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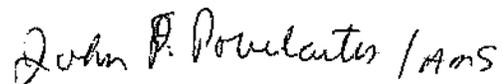
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company,
Pennsylvania Power Company, and West Penn Power Company for Approval of
their Smart Meter Deployment Plans; Docket Nos. M-2013-2341990,
M-2013-2341991, M-2013-2341993, M-2013-2341994

Dear Secretary Chiavetta:

On behalf of Metropolitan Edison Company, Pennsylvania Electric Company,
Pennsylvania Power Company and West Penn Power Company (the "Companies"), enclosed for
electronic filing is the Main Brief of the Companies. Please contact me if you have any
questions regarding the forgoing matters. Copies have been served as indicated in the attached
certificate of service.

Very truly yours,



John F. Povilaitis

JFP/kra
Enclosure

cc: Administrative Law Judge Elizabeth H. Barnes
Kathy J. Kolich, Esquire
Thomas P. Gadsden, Esquire
Kenneth M. Kulak, Esquire

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT PETITION OF METROPOLITAN	:	
EDISON COMPANY, PENNSYLVANIA	:	
ELECTRIC COMPANY, PENNSYLVANIA	:	DOCKET NOS. M-2013-2341990
POWER COMPANY AND WEST PENN	:	M-2013-2341991
POWER COMPANY FOR APPROVAL OF	:	M-2013-2341993
THEIR SMART METER DEPLOYMENT	:	M-2013-2341994
PLAN	:	

MAIN BRIEF OF

**METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY,
PENNSYLVANIA POWER COMPANY AND
WEST PENN POWER COMPANY**

**Before Administrative Law Judge
Elizabeth H. Barnes**

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May 24, 2013

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I. INTRODUCTION

On October 15, 2008, then Governor Edward G. Rendell, signed into law Act 129. Act 129's smart meter provisions, which were codified at 66 Pa.C.S. § 2807(f)-(g), required each electric distribution company ("EDC") with more than 100,000 customers to file a plan with the Pennsylvania Public Utility Commission (the "Commission") that provided for the installation of smart meter technology throughout its service territory over a period not to exceed 15 years. In addition, and irrespective of the deployment schedule proposed by the EDC, Act 129 mandated that EDCs install smart meters in all new building construction and to furnish smart meter technology, upon request, to any customer that wished to accelerate its receipt of a smart meter and agreed to pay the applicable cost. *See* 66 Pa.C.S. § 2807(f)(2).¹

On June 24, 2009, the Commission entered an order establishing standards and providing guidance for implementing the smart meter requirements of Act 129. *See Smart Meter Procurement and Installation*, Docket No. M-2009-2092655 (Order entered June 24, 2009) ("Implementation Order"). The Commission identified fifteen functionalities that it believed smart meter systems should support.² It also established a 30-month "Grace Period" after a smart meter plan was approved during which an EDC would be expected to "assess its needs, select technology, secure vendors, train personnel, install and test support equipment and establish a detailed meter deployment schedule...." *See* Implementation Order, p. 9. Finally, and in accordance with Act 129, the EDCs were directed to file initial smart meter plans by no later than August 14, 2009.

¹ By Entry dated December 21, 2012, the Commission approved the Companies' proposed charge to smart meter early adopters for the incremental cost of smart meters and related installation, filed at Docket Nos. R-2012-2332803, R-2012-2332776, R-2012-2332785, and R-2012-2332790.

² Act 129 specified six mandatory functions and the Commission added nine more. The Implementation Order provided, however, that EDCs could seek a waiver of one or more of the additional nine functionalities if their adoption was shown not to be cost-effective. The Companies are not seeking any such waiver at this time.

On August 14, 2009, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”) and Pennsylvania Power Company (“Penn Power”) (each individually a “Company” and collectively, with West Penn Power Company (“West Penn”), the “Companies”) filed their joint Smart Meter Implementation Plan (“2009 SMIP”). In their filing, Met-Ed, Penelec and Penn Power proposed to use the first 24 months of their Grace Period as an “Assessment Period” to assess needs, select technology and vendors, train personnel and test equipment. The 2009 SMIP also called for the future submission of a detailed deployment plan. And, while the 2009 SMIP contained an illustrative timeline depicting the deployment of smart meters to be completed by 2022, Met-Ed, Penelec and Penn Power noted that the ultimate deployment schedule would be determined based on the knowledge acquired and the decisions made during the Assessment Period. By Order entered June 9, 2010 at Docket No. M-2009-2123950, the Commission approved the 2009 SMIP as filed with only minor modifications.

West Penn also filed a Smart Meter Implementation Plan (“WP SMIP”) on August 14, 2009. However, during the Commission’s review of the WP SMIP, Met-Ed’s, Penelec’s and Penn Power’s ultimate corporate parent, FirstEnergy Corp., and West Penn’s corporate parent, Allegheny Energy, Inc., announced their intent to merge. As a result, the WP SMIP filing was reassessed. Subsequently, the parties to the WP SMIP proceeding negotiated and submitted a document entitled “Amended Joint Petition for Settlement of All Issues” (“Joint Settlement”). The Joint Settlement, among other things, provided for a substantial deceleration in the deployment of smart meters from the schedule originally proposed by West Penn and obligated West Penn to conduct several analyses regarding the relative costs and benefits of smart meter deployment. The Commission adopted the Initial Decision of the Administrative Law Judge

(“ALJ”) and approved the Joint Settlement by Order entered June 30, 2011 at Docket No. M-2009-2123951.

The Companies initially intended to submit their proposed universal deployment plan in June 2012 – at the conclusion of their Commission-approved 24-month Assessment Period. However, as that date neared, the Companies became aware that the next generation of smart meter technology was soon to be released. To allow for the testing and analysis of this new technology, the Companies, on May 25, 2012, requested an extension for the filing of their Smart Meter Deployment Plan to the end of 2012. The Commission granted that request by Secretarial Letter dated June 28, 2012. The Companies filed their Deployment Plan on December 31, 2012 and submit this Brief in support thereof and in response to miscellaneous issues raised by the parties to this proceeding.

II. PROCEDURAL HISTORY

As noted above, this proceeding was initiated on December 31, 2012, when the Companies filed a Joint Petition requesting that the Commission: (1) find that their proposed Deployment Plan (Joint Petitioners’ Exhibit 2) satisfies the requirements of Act 129 and the Commission’s June 24, 2009 Implementation Order; (2) approve the Companies’ proposed procurement and deployment of approximately 2.1 million smart meters, over 98% of which should be installed by the end of 2019; (3) authorize the Companies to continue to recover smart meter costs through their previously approved Smart Meter Technologies Charge (“SMT-C”) Riders, including \$5.1 million of costs incurred by West Penn in anticipation of the installation of smart meters; and (4) authorize the Companies to create a regulatory asset for their investment in meters to be replaced by smart meters (“Legacy Meters”).

Notice of the Companies’ December 31, 2012 Deployment Plan filing was published in the *Pennsylvania Bulletin* on January 19, 2013. On February 7, 2013, Petitions to Intervene were

filed by Direct Energy Services, LLC (“Direct”) and jointly on behalf of the Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the Penn Power Users Group, and the West Penn Power Industrial Intervenors (collectively, the “Industrial Customer Groups”). The following day, the Office of Consumer Advocate (“OCA”) submitted Comments and an Answer to the Joint Petition and, on February 14, 2013, a Notice of Intervention was filed by the Office of Small Business Advocate (“OSBA”).

This matter was assigned to ALJ Elizabeth H. Barnes, who convened a Prehearing Conference in Harrisburg on February 19, 2013. At the Prehearing Conference, the four smart meter dockets assigned to the four Companies were consolidated for purposes of hearing, argument and decision. In addition, the Petitions to Intervene filed by Direct and the Industrial Customer Groups were granted; various modifications to the standard discovery deadlines were adopted; and a litigation schedule was agreed upon.

The Companies’ case-in-chief is comprised of its proposed Deployment Plan (Joint Petitioners’ Exhibit 2) and the pre-filed written statements and related exhibits of five witnesses, John C. Dargie, David W. Iorio, Kevin A. Klein, George L. Fitzpatrick and Raymond E. Valdes, whose testimony was identified as Met-Ed/Penelec/Penn Power/West Penn Statement Nos. 1-5, respectively. Thereafter, testimony addressing issues such as those involving projected cost savings, remote disconnection, cost allocation, customer protection and information sharing was submitted by Direct and the OCA, to which the Companies responded by filing the rebuttal testimony of two witnesses (Messrs. Fitzpatrick and Valdes). Surrebuttal testimony was submitted by the OCA.³

³ Neither the OSBA nor the Industrial Customer Groups submitted testimony or exhibits.

An evidentiary hearing was held in Harrisburg on May 8, 2013, at which Companies witnesses Fitzpatrick and Valdes were presented for oral rejoinder and cross examination and OCA witness Hornby was presented and cross-examined. All remaining pre-filed testimony and exhibits were moved into the record by written verification of authenticity. Also, the Companies and Direct submitted a document entitled “Joint Stipulation of Position,” that was admitted as Direct Energy Hearing Exhibit 1, and is intended to resolve certain notification issues raised by Direct witness Frederick. Finally, and by agreement of the parties and the ALJ, the record was held open until the following day to allow the Companies to submit copies of a table that originally appeared in OCA witness Hornby’s surrebuttal testimony, but was later removed and replaced by the OCA at the May 8, 2013 hearing (Joint Petitioners’ Cross Examination Exhibit 2).

