and large commercial and industrial).

Billing Provisions: The surcharge shall be calculated on a quarterly basis using the following formula:

$$SM(n) = [(L(n) + (C + E + I) / R(n)) / (1 - GRT)]$$

$$L(n) = (L) / R(n) \text{ where:}$$

C – the incremental cost of the Company's Smart Meter Program. These costs shall include the following:

Capital and expense items relating to all plan elements, equipment and facilities, as well as incremental administrative costs, the cost of the Company's customer acceptance program, and the cost, upon approval by the Commission, of acquiring a grant under the American Reinvestment and Recovery Act of 2009 as well as the cost of complying with the rules necessary to receive the grant. Specifically, these costs shall include, but are not limited to, the capital costs of capital expenditures for any equipment, software and facilities required to implement the Smart Meter Program, including depreciation, a return on the un-depreciated investment, and taxes, as well as operating and maintenance expenses. The rate of return to be used in calculating capital costs shall be at the Company's weighted average cost of capital. The return on equity used in developing the weighted average cost of capital shall be that allowed by the Commission in the Company's last base rate case except that in the first surcharge filing the return on equity shall be 10.5% with such return on equity adjusted through the reconciliation process to the level approved or stipulated to in the Company's next electric base rate case. The capital structure and the cost of debt and preferred stock shall be as filed in the Company's most recent quarterly earnings report. Administrative costs shall include incremental costs related to plan development and approval, cost analysis, measurement and verification, reporting, testing, upgrades, maintenance and personnel training plus any other incremental cost necessary to implement the PaPUC-approved Smart Meter Program. Costs recoverable under this surcharge shall also include cost, whether capital or expense that is stranded due to the implementation of the approved Smart Meter Program. Any reductions in operating expenses or avoided capital expenditures due to the Smart Meter Program will be deducted from the incremental costs of the Smart Meter Program to derive the net incremental cost of the Program that is recoverable. Such reductions shall include any reductions in the Company's current meter and meter reading costs.

L – The cost of the legacy meter system. Cost shall include the original cost of the meter investment less accumulated depreciation less accumulated deferred income taxes, the total of which represents rate base which shall be multiplied by a cost of capital as described in component "C" above. In addition to the above this component shall include the cost of meter reading, the asset use fee for the current AMR system, meter depreciation expense, and income taxes associate with the return on investment.

SM(n) = combined smart meter cost and legacy meter cost for customer class n including over or under recovery and associated interest on the combined smart meter and legacy system surcharge.

L(n) = legacy meter cost for customer class n

E – The estimated over or under recovery from the prior year. The reconciliation period shall be the 12 months ended June 30. There shall be one E factor for both the Smart Meter costs and the legacy cost

I – Interest on any over or under recovery balance. Interest shall be a rate of 6% and shall be calculated from the month of over or under collection to the mid-point of the recovery period.

n – rate class where: 1 = residential, 2 = small C&I, 3 = large C&I

Residential – Rates R, RH, OP

Small C&I – Rate GS,

Large C&I – Rates HT, PD, EP

GRT – the current gross receipts tax

R – The total delivery service customers for class(n) for the application period where the application period shall be as defined in the filing schedule. In the case of the residential class for the purposes of the Smart Meter component of the charge it shall represent delivered sales for the application period

Filing Schedule: The estimated surcharge shall be filed 15 days prior to the start of the application period. Quarterly rate shall be effective on the first full billing cycle starting after January 1, April 1, July 1, and October 1. The quarterly rates will only be updated if the rate changes by more than 5%. The reconciliation filing shall be made on August 1 of each year. The resultant over or under recovery shall be included in the Smart Meter surcharge commencing on January 1 following the reconciliation filing.

(C) Indicates Change

SMART METER COST RECOVERY SURCHARGE

Purpose: The purpose of this surcharge is to provide for full and current cost recovery of all incremental costs associated with the Company's PaPUC-approved Smart Meter Program and to recover on a full and current basis the legacy meter cost.