III. OVERVIEW OF DEPLOYMENT PLAN

The Companies have provided the Commission with a comprehensive plan that: (1) describes, in detail, the due diligence conducted and processes implemented during the Assessment Period to evaluate the current state of the Companies’ smart meter infrastructure, and to acquaint the Companies with, price, and test available options; (2) presents the Companies’ proposed smart meter solution, including the identities of the vendors selected and the functionality of the equipment to be utilized; and (3) sets forth a three stage deployment schedule designed to ensure that the overwhelming majority (approximately 98.5%) of their customers have smart meters by the end of 2019 and all customers have them by December 31, 2022.⁴ In addition, the Deployment Plan contains an extensive financial analysis which supports the Companies’ recommended smart meter installation schedule; an explanation as to how the

⁴ While the Companies anticipate achievement of these deployment milestones, they reserve the right to extend the projected completion date consistent with Act 129 should unforeseen events arise.

Companies propose to recover their smart meter costs, along with a description of customer bill impacts and bill presentment; an explanation of how the Companies are already meeting the Data Exchange Standards; and a discussion of the current status of the Companies' Communications, Change Management and Training Plans (Joint Petitioners' Exhibit 2).

A. Assessment Period Activities

Following the issuance of the Commission's June 9, 2010 Order approving the 2009 SMIP submitted by Met-Ed, Penelec and Penn Power, the FirstEnergy Smart Meter Implementation Plan Team ("SMIP Team") shifted focus and commenced work on the Deployment Plan. As explained by Mr. Dargie,⁵ who oversaw the development of the Deployment Plan, the team's principal goals were as follows:

- (i) develop a plan that complies with all statutory and regulatory requirements;
- (ii) develop a tested solution that provides the greatest functionality at the lowest overall cost to customers after factoring in various risks; and
- (iii) develop a cost recovery solution that keeps customers' monthly bills reasonably low.

[Met-Ed/Penelec/Penn Power/West Penn St. 1, p. 10.]

To that end, the SMIP Team⁶ was subdivided into nine substantive subgroups, or workstreams, encompassing such areas as vendor strategy, technology evaluation and test lab, and network communications (Joint Petitioners' Exhibit 2, p. 13). Each workstream was tasked with assessing the Companies' current state of smart meter infrastructure, technology "baselines" within the Companies and available technologies and vendors, and then developing an initial design for the Companies' transition to smart meter technology. *Id.* Upon completion of the

⁵ John C. Dargie is employed by the FirstEnergy Service Company as Vice President, Energy Efficiency.

⁶ The SMIP Team was comprised of approximately 20 dedicated FirstEnergy personnel, augmented by internal support from various departments throughout the FirstEnergy organization and subject matter experts from IBM, Black & Veatch and several technology vendors (e.g., SAP America, Itron) (Joint Petitioners' Exhibit 2, p. 14; Met-Ed/Penelec/Penn Power/West Penn St. 1, p. 8).

FirstEnergy/Allegheny merger in early 2011, the smart meter needs of West Penn, as well as the commitments West Penn had made in the Joint Settlement, were incorporated into the analysis.

During the Assessment Period, the SMIP Team worked to assemble and analyze, in a systematic and purposeful way, the extensive data it needed to develop an appropriate smart meter solution for the Companies. Thus, the team reviewed numerous documents; hosted sessions with different stakeholder groups (including parties interested in low income and other vulnerable customer issues); met with employees likely to be affected by the smart meter program; and visited several other utilities that had deployed, or were deploying, smart meter systems to discuss their selected technology and lessons learned. As noted by Mr. Iorio (Met-Ed/Penelec/Penn Power/West Penn St. 2),⁷ and as described in detail in Chapter 2 of the Deployment Plan (Joint Petitioners' Exhibit 2, pp. 23-29), this process culminated with the issuance of Requests for Information ("RFIs") in 2010 and follow-up Requests for Proposals ("RFPs") in 2011. The RFP responses were thoroughly scrutinized and a "short list" of respondents were invited to make oral presentations.

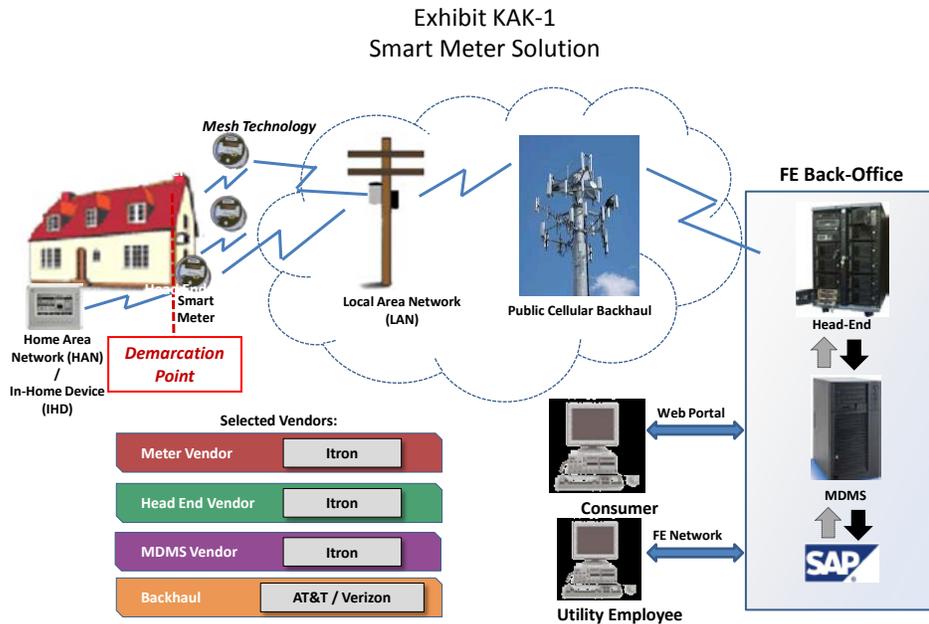
Upon completion of the evaluation process, the SMIP Team identified the technologies that met the Companies' business, technical and functional requirements. Each major piece of equipment and technology was tested in both a test lab and in the field to ensure that it interfaced properly with other infrastructure components and would provide the functionality required by Act 129 and the Commission's Implementation Order. The test labs, located in Reading and Connellsville, were outfitted to house multiple meter forms from different meter vendors, as well as Head End systems and Meter Data Management Systems ("MDMS"). The field assessments, in turn, afforded the Companies the opportunity to test the network under varying and often

⁷ David W. Iorio is employed by the FirstEnergy Service Company as Director, Pa. Smart Meter Project, and will be responsible for the overall implementation of the Deployment Plan upon its approval.

challenging distance, data demand and topographical conditions (Joint Petitioners' Exhibit 2, pp. 29-33; Met-Ed/Penelec/Penn Power/West Penn St. 2, pp. 7-8).

B. Selection Of Vendors And Proposed Smart Meter Solution

The principal components of the Companies' proposed technology solution are the Smart Meters, a Communications Network (including Collectors), the Head End and the MDMS. A graphic depiction of how these components interface, together with a list of the selected vendors, was provided by Mr. Klein⁸ in his Exhibit KAK-1, which is reproduced below.



In broad summary, the Smart Meters send and receive information through the Communications Network to the Head End, which serves as the gateway for the transmission of data. The Head End, in turn, is integrated with the MDMS, which serves as the primary repository of all measurement, status and event data collected from the smart meters. The MDMS reviews the information received and, through a process commonly referred to as

⁸ Kevin A. Klein is employed by IBM Corp. and served as IBM's Program Director on FirstEnergy's smart meter implementation and deployment plan projects.

Validation, Estimation and Editing (“VEE”), ensures that validated smart meter data is available for customer billing and service operations. A detailed description of the role played by each of these components appears in Chapter 3 of the Companies’ Deployment Plan (Joint Petitioners’ Exhibit 2, pp. 35-40) and in Mr. Klein’s direct testimony (Met-Ed/Penelec/Penn Power/West Penn St. 3, pp. 7-10).

Several aspects of the Companies’ recommended smart meter architecture bear highlighting. First, Itron was selected as the vendor for the Smart Meters, Head End and MDMS. Notably, and as explained by Mr. Klein (*Id.* at pp. 3-5), the Itron meters will fully support not only the six functions mandated by Act 129, but the nine additional functions enumerated by the Commission in its Implementation Order as well. *See also* Exhibit KAK-2 (“Smart Meter Deployment Timeline and Estimated Functionality”).

Second, the Companies have opted to install a “mesh” Communications Network, which relies on radio frequency to form network routes that connect the meters to communications devices known as “collectors,” creating a Local Area Network (“LAN”). The collectors then link to a Wide Area Network (“WAN”), which transports the data to the Head End using a standard protocol for “backhaul” services. The alternative to the “mesh” approach – the creation of a “point-to-point” network – would have required the construction of numerous communications towers throughout the Companies’ vast service territory to “talk” to the smart meters. This option was rejected as too costly (Met-Ed/Penelec/Penn Power/West Penn St. 3, pp. 8-9; Joint Petitioners’ Exhibit 2, p. 38).⁹

Finally, the Companies propose to use public backhaul services, rather than construct their own private communications network, and have selected AT&T and Verizon as their

⁹ As noted in their Deployment Plan (*Id.* at p. 38, fn. 8), the Companies may elect to utilize “point-to-point” technology in certain isolated areas of their service territory where the creation of a “mesh” network is not feasible.

backhaul carriers. In addition to being the far more cost-effective option, the use of an established public cellular network for backhaul will allow the Companies to proceed more expeditiously with the installation of smart meters. For these reasons, virtually all of the major utilities that have installed smart meter systems with whom the Companies met have chosen the public backhaul solution (Met-Ed/Penelec/Penn Power/West Penn St. 3, pp. 9-10).

C. Recommended Deployment Schedule

Met-Ed, Penelec and Penn Power, in their 2009 SMIP, anticipated that all smart meters would be deployed by 2022. Armed with the knowledge gained during the Assessment Period and the results of detailed financial modeling discussed *infra*, the Companies now propose to install approximately 98.5% of all smart meters by the end of 2019. As set forth in Chapter 3 of their Deployment Plan (Joint Petitioners' Exhibit 2, pp. 40-43) and as further described by Mr. Iorio (Met-Ed/Penelec/Penn Power/West Penn St. 2, pp. 9-14), the Companies are recommending a phased deployment strategy comprised of three distinct stages: (1) a Post-Grace Period ("PGP") Stage; (2) a Solution Validation Stage; and (3) a Full-Scale Deployment Stage.

The PGP Stage commenced on January 1, 2013 and concludes with the completion of smart meter deployment. During 2013, the Companies will negotiate final terms and conditions with selected vendors, choose a systems integrator and project management office, and work with consultants to ensure that everything is in place to proceed with the construction of the smart meter infrastructure upon approval of their Deployment Plan. In addition, and in compliance with Act 129 and the Commission's Implementation Order, the Companies have implemented appropriate procedures to provide smart meters for new construction on all temporary and permanent service applications received on and after January 1, 2013 and for all customers requesting a smart meter prior to their scheduled installation date (*Id.* at pp. 7-9).

The Solution Validation Stage, scheduled to commence upon Commission approval of the Deployment Plan and continue through early 2017, will incorporate two primary activities: (1) the build out of the infrastructure needed to install smart meters; and (2) a testing period in which a “mini version” of the end to end smart meter solution will be constructed and tested in the Penn Power service territory. As explained by Mr. Iorio (*Id.* at p. 12), the purpose of first building a “mini system” is to provide the Companies an opportunity to validate the “mesh” network approach and the functionality and reliability of all selected equipment in a controlled environment before rolling out the smart meter program on a full-scale basis to two million Pennsylvania customers. Penn Power’s service territory was selected because its topographical, climatic and demographical characteristics present the types of challenges the Companies expect to encounter during full deployment (*Id.*).

The Full-Scale Deployment Stage will commence upon resolution of all problems encountered during the Solution Validation Stage and will continue until all meters are installed on or before December 31, 2022. During this stage, the remainder of the smart meter infrastructure will be built concurrently in each of the Companies’ respective service territories, focusing first on the most populated areas. Assuming a start date in early 2017 and the installation of approximately 3,000 meters per day, five days per week, the Companies expect to install about 98.5% of all meters by December 31, 2019, with the remaining meters (in difficult to access locations or requiring alternative communications solutions) expected to be installed thereafter through 2022 (*Id.* at pp.13-14; Joint Petitioners’ Exhibit 2, p. 42; Exhibit DWI-1 (“Smart Meter Deployment Timeline – 2014 to 2019”)).

D. Financial Analysis

The deployment schedule proposed by the Companies, *supra*, was selected following a comparative financial analysis of various alternatives, the details of which are set forth in

Chapter 4 of the Deployment Plan and were summarized by Mr. Fitzpatrick¹⁰ in his direct testimony (Met-Ed/Penelec/Penn Power/West Penn St. 4). As Mr. Fitzpatrick explained:

The Companies looked at a number of scenarios. Pursuant to the settlement agreement approved in Docket No. M-2009-2123951, West Penn committed to assess the costs of deploying 90 percent of all smart meters by the end of 2018. The Companies used this as the base case for all of the Companies and then compared alternate deployment scenarios to this base case scenario.

* * *

In addition to the West Penn settlement scenario of 90 percent deployment by the end of 2018, the SMIP Team also evaluated the 2019 Recommended Scenario and a similar scenario assuming 98.5 percent deployment by the end of 2020. Longer deployment scenarios were also assessed, but were dismissed, partly because the Commission encouraged the PA Companies to try to accelerate the deployment schedule from 2022, which was originally projected as the substantial completion date in their 2009 SMIP filing, and partly because these schedules were more costly due to potential price increases, the need for longer deployment-related contracts, slower realization of cost savings, and other unknown risks.

Id at pp. 5-6.

The results of Mr. Fitzpatrick's analysis are summarized in his Exhibit GLF-2, which provides the estimated costs and cost savings of each of the three primary scenarios on both a nominal and net present value ("NPV") basis. In truth, the net costs of the three alternatives, in NPV terms, are virtually indistinguishable. That being the case, the Companies selected the "98.5% by 2019" schedule because it was the one deemed most likely to facilitate "the

¹⁰ George L. Fitzpatrick is the President and Chief Executive Officer of Harbourfront Group, an independent consulting firm. He previously served as Executive Managing Director of the Management Consulting division of Black & Veatch Corporation.

deployment of a comprehensive, well-tested smart meter system in a reasonable timeframe at the lowest costs after factoring in risks” (Met-Ed/Penelec/Penn Power/West Penn St. 4, p. 7).¹¹

The cost savings incorporated into Mr. Fitzpatrick’s analysis represent projected avoided costs in four categories: (1) Meter Reading, including claims; (2) Meter Services; (3) Back-Office; and (4) Contact Center (Joint Petitioners’ Exhibit 2, pp. 57-64). As Mr. Fitzpatrick later clarified, however, the Companies fully intend to track savings in a variety of other areas as well and to offset those savings against the smart meter costs that they claim for recovery through annual surcharge filings (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, pp. 14-16; Tr. 97-103). The identity and quantification of such additional savings opportunities will evolve over time as the Companies gain experience during the Solution Validation Stage through the installation of 60,000 meters in the Penn Power service territory. (*Id.* at pp. 15-16).

E. Cost Recovery

In their 2009 SMIP proceedings, the Companies proposed and the Commission authorized the recovery of smart meter costs through a reconcilable automatic adjustment clause under Section 1307 of the Public Utility Code, denominated the Smart Meter Technologies Charge in the case of Met-Ed, Penelec and Penn Power and the Smart Meter Technologies Surcharge in the case of West Penn (collectively, the “SMT-C Riders” or “smart meter charges”). As set forth in Chapter 5 of the Deployment Plan (Joint Petitioners’ Exhibit 2, pp. 66-69), and explained by Mr. Valdes¹² (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 3-7), the Companies’ smart meter charges are separately calculated by customer class and are expressed

¹¹ As explained by Mr. Fitzpatrick, it is critically important to factor in the risks attendant to any major multi-year construction project in evaluating likely costs and benefits. For example, the 2018 scenario, though slightly less expensive on paper, assumed a very aggressive meter installation rate of 3800 meters per day that could produce problems and, ultimately, higher costs (Met-Ed/Penelec/Penn Power/West Penn St. 4, p. 7).

¹² Raymond E. Valdes is employed by the FirstEnergy Service Company as Advisor for Rates and Regulatory Affairs-Pennsylvania.

as a flat monthly customer charge, with the exception of West Penn's residential customers who are assessed on the basis of their monthly kilowatt-hour consumption. The SMT-C Riders are updated annually based on projected costs and measurable savings for the ensuing calendar year and the reconciliation of any over- or under-collections of costs from prior periods.

The Companies have not requested any changes to the manner by which they recover their smart meter costs. However, witnesses for the OCA have challenged the Companies' proposed treatment of: (1) \$5.1 million incurred by West Penn in furtherance of the development of its 2009 SMIP¹³ and (2) the cost of removing Legacy Meters. These issues are addressed *infra* in Sections V.A.6 and V.A.7., respectively.

F. Communications, Change Management And Training Plans

The successful implementation of the Companies' smart meter Deployment Plan will require: (1) thoughtful and timely communications with customers and other stakeholders; (2) the transitioning of people, processes and systems to ensure that the Companies' workforces have the right mix of skills and access to the necessary tools; and (3) employee training. Chapter 6 of the Deployment Plan (Joint Petitioners' Exhibit 2, pp. 71-80) discusses the plans that the Companies are developing to address each of these needs and, among other things, sets forth plan objectives, target audiences and key messages, and potential communication methodologies. The Companies' Communications, Change Management and Training Plans cannot be finalized until the Deployment Plan is approved and, even then, as Mr. Fitzpatrick cautioned (Met-Ed/Penelec/Penn Power/West Penn St. 5, p. 20), will need to be living, breathing documents that can be easily updated to reflect customer concerns and/or deployment hurdles encountered.

¹³ Recovery of the \$5.1 million was carved out and deferred for consideration in this proceeding as part of the settlement of West Penn's 2009 smart meter case (*Id.* at pp. 15-16).