Applicability: The surcharge shall be a per-customer charge calculated to the nearest one cent, which shall be added to the fixed distribution rates for billing purposes for all commercial and industrial customers with metered service. The surcharge shall be on a cents per kwh basis for residential customers calculated to the nearest one hundredth of a cent. The rate shall be calculated separately for each customer class (residential, small commercial and industrial, and large commercial and industrial).

Deleted: kWh

Billing Provisions: The surcharge shall be calculated on a quarterly basis using the following formula:

$$SM(n) = \frac{L(n) + C + E + I}{R(n)} / (1 - GRT)$$

Deleted: (

$L(n) = (L) / R(n)$ where:

C – the incremental cost of the Company's Smart Meter Program. These costs shall include the following:

Capital and expense items relating to all plan elements, equipment and facilities, as well as incremental administrative costs, the cost of the Company's customer acceptance program, and the cost, upon approval by the Commission, of acquiring a grant under the American Reinvestment and Recovery Act of 2009 as well as the cost of complying with the rules necessary to receive the grant. Specifically, these costs shall include, but are not limited to, the capital costs of capital expenditures for any equipment, software and facilities required to implement the Smart Meter Program, including depreciation, a return on the un-depreciated investment, and taxes, as well as operating and maintenance expenses. The rate of return to be used in calculating capital costs shall be at the Company's weighted average cost of capital. The return on equity used in developing the weighted average cost of capital shall be that allowed by the Commission in the Company's last base rate case except that in the first surcharge filing the return on equity shall be 10.5% with such return on equity adjusted through the reconciliation process to the level approved or stipulated to in the Company's next electric base rate case. The capital structure and the cost of debt and preferred stock shall be as filed in the Company's most recent quarterly earnings report. Administrative costs shall include incremental costs related to plan development and approval, cost analysis, measurement and verification, reporting, testing, upgrades, maintenance and personnel training plus any other incremental cost necessary to implement the PaPUC-approved Smart Meter Program. Costs recoverable under this surcharge shall also include cost, whether capital or expense that is stranded due to the implementation of the approved Smart Meter Program. Any reductions in operating expenses or avoided capital expenditures due to the Smart Meter Program will be deducted from the incremental costs of the Smart Meter Program to derive the net incremental cost of the Program that is recoverable. Such reductions shall include any reductions in the Company's current meter and meter reading costs.

Deleted: equipmen, software,

L – The cost of the legacy meter system. Cost shall include the original cost of the meter investment less accumulated depreciation less accumulated deferred income taxes, the total of which represents rate base which shall be multiplied by a cost of capital as described in component "C" above. In addition to the above this component shall include the cost of meter reading, the asset use fee for the current AMR system, meter depreciation expense, and income taxes associate with the return on investment.

SM(n) = smart meter cost for customer class n including over or under recovery and associated interest.

L(n) = legacy meter cost for customer class n including over or under recovery and associated interest

E – The estimated over or under recovery from the prior year. The reconciliation period shall be the 12 months ended June 30. There shall be one E factor for both the Smart Meter costs and the legacy cost

I – Interest on any over or under recovery balance. Interest shall be a rate of 6% and shall be calculated from the month of over or under collection to the mid-point of the recovery period.

n – rate class where: 1 = residential, 2 = small C&I, 3 = large C&I

Residential – Rates R, RH, OP

Small C&I – Rate GS,

Large C&I – Rates HT, PD, EP

GRT – the current gross receipts tax

R – The total delivery service customers for the commercial and industrial rate class for the application period where the application period shall be as defined in the filing schedule. In the case of the residential class for the purposes of the Smart Meter charge it shall represent delivered sales for the application period

Filing Schedule: The estimated surcharge shall be filed 15 days prior to the start of the application period. Quarterly rate shall be effective on the first full billing cycle starting after January 1, April 1, July 1, and October 1. The quarterly rates will only be updated if the rate changes by more than 5%. The reconciliation filing shall be made on August 1 of each year. The resultant over or under recovery shall be included in the Smart Meter surcharge commencing on January 1 following the reconciliation filing.

| (C) Indicates Change

Deleted: ¶
¶

▼

Deleted: ¶ ... [1]