IV. SUMMARY OF ARGUMENT

The Companies have submitted a comprehensive and detailed Deployment Plan that meets the requirements of Act 129 and Commission directives. The Deployment Plan thoroughly describes the development of the smart meter solution and deployment strategy, the financial analysis of the estimated costs and projected measurable savings, cost recovery and customer bill impacts, communications, change management and training. No party has challenged the proposed smart meter solution, estimated costs of deployment or the deployment schedule included in the Companies' Deployment Plan. Direct raised issues involving information sharing that were amicably resolved through the Joint Stipulation of Position (Direct Energy Hearing Exhibit 1),¹⁴ while OCA raised certain issues relating to customer protection, cost allocations and corresponding cost savings, and cost recovery that it contends the Commission should address at this time. However, the Companies have demonstrated that their positions on Deployment Plan costs and potential measurable savings are lawful and appropriate and that the proposed recovery of costs is consistent with both the law and traditional ratemaking theory. Moreover, OCA's concerns regarding potential future issues can be adequately dealt with in the Companies' annual SMT-C Rider proceeding, stakeholder collaborations to which the Companies have agreed, or by generic Commission action on issues common to all electric distribution companies subject to Act 129.

Specifically, the Companies' projected costs of deployment and expected savings have been appropriately and prudently measured at this point in time. The additional third party consultant study of potential savings sought by OCA is duplicative of the Companies' plan to investigate and track all sources of potential savings. Because meaningful savings are not

¹⁴ Direct requested that the Companies "communicate with stakeholders in a real-time way information about when specific smart meters that have been installed will be fully functional" (Direct St. 1, p. 8). The "Joint Stipulation of Position," admitted as Direct Energy Hearing Exhibit 1, is intended to resolve Direct's concerns.

expected to accrue until after the Solution Validation Stage (in approximately four or five years), the results of such a study would be speculative at best.

The Companies' proposed initial baseline of calendar year 2013 data for calculating measurable savings that offset Deployment Plan costs is consistent with the current Commission-ordered language in the SMT-C Riders regarding costs and savings. Furthermore, the plain language of Act 129 requires a comparison of current costs and current savings. In contrast, the examination of pro forma costs in the Companies' prior base rate cases – one of which is two decades old and another a quarter century old – to measure calculated savings will not provide a true measure of the actual savings achieved by the implementation of a smart meter plan. Therefore, providing such information as requested by OCA is a fruitless exercise.

The Companies' use of the meter count at June 30 each year to determine the allocation of general plan costs among the various rate classes is forward looking, consistent with the allocation of costs made to date and preferable to OCA's recommended use of a historic annual average of meters in use. In addition, there is no need to require the Companies to prepare a special analysis of how they would allocate Deployment Plan costs today should sister utilities in other states deploy a significant number of smart meters or be mandated to do so in the future. None of the states in which the sister utilities operate have any requirements to install smart meters at this time, none of the sister utilities have any plans to install a significant number of smart meters at this time, and shared costs would be allocated according to an existing Commission-approved methodology whose results would be presented in the annual SMT-C Rider filings.

Sections 2807(f)(7) and (g) of Act 129 explicitly provide for recovery of electric distribution system upgrades to enable smart meter technology, which includes West Penn's

postponed claim for \$5.1 million in Customer Information System (“CIS”) costs, as these expenditures were incurred for the sole and express purpose of upgrading systems necessary to enable smart meter technology. West Penn did not contemplate incurring these costs before the Act 129 mandate became law and, thus, they were not incurred in the ordinary course of business.

Pursuant to the rider cost recovery option elected by the Companies under Section 2807(f)(7)(i)-(ii) and approved by the Commission, the incremental costs of removing Legacy Meters should be recovered through a Section 1307 automatic adjustment clause. OCA’s proposed recovery of these costs through base rates is inconsistent with the approved rider recovery process and has the effect of denying the Companies full cost recovery.

V. ARGUMENT

A. Much Of The Companies’ Deployment Plan Was Not Opposed By Any Party.

No party has challenged the reasonableness of the Companies’ proposed smart meter architecture or questioned their choice of vendors and technologies. Similarly, no party has contested the Companies’ estimate of total costs included in the Deployment Plan, the recommended three-stage deployment schedule or the Companies’ plans to install the bulk of the smart meters over the three-year period from 2017 through 2019. Also unchallenged was the Companies’ request to modify its presentment of smart meter charges on customers’ bills and their assertion that they are already complying with the Commission’s Data Exchange Standards. Further, Direct’s issues have been resolved through the Joint Stipulation of Position submitted during the evidentiary hearing. Indeed, the only issues that must be addressed are those raised by the OCA’s witnesses and, as discussed below, many of the OCA’s recommended actions are either unnecessary or premature, with the remainder being contrary to Pennsylvania law or traditional ratemaking principles.

B. OCA’s Recommendations Are Either Unnecessary Or Contrary To Pennsylvania Law And/Or Traditional Ratemaking Principles.

1. The Companies’ Projected Costs of The Deployment Plan are Just and Reasonable and OCA’s Recommendation to Analyze Sub-categories of Costs is Unnecessary.

As set forth in Chapter 4 of the Deployment Plan, the Companies estimate that the life cycle cost of providing smart meter technology from the beginning of the Post-Grace Period in 2013 through 2032 will approximate \$1.258 billion in nominal dollars and \$694 million on an NPV basis. This translates into an all-in capital and O&M cost per meter of approximately \$375, which Mr. Fitzpatrick indicated was comparable to the corresponding per meter costs he had calculated for Commonwealth Edison Company, Delmarva Power & Light Company and Potomac Electric Power Company, once timing differences are taken into account (Met-Ed/Penelec/Penn Power/West Penn St. 4, pp. 15-16).¹⁵

OCA witness Hornby did not challenge the Companies’ total project cost estimate or suggest that it was excessive (Tr. 77). Instead, he focused on Mr. Fitzpatrick’s benchmark analysis, arguing that it was both “too limited” and “too general” (OCA St. 1, p. 11). Mr. Hornby contended that Mr. Fitzpatrick’s comparison was “too limited” because it reviewed data for only three other companies; Mr. Fitzpatrick’s work was “too general,” according to Mr. Hornby, because it failed to examine the underlying cost components that summed to the total per meter expenditure figures.

Mr. Fitzpatrick responded to Mr. Hornby’s concerns by first observing that Mr. Hornby had seemingly misconstrued the purpose of his benchmark analysis and, as a result, had ascribed far too much significance to it. As Mr. Fitzpatrick explained (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, pp. 9-10):

¹⁵ As discussed *infra*, the Companies’ per meter costs are also comparable to those of Duquesne Light Company and PECO Energy Company.

As the Deployment Plan states, virtually all of the Companies' estimated costs are based on bids received through its comprehensive RFI/RFP process. This process was set forth in Chapter 2 of the Plan, and was also described by the Companies' witness, David Iorio, in his pre-filed direct testimony (Met-Ed/Penelec/Penn Power/West Penn Statement No. 2). Notably, no party has challenged the RFI/RFP process as being unreasonable, nor did any party suggest that the Companies are over-building or "gold plating" the proposed solution. In my opinion, cost estimates received through this competitive bidding process are a far better validation of costs than any benchmark comparison with other utilities. The comparisons that I made were simply to confirm that the overall projected costs are comparable to other utilities similar to the Companies.

With regard to the size of his benchmark group, Mr. Fitzpatrick, in his rebuttal testimony, and only after their smart meter business cases became public, provided all-in per meter cost estimates for two additional utilities – Duquesne Light Company and PECO Energy Company, both of which also had comparable per meter costs (*Id.* at p. 11). And, in response to Mr. Hornby's assertion that Mr. Fitzpatrick should have drilled down a bit and compared data by major cost category, Mr. Fitzpatrick noted that "[i]t would be virtually impossible to obtain the granularity of data necessary to perform meaningful comparisons on an "apples-to-apples" sub-cost category basis" (*Id.* at p. 12). Indeed, in order to develop truly comparable data, one would need to know the status and age of the equipment/systems being replaced as well as perform a detailed comparison of the specific technology being installed.

In his surrebuttal testimony, Mr. Hornby had nothing further to say about the size of Mr. Fitzpatrick's benchmark group. Nonetheless, he insisted that "high level estimates of AMI [Advanced Meter Infrastructure] Plan costs by major category" could have been extracted from the various AMI plan filings that he provided in response to discovery (OCA St. 1-SR, p. 4). Apparently to demonstrate his point, Mr. Hornby also constructed, and included at page 4 of his

surrebuttal testimony, what he identified as “Table 1. AMI Cost Categories,” which listed the twelve utilities in question and the cost categories for which they purportedly had provided data.

As a review of Mr. Hornby’s “Table 1” quickly reveals, there is no uniformity in the manner by which the twelve utilities categorized costs, which he acknowledged during cross-examination. (Tr. 76). Moreover, curiously missing from “Table 1” are any actual dollar figures. If it would have been a relatively easy task to extract “high level estimates of AMI Plan costs by major category,” as Mr. Hornby maintained, Mr. Hornby obviously could have done so himself and have presented his findings in either his direct or surrebuttal testimony. His failure to do so strongly implies that he too recognized such an exercise would be meaningless or that he did not like the results.

2. The Companies’ Approach to Estimating Potential Realizable Savings is Both Reasonable and Practical and the OCA’s Recommendation to Hire a Consultant to Study this Aspect of the Companies’ Deployment Plan is Unnecessary.

As discussed previously, the Companies, for illustrative purposes only, included savings estimates in their Deployment Plan, totaling \$406 million over a 20-year period, for four operational cost categories – meter reading, meter services, back-office and contact center (Joint Petitioners’ Exhibit 2, pp. 57-64). Based on his review of those estimates, Mr. Hornby concluded that the Companies were projecting a “benefit cost ratio” of 0.3, which he asserted was evidence that the Companies’ Deployment Plan was “much less cost-effective than the AMI plans of other utilities” of which he was aware (OCA St. 1, p. 16). In support of that proposition, Mr. Hornby claimed that “many other AMI plans” have estimated operational savings benefit cost ratios of 0.5 and above (*Id.*).

Mr. Hornby’s observations regarding relative “benefit cost ratios” should be disregarded for several reasons. First, the ratios that Mr. Hornby purported to find so compelling were all

based on estimated savings and estimated costs and, as he acknowledged on cross-examination (Tr. 68-69), there is insufficient data available to determine whether or not those estimates turned out to be accurate. Second, and perhaps more revealing, Mr. Hornby admitted that he “did not really focus on [the other utilities’] projected . . . distribution operational savings” and, in fact, had no opinion as to their reasonableness even though it was those estimates of potential savings on which he relied to derive his “benefit cost ratios” (Tr. 83-84).

Finally, and as Mr. Fitzpatrick pointed out (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 17; Tr. 103-104), certain of the utilities whose “benefit cost ratios” purportedly equaled or exceeded 0.5 read meters monthly and anticipated savings from the use of their smart meters’ remote disconnection functionality. In contrast, three of the four Companies read meters bi-monthly and, hence, won’t experience the same degree of savings they otherwise would had they read meters monthly.¹⁶ In addition, the Companies do not currently intend to involuntarily disconnect customers remotely for non-payment.¹⁷ Putting these two distinguishing factors on a level plane, the Companies’ benefit cost ratio would rise from 0.3 to 0.5 (to recognize the savings in monthly meter reading costs) and then to 0.7 (to recognize the savings from both monthly meter reading and remote disconnection) (Tr. 103-104).

Mr. Hornby also erroneously concluded that the Companies only intended to track savings in the four areas specifically discussed in their Deployment Plan and, therefore, recommended that the Companies retain an independent consultant with experience in identifying smart meter savings to prepare a report “assessing the potential for the Companies to achieve additional savings from the Deployment Plan in other areas of its [sic] operations” (OCA

¹⁶ Only Penn Power, which is significantly smaller (160,000 customers) than the other three Companies, reads its meters monthly, pursuant to a tariff requirement.

¹⁷ Much of the potential savings that would be gained from remote disconnection for non-payment is lost because of current regulations governing such actions (Joint Petitioners’ Exhibit 2, p. 62; *See also* 52 Pa. Code Chapter 56).

St. 1, p. 18). As Mr. Fitzpatrick explained in his rebuttal testimony (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, pp. 14-15, 18) and elaborated upon in rejoinder (Tr. 97-103), the Companies, in fact, either looked at, or fully intend to look at, all eight distribution service cost categories enumerated by Mr. Hornby in OCA Exhibit 2 as sources of potential savings.¹⁸ They chose, however, to include in their Deployment Plan only those categories where the potential benefits were currently measurable and verifiable and would allow the Companies to realize actual cash savings (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 14).

The Companies respectfully submit that it would be a waste of time, and ultimately their customers' money, to pay yet another consultant to speculate about smart meter savings opportunities.¹⁹ Meaningful savings will not begin to accrue until after completion of the Solution Validation Stage (in approximately four or five years), by which time the Companies will have a much better understanding of potential savings given the information gathered during the Solution Validation Stage. Moreover, the Companies have made it clear that they intend to investigate and track all sources of potential savings and to flow-through to their customers in future SMT-C Rider filings all savings actually realized. The law requires no less and, if the OCA disagrees with the Companies' quantification of smart meter savings, it will have the opportunity to challenge the Companies' calculations at that time.

¹⁸ OCA Exhibit 2, labeled "Revised Table 2: AMI Plan Projected Savings by Distribution Service Cost Category," was presented for the record following Mr. Hornby's cross-examination at the May 8, 2013 evidentiary hearing when it was discovered that the wrong Table 2 had been inserted into his surrebuttal testimony (Tr. 85-90). The original Table 2 was moved into evidence by the Companies as Joint Petitioners' Cross-Examination Exhibit 2.

¹⁹ As Mr. Valdes explained in his rebuttal testimony (Met-Ed/Penelec/Penn Power/West Penn St. 5-R-pp. 10-11), reasonable estimates of potential savings in such areas as theft of service, improved cash flow and avoided capital either could not be developed at this point or are currently not applicable.

3. The Companies' Initial Baseline of December 31, 2013, With an Updated Baseline at the Time Savings Begin to be Realized Is Consistent With The Plain Language of Act 129 and is Reasonable and Practical; OCA's Attempt to Examine Data Underlying Rates Established in Prior Base Rate Cases Would Serve No Useful Purpose.

Section 2807(f)(7) of the Public Utility Code authorizes EDCs to recover their smart meter costs “less operating and capital cost savings realized by the electric distribution company from the installation and use of the smart meter technology.” In their 2009 SMIP proceeding, Met-Ed, Penelec, and Penn Power urged the Commission to allow them to recognize smart meter savings in future base rate proceedings rather than as a credit against smart meter costs recovered through their SMT-C Riders. The Commission rejected this approach and directed the Companies to include the following language in the instructions to their SMT-C Riders:

Any reductions in operating expenses or avoided capital expenditure due to the Smart Meter Program will be deducted from the incremental cost of the Smart Meter Program to derive the net incremental costs of the Program that is recoverable. Such reductions shall include any reductions in the Company's current meter and meter reading costs.

Joint Petition of Metropolitan Edison Co., Pennsylvania Elec. Co., and Pennsylvania Power Co. for Approval of Smart Meter Tech. Procurement and Installation Plan, Docket No. M-2009-2123950 (June 9, 2010), p. 44 (emphasis supplied).

Consistent with this directive, the Companies, in their Deployment Plan, recommended that calendar year 2013 financial and accounting data, adjusted for anomalies, be utilized to establish the “baselines” against which future cost levels would be measured and smart meter savings calculated. They advanced this proposal primarily because the 2013 operating results would constitute the most “current” evidence of costs as the Companies entered the next phase of smart meter deployment, the Solution Validation Stage, in early 2014. That is not to say – nor was it the Companies’ intention – that the 2013 baselines should remain in place over time. To

the contrary, when meaningful savings begin to accrue (currently projected in 2017 and 2018), the Companies intend to reevaluate whether it might make more sense to use the then “current” calendar data, adjusted for anomalies, to properly reflect realized smart meter savings.

OCA witness Hornby questioned the appropriateness of setting the baselines at 2013 cost levels because those data “are not the revenue requirements upon which [the Companies’] currently effective rates are based” (OCA St. 1, p. 22). Notably, however, Mr. Hornby stopped short of asking the Commission to resolve the issue of the appropriate baselines in this proceeding. Instead, he recommended that the Commission require the Companies to submit, as part of their 2014 SMT-C Rider filings, both the 2013 cost baselines and “the test year revenue requirements underlying the current rates, including the composition of those revenue requirements by account” and confirm that intervenors in the 2014 SMT-C proceeding would be given the opportunity to challenge the Companies’ proposed baselines. *Id.* at p. 23.

Mr. Hornby’s recommendation should be rejected because the “test year revenue requirement” data he would have the Companies assemble and submit is irrelevant given the plain language of Section 2807(f)(7) of the Code. Moreover, and as discussed *infra*, the use of such data, which, in the case of two of the Companies, predate the restructuring of the electric industry in the late 1990s, would clearly violate the prohibition against single issue and retroactive ratemaking.

Pennsylvania’s Statutory Construction Act, 1 Pa.C.S. § 1921 *et seq.*, provides that “[w]hen the words of a statute are clear and free from all ambiguity, the letter of it is not to be disregarded under the pretext of pursuing its spirit.” Notably, there is no mention in Section 2807(f)(7) of the need to examine the record in prior base rate proceedings to quantify the “savings” generated by smart meter technology. If the legislature had intended to require such

an approach to quantifying “savings,” it would have said so. Obviously, it did not. Instead, it gave the EDCs a choice of pursuing recovery through a *future* base rate case, or through rider recovery. Simply stated, under the guise of interpreting Section 2807(f)(7), the OCA is trying to re-write it to include a hypothetical construct of its own devising that has no support in the plain language of the statute.

In contrast to the OCA’s strained interpretation, the Commission-mandated use of “current” data for purposes of quantifying smart meter savings is solidly grounded on the “plain language” of the statute. *See Elite Indus., Inc. v. Pa. P.U.C.*, 832 A.2d 428, 431 (Pa. 2003) (In the absence of inherent ambiguity, the “plain language” of a statute must control.) *Accord Caso v. Workers Comp. Appeal Bd.*, 839 A.2d 219, 221 (Pa. 2003). Section 2807(f)(7) provides that recoverable smart meter costs are to be offset by “operating and capital cost savings *realized* by the electric distribution company from the installation and use of the smart meter technology” (emphasis supplied). “Realized” is the operative word. EDCs will incur real out-of-pocket costs to implement their smart meter plans. Consequently, any “savings” to be credited against such costs should also be “real” (i.e., actual savings “realized” contemporaneously with the incurrence of the costs they offset). In direct contravention of the plain language of the statute, the OCA’s approach would impute “savings” quantified on the basis of historical and outdated cost levels, thereby offsetting **real** out-of-pocket costs with **hypothetical** “savings.”

Of equal importance, Section 2807(f)(7) provides that the “savings” used to offset recoverable costs must be realized “*from the installation and use of the smart meter technology*” (emphasis supplied). Thus, the statute requires a direct causal link between the installation of smart meters and the “savings” those meters generate. Direct causation would not exist if “savings” are measured by reference to pro forma costs embedded in the revenue requirement

established years in the past. The OCA’s interpretation simply ignores the statutory requirement of a causal link between “savings” and “the installation of and use of the smart meter technology.”

In addition to contradicting the plain language of the statute, the use of outdated “test year revenue requirement” data to establish the baselines would violate the prohibition against single issue and retroactive ratemaking. This long-standing ratemaking principle generally bars attempts to examine one element of the ratemaking equation between base rate cases in order to adjust customers’ rates to reflect a change in only that one element. *Pennsylvania Indus. Energy Coal. v. Pa. P.U.C.*, 653 A.2d 1336, 1350 (Pa. Cmwlth., 1995) (“PIEC”).²⁰ Single issue and retroactive ratemaking are generally prohibited if they affect matters normally considered in a base rate case. Adjustment clauses established under the authority of Section 1307(a) or (b) of the Public Utility Code, 66 Pa.C.S. § 1307(a)-(b), are typically not subject to the prohibition against single issue or retroactive ratemaking. *PIEC* at 1350. *See also Pa. P.U.C. v. West Penn Power Co.*, 77 P.U.R. 4th 220, 247 (Pa. P.U.C. 1986). However, the way the OCA interprets Section 2807(f)(7) implicates, and violates, the dual prohibitions against single issue and retroactive ratemaking whether that interpretation is applied to the recovery of costs through an adjustment clause authorized by Section 2807(f)(7)(ii), or through base rates authorized by Section 2807(f)(7)(i).

As interpreted by the Companies, Section 2807(f)(7) treats costs and savings symmetrically – both must be directly and proximately caused by an EDC’s implementation of a smart meter plan. This approach does not require an EDC or the Commission to parse the pro

²⁰ As noted by the Court in *PIEC*, *supra*, “[s]ingle-issue ratemaking is similar to retroactive ratemaking ...” Retroactive ratemaking has a retrospective element, inasmuch as it tries to match a utility’s current costs with comparable costs authorized in a prior rate order and change the utility’s rates to either recoup or refund the difference.

forma costs included in the revenue requirement in the EDC's last base rate case in order to identify specific meter and meter-related costs, and to use those historical cost levels as the hypothetical measure of current "savings." Instead, it accepts that current rates are just and reasonable and, as such, are recovering an EDC's current costs (in their totality) including a fair return – neither more nor less. In other words, costs and "savings" directly and proximately caused by the implementation of a smart meter plan are properly considered incremental to the **current** costs being incurred by the EDC and, therefore, are properly recognized in setting a recovery rate under Section 2807(f)(7).

In contrast, the use of distant "test year revenue requirement" data to measure current smart meter savings would violate the prohibition against single issue ratemaking and, in particular, the allied prohibition against retroactive ratemaking, which has been articulated by the Commonwealth Court as follows:

The general rule is that there may be no line by line examination of the relative success or failure of the utility to have accurately projected its particular items of expense or revenue and an excess over the projection of an isolated item of revenue or expense may not be, without more, the subject of the Commission's order of refund or recovery, respectively, on the occasion of the utility's subsequent rate increase request.

Philadelphia Elec. Co. v. Pa. P.U.C., 502 A.2d 722, 727-28 (1985). The approach to quantifying "savings" seemingly espoused by the OCA²¹ would necessarily embroil the Commission in precisely the kind of retrospective "line by line examination" of costs "projected" in prior rate proceedings that the prohibition against retroactive ratemaking precludes.

²¹ In that regard, it would be unavailing for the OCA to argue that the prohibition against retroactive ratemaking does not generally apply to rates established by automatic adjustment clauses. The way Section 2807(f)(7) is structured, the provision setting forth the "savings" offset applies to **both** of the recovery methods authorized in that section (i.e., automatic adjustment clause and a base rate proceeding). In other words, the OCA cannot contend that the Companies are stuck with the OCA's interpretation of the "savings" provision simply because they chose to employ an automatic adjustment clause rather than recover their smart meter costs in a base rate proceeding.

4. The Companies' Cross-Jurisdictional Deployment Plan Cost Allocations will be Adequately Addressed in the Future Under Existing Procedures, Thus Making OCA's Recommendation for a Stand Alone Report on the Matter Unnecessary.

The Deployment Plan is sized to meet the needs of the Companies (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 2). While the OCA did not challenge the projected cost of the Companies' Deployment Plan, it raises the specter that "a portion of the costs the Companies will incur under the Deployment Plan has the potential to benefit their sister utilities in other states when those utilities begin deploying AMI in their respective service territories" (OCA St. 1, p. 3). As a result, OCA recommends that the Commission require the Companies to prepare a report, to be presented with their 2014 SMT-C Rider filing, that identifies all components of the Deployment Plan that have the potential to benefit sister utilities when they begin to deploy AMI, describe the method by which the Companies will receive credit for those expenditures once deployment of AMI occurs in other states, and allow parties to review that report (*Id.*). This recommendation was made even though most of the costs of deployment will not have been incurred, none of the critical infrastructure will be operational, and none of the system upgrades will be complete at the time of the report (Tr. 60). As explained below, not only are OCA's recommendations unnecessary, but they are also redundant.

As Mr. Valdes explained, the report suggested by Mr. Hornby would serve no useful purpose because: (1) no sister utility in another jurisdiction currently has any plans or mandates to deploy smart meters in any significant number, (2) it would be speculation at this point for the utilities to guess when, whether and to what extent Deployment Plan expenditures might benefit sister utilities, (3) if at some point in the future non-Pennsylvania sister utilities deploy smart meter technology and utilize systems and smart meter infrastructure also used by the four Pennsylvania utilities, the Companies agree that costs should and will be spread amongst all of

the Companies consistent with the principles that govern cross-jurisdictional cost allocation, and (4) the annual SMT-C Rider filings provide all parties ample time, information and opportunity to evaluate a reallocation of affected costs (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 5-7). As Mr. Valdes also explained, while there may be some common costs that benefit sister utilities in the future, those costs cannot be predicted at this time. That assessment can only be made if and when another jurisdiction enacts smart meter functionality requirements that utilize the yet-to-be-built infrastructure (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 4).

Mr. Hornby's recommendation would also duplicate processes and procedures that are already in place. As Mr. Valdes explained, the Companies' have already identified the categories of common costs that could potentially be prospectively allocated to other jurisdictions. In addition he explained that a methodology already exists for the allocation of costs charged by FirstEnergy Services Company to its affiliates, which includes the Pennsylvania Companies as well as utilities in other states (Tr. 45). To the extent costs cannot be directly assigned, an existing affiliate service agreement, previously approved by the Commission²² and utilizing a methodology originally approved by the United States Securities and Exchange Commission²³, automatically allocates costs such as those of concern to Mr. Hornby across the FirstEnergy utilities in an appropriate manner. The billing determinants used by this allocation methodology are updated annually (Tr. 44-46).

In light of the foregoing, no additional report on hypothetical cross-jurisdictional allocations is necessary.

²² See *Joint Application of West Penn Power Co. d/b/a Allegheny Power, Trans-Allegheny Interstate Line Co. and FirstEnergy Corp. for a Certificate of Public Convenience under Section 1102(a)(3) of the Pub. Util. Code Approving a Change of Control of West Penn Power Co. and Trans-Allegheny Interstate Line Co.*, Docket Nos. A-2010-2176520 and A-2010-2176732, 2011 WL 85841 (March 8, 2011).

²³ See *FirstEnergy Corp., et al*, SEC Release Nos.35-27695, 70-9793, 2003 SEC LEXIS 1554 (June 30, 2003).

5. Unlike OCA's Position, The Companies' Proposed Allocation of Common Costs Is Reasonable and Consistent with Rate Making Theory

Currently, the costs included in the Deployment Plan that are specific to a customer class are allocated to each customer class based upon direct assignment, while general costs are allocated to each of the Companies' customer classes based upon the total number of meters in each customer class as of the June immediately preceding the January 1 through December 31 Computational Year for the SMT-C (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 7-8). OCA witness Hornby agrees with the Companies' cost allocation based upon meter count, but disagrees with the time frame in which the number of meters should be determined. Instead of the number of meters at June 30, Mr. Hornby recommends that the allocation of common costs be based on the "annual average number of meters for the year ending June 30." (OCA St. No. 1, p. 20).

The Companies currently use the meter count as of June 30 for prior SMT-C Rider filings because it is the most recent date for which they have verified data before they file their annual SMT-C rate updates on August 1 of each year for rates effective January 1, and because such an approach is akin to the Commission's practice in base rate cases of accepting end of test year updated information for determining revenue requirements. In a nutshell, using the meter count at June 30 is more representative of going forward costs (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 13-14).

In response, Mr. Hornby notes that the Companies failed to provide any data to demonstrate that the meter count in June is more representative of going forward costs (OCA St. No. 1 SR, p. 11). No such data, however, are necessary to establish this because such a count is by its very nature more representative of the future than a historic average.

While the Companies believe that the use of meter counts at June 30 is appropriate, should the Commission disagree and adopt Mr. Hornby's recommendation, the Companies request that such a change be made prospectively only (i.e., after the Commission enters an order in this case) starting with the SMT-C Rider filing due August 1, 2014 for rates effective January 1, 2015 (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 13-14). No party opposed this request.

6. West Penn's Postponed Claim For Recovery of Previously Incurred Customer Information System ("CIS") Costs is Mandated By Pennsylvania Law.

Under the West Penn Joint Settlement at Docket No. M-2009-2123951, the issue of cost recovery for \$5.1 million of a \$45.1 million expenditure made in 2009 and 2010 to develop the 2009 Smart Meter Technology Procurement and Implementation Plan was reserved for either the Company's next distribution rate case or as part of the SMT-C Rider in its revised Deployment Plan (Met-Ed/Penelec/Penn Power/West Penn St. 5, p. 14). This proceeding represents West Penn's revised Deployment Plan filing, and West Penn is seeking recovery of this outstanding balance.

Cost recovery of the \$40 million was uncontested in the Commission-approved Joint Settlement. It is currently being recovered over a 5.5 year period that began on September 1, 2011 and concludes on February 28, 2017. Upon Commission approval of the \$5.1 million claim, West Penn will book the monthly amortized recovery expense through the remaining life of the amortization with reconciliation and rate recovery reflected in the regularly scheduled SMT-C rate change. The additional sum would be allocated to each West Penn customer class on the same basis as the previously approved \$40 million, based upon the number of meters in each customer class as of June immediately preceding the January 1 through December 31 computational year (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 14-15).

This \$5.1 million claim is essentially a reserved legal issue from the initial West Penn smart meter filing that was not amenable to settlement because some parties challenged these dollars on the basis the amount might relate to a general updating of West Penn's CIS. Nevertheless, the Companies have bolstered this claim with evidence that full recovery of the \$45.1 million, including the \$5.1 million, is factually warranted because this expenditure: (1) proved to be used and useful in the smart metering design solution, (2) supported West Penn's ability to deploy the approximately 25,000 smart meters that enabled West Penn's Energy Saver Rewards Program, and (3) was inextricably related to the recoverable costs West Penn incurred as part of the development of its 2009 plan (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 15-16).

The legal basis for recoverability of the \$5.1 million is directly and completely addressed by the plain language of Act 129. Section 2807(f)(7) states that an electric distribution company may recover the reasonable and prudent costs of "providing smart meter technology" including "the cost of any system upgrades that the electric distribution company may require to enable the use of the smart meter technology which are incurred after the effective date of this paragraph..." (66 Pa.C.S. § 2807(f)(7)). This provision of Act 129 makes it clear that system upgrade costs, which are expressly included within the definition of "smart meter technology", are recoverable through the smart meter rider. Moreover, these upgrades were necessary to "provide" or "enable" other smart meter technology. Mr. Valdes made it clear that the \$5.1 million and the overall \$45.1 million expenditure "would not have occurred absent the Act 129 mandate and could not have been avoided once it was necessary to update the CIS system to enable smart meters" (Met-Ed/Penelec/Penn Power/West Penn St. 5, p. 15). This conclusion was confirmed in ALJ Hoyer's Initial Decision in Docket No. M-2009-2123951 where he concluded

that the Company's costs incurred for back office improvements, including the CIS costs, were recoverable under Act 129 and through the surcharge mechanism.²⁴

OCA's main point in opposition to recovery of the \$5.1 million is its view that modernization of the CIS was an investment that West Penn would make as "part of its normal course of business" and that such expenditures were not allowed for recovery under Act 129. OCA seems to believe that West Penn's allocation of some of these costs to sister companies in Maryland and West Virginia somehow corroborates the ineligibility of this expenditure under Act 129 (OCA St. 1, p. 24). In his rebuttal testimony, Mr. Valdes definitively refuted this "normal course of business" assertion by OCA by noting that West Penn's testimony in the prior smart meter proceeding stated that:

The only reason that the Company is choosing to modernize the CIS solution now is exclusively due to the requirements of Act 129. Excluding the requirements of Act 129, the current CIS solution is capable of supporting the [Allegheny Power] business for the foreseeable future, and the total cost of ownership of the CIS modernization solution is less than the extensive renovation required to the legacy CIS system to permit use of Smart Meters. Given that the CIS Modernization is required to meet Act 129 requirements and the SMI plan is dependent upon the specific approach to modernize CIS, we believe that it is reasonable for the company to recover these costs through the surcharge recovery provisions outlined by Act 129.

[Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 15].

Mr. Hornby for OCA and Mr. Valdes for West Penn both agree that the Company had not made any major investments to upgrade the CIS since 1999, which in Mr. Valdes' view corroborates that such upgrades were not commonplace for West Penn and were not done in the normal course of business. Simply put, West Penn's CIS was functional to meet the Company's

²⁴ ALJ Initial Decision at 50 (April 29, 2010). Due to the West Penn Joint Settlement, this Initial Decision was not reviewed by the Commission, but the ALJ's decision was based on a full evidentiary record.

needs for the future absent the requirements of Act 129 and there were no upgrades planned for the foreseeable future (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 16).

Finally, in his Rejoinder Testimony, Mr. Valdes commented on Mr. Hornby's inference in his Surrebuttal Testimony that because West Penn initiated its CIS improvement plans before requesting Commission approval of the smart meter plan, the expenditure was in the normal course of business. Mr. Valdes explained that the decision to upgrade the CIS was made in 2009, after the effective date of Act 129. Moreover, it was necessary to initiate the CIS improvements in advance of Commission review of the expenditure because large numbers of smart meters needed to be deployed by West Penn during 2010 to enable that Company's smart meter related Energy Efficiency and Conservation programs (Tr. 40-42). The decision to upgrade West Penn's CIS and incur the \$45.1 million expenditure, within which the \$5.1 million cost was inextricably included, was solely due to Act 129 requirements, was not in the normal course of business and would not have occurred absent the smart meter mandate.

System upgrades necessary to provide or enable smart meter technology are explicitly included in Act 129 as recoverable costs. Those costs were incurred after the effective date of Act 129. It is uncontroverted that West Penn incurred the \$5.1 million CIS expenditure to enable smart meters. Given these facts, the Commission is required as a matter of law to grant West Penn's request to recover \$5.1 million in CIS upgrading expenses.

7. Unlike OCA's Position, The Companies' Proposal For Recovery Of Incremental Legacy Meter Removal Costs Is Lawful, Reasonable And Consistent With Pennsylvania Ratemaking.

To recover the incremental cost of removing currently deployed Legacy Meters, the Companies have proposed that the costs be included as a recoverable O&M expense included in each Company's SMT-C Rider. OCA opposes this proposal and recommends that the incremental costs of removal be charged to the regulatory asset account the Companies have

recommended for recovery of Legacy Meter costs and recovered on an amortization schedule equal to the remaining depreciable lives of the Legacy Meters. The Companies oppose this recommendation because it is inconsistent with the rider recovery option the Companies are permitted to select under Act 129, which has already been approved by the Commission. Moreover, OCA's proposal is inconsistent with Pennsylvania ratemaking and would effectively deny the Companies recovery of all their smart meter related costs.

Act 129 provides that an electric distribution company may recover smart meter technology costs either through a deferral for future base rate recovery or on a full and current basis through a reconcilable automatic adjustment clause under Section 1307 of the Pennsylvania Public Utility Code (66 Pa.C.S. § 2807(f)(7)(i)(ii)). The Companies have elected, and the Commission has approved, recovery of the Companies' smart meter costs through their respective SMT-C Riders. They are seeking approval to treat incremental costs of removal as an O&M expense in those riders. Because the incremental costs of Legacy Meter removal that the Companies will incur is directly related to the deployment of smart meter technology and those costs would not have been incurred absent the Act 129 mandate, they should be collected through the SMT-C Riders (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 18). OCA's witness Mr. Effron noted that the Companies have proposed establishment of a regulatory asset for continued recovery of Legacy Meter costs and recommended that the costs of removal incurred by Penn Power, and the incremental costs of removal incurred by Met-Ed, Penelec and West Penn be charged to that regulatory asset. Thus, in his view, the costs of removal are treated

similar to salvage value²⁵ (OCA St. 3, p. 5). Under the Companies' regulatory asset approach for cost recovery of Legacy Meters, the recovery of Legacy Meter costs would continue through current base rates, where it is presently occurring. The cost recovery schedule for the Legacy Meters would thus be set equal to the remaining depreciable lives of the Legacy Meters with cost recovery continuing through base rates. The rate base equivalent of the regulatory asset for Legacy Meters will continue to be included in the respective Company's rate base and will not result in any net change to customer base rates.²⁶ Salvage value would be used as an offset to the regulatory asset, amortized over the remaining depreciable lives of the asset (Met-Ed/Penelec/Penn Power/West Penn St. 5, p. 17).

As a compromise position, Mr. Valdes indicated in his Rebuttal Testimony that the Companies were willing to use salvage value received as an offset to the incremental costs of removal collected in the SMT-C Rider to achieve the symmetry between incremental removal costs and salvage value Mr. Effron was seeking. This would allow incremental costs of removal to be recovered through the SMT-C Rider (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 19).

Act 129 gives EDCs, and not OCA, a choice of recovering smart meter related costs either through a future base rate case proceeding or through a reconcilable rider. The Companies chose the latter. By advocating recovery of incremental costs of removal through the requested

²⁵ Mr. Effron also testified that Met-Ed, Penelec and West Penn should only be allowed to recover the costs of Legacy Meter removal to the extent those costs are not being recovered in base rates. OCA St. 3, p. 4. The Companies are only requesting recovery of incremental costs of removal, for all of the Companies, including Penn Power, therefore Mr. Effron's "double recovery" concern is unfounded. The incremental cost of removal is calculated with respect to the Companies' proposed baseline for all costs, the annual costs as of December 31, 2013.

²⁶ Under the Companies' proposal, the combination of the depreciation expense associated with in-service Legacy Meters with the amortization expense associated with retired Legacy Meters would equal today's depreciation expense associated with today's in-service Legacy Meters. This proposal neither increases nor decreases the amounts being recognized in base rates today.

regulatory asset as a base rate item, OCA is trying to improperly substitute its choice for that of the Companies (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 18).

In addition to OCA's mixing of ratemaking recovery mechanisms, Mr. Valdes explained how OCA's proposal to treat incremental costs of Legacy Meter removal would deny the Companies' smart meter related cost recovery. In his rejoinder testimony, Mr. Valdes stated that by removing incremental costs of removal from the SMT-C Rider and adding them to the regulatory asset, the Companies' distribution expenses would increase (since the existing depreciation rates do not include a provision to recover removal costs), without any offsetting base rate revenues, thus eroding revenues and earnings which prevents the full recovery of smart meter technology costs (Tr. 48). He also noted that Mr. Efron's proposal to amortize the incremental cost of removal over the remaining depreciable lives of the Legacy Meters is flawed in at least two additional respects. First, it conflicts with established Pennsylvania ratemaking practice which customarily treats cost of removal as an O&M expense; and second, it would allow the undepreciated portion of costs of removal to earn a return until the asset is fully depreciated. This added cost is eliminated by treating incremental costs of removal as an O&M expense recovered through the SMT-C Riders (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 19-20).

Mr. Efron's preferred amortization of incremental costs of Legacy Meter removal over the remaining depreciable lives of the Legacy Meters was in part driven by a desire to smooth year-to-year variations in those costs for customers (OCA St. 3, p. 5). However, as Mr. Valdes pointed out, the cost of removal is projected to represent on average only 16 cents per month for residential customers during the three year full scale deployment period (without netting salvage costs) and only 1 cent or less during all other years. Therefore Mr. Efron's concerns about

smoothing out year-to-year variations in the rate impact of costs of removal are unfounded (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 20).

Recovery of incremental Legacy Meter costs of removal – which are directly related to the deployment of smart meter technology – through the SMT-C Riders is consistent with the cost recovery mechanism the Companies have chosen under Act 129 and Pennsylvania ratemaking, and is fair to customers when impact on rates is considered. OCA’s recommended regulatory asset treatment is inconsistent with the Rider recovery mechanism used for all other Deployment Plan costs, is inconsistent with traditional rate making treatment of removal costs and jeopardizes the Companies’ full recovery of smart meter technology costs. OCA’s proposed treatment of costs of removal as a regulatory asset to be amortized over the remaining depreciable lives of the Legacy Meters should be rejected.

C. The Companies’ Approach To Communications With Stakeholders And Related Customer Issues Is Sound And Should Be Approved.

1. OCA’s Recommendations Pertaining to the Companies’ Communication Plan Are Premature.

The Companies have submitted a high level Communications Plan (“Comm Plan”) as Part of the Smart Meter Deployment Plan (Joint Petitioners’ Exhibit No. 2). Chapter 6 of the Smart Meter Deployment Plan contains the Comm Plan objectives, key messages, identified communications challenges, key audiences, communication outreach, key tactics including potential external tactics and identification of the communications team (Joint Petitioners’ Exhibit No. 2, pp. 71-76). The Companies do not consider the Comm Plan to be complete, but expect it to be finalized before the end of 2013. They will use the expertise of various members participating in the Companies’ stakeholder process to finalize the content of communication messages when the time is right (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 4). This approach to finalizing the Comm Plan is reasonable considering that the document will need to

be flexible as the scope of customer educational issues may change, and what is important to customers in 2013 may be significantly different by 2016-2017 when significant numbers of smart meters are actually installed (*Id.*). The Companies' flexible approach to communications is sound, given that the Deployment Plan has not yet been approved. Moreover, the deployment schedule provides for a Solution Validation Stage between 2014 and 2016 when construction of a mini-system in the Penn Power service territory will occur and communications media, as well as the content of communications, can be tested in a controlled environment before full scale deployment to 2.1 million customers commences (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 5).

OCA's witness Brockway made a number of observations regarding the scope and content of smart meter communications plans (OCA St. 2, pp. 8-13). While the Companies do not necessarily disagree with Ms. Brockway's observations, specific Commission action on her concepts is premature given where the Companies are in their smart meter deployment timeline (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 5). Ms. Brockway apparently agrees with this assessment in that she indicated in her surrebuttal testimony that "[t]he issues Mr. Fitzpatrick and I have raised about the content and timing of customer education and the Communications Plan can and will be addressed as the deployment proceeds, through the FirstEnergy engagement with stakeholders and through other means" (OCA St. 2-SR, p. 6). The Companies' approach to finalization and evolution of the Comm Plan should be approved.

2. Issues Involving Cyber-Security, Remote Disconnection and Customer Privacy Should be Addressed Globally.

Ms. Brockway also submitted testimony on the subjects of remote disconnection of customers and the Companies' privacy policies regarding customer information²⁷ (OCA St. 2, pp. 3, 13-23). In response to her observations on these topics, Mr. Fitzpatrick noted that Ms. Brockway agrees with the Companies' approach to exploring remote disconnection issues, including the intent to work through a collaborative effort (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 2). That collaboration includes addressing compliance with Chapters 14 and 56 (OCA St. 2-SR, pp. 15-16). With respect to privacy of customer information, generally Ms. Brockway believes that privacy rights should be identified in advance of deployment and that a collaborative process should be developed to identify privacy issues around customer data and the development of workable solutions to protect customer privacy (OCA St. 2, p. 23).

In his rebuttal testimony, Mr. Fitzpatrick noted that the cyber-security, customer privacy and remote disconnection issues addressed by Ms. Brockway are not unique to the Companies and are subject to existing guidelines that are expected to evolve over time. He notes that Ms. Brockway does not claim that the Companies are out of compliance with standards in any of these areas and that they participate in statewide, regional and national discussions on these topics to monitor these issues and adjust procedures and protocols as necessary (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 3).

Rather than require the Companies to develop unique approaches to these issues which pertain to all Pennsylvania electric distribution companies subject to Act 129, Mr. Fitzpatrick recommends that the Commission, going forward, review each of these important issues on a

²⁷ Ms. Brockway also addressed the Companies' cyber-security program, noting that they have an extensive program, under senior management reporting to the Board, which is audited annually. Her only recommendation in this sphere was that the Commission should keep itself informed as to the status of cyber-security at the Companies.

more global basis so as to provide uniformity of expectations and requirements for all electric distribution companies (*Id.*). The Companies support this approach and see no reason why standards on these important issues should be different for different companies. In the meantime, the Companies will continue to adhere to the existing guidelines that govern each of these issues.

3. The Companies' Approach to Providing Electric Generation Suppliers ("EGSs") Access to Installation Information Is Reasonable and Practical and Should, Therefore, Be Approved.

Direct's witness, Ms. Frederick, testified in support of a requirement that the Companies provide an installation schedule by service area that includes an estimated date by which full smart meter functionality will be available. This requirement would, in Direct's view, allow EGSs to better plan how to introduce products beneficial to end use customers (Direct Energy St. 1, p. 9). Mr. Fitzpatrick responded to this recommendation in his rebuttal testimony and confirmed that the Companies intend to provide "high-level advance notice of the counties and communities that will be obtaining fully functional smart meters" (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 7).

In addressing Direct's position, the Companies referred to some of their principles that govern dissemination of smart meter deployment information:

- (i) any information released must be in compliance with all Commission regulations and directives, and Federal and Pennsylvania law;
- (ii) except as authorized by the Commission or a Federal or Pennsylvania law, the Companies will not release any individual customer information without the express written consent of the customer;
- (iii) any advance public notice of the smart meter installation "zones" must be weighed against the potential for fraud by imposters, armed with this scheduling information, posing as utility workers; and
- (iv) electric generation suppliers, such as Direct Energy, should have access to

information in a time frame that allows them reasonable time to develop marketing plans.²⁸

No party has opposed Direct's request for advance information regarding installation of smart meters.

At the hearing, the Companies and Direct presented a Joint Stipulation of Position that would allow Direct to terminate its further participation in this proceeding and serve as a basis for Direct and the Companies to resolve all outstanding issues between them in this case (Direct Energy Hearing Exhibit 1). The substance of that Joint Stipulation, which addresses Direct's issue, is as follows:

[T]he Communication Plan submitted by the FE Companies as part of their Smart Meter Deployment Plan will also include information regarding the smart meter deployment schedule indicating that the communities scheduled for installation of fully functional smart meters will be identified on a website available to the public sixty days in advance of installation. The information provided regarding communities scheduled for installation will not include specific addresses or neighborhoods where the smart meters are to be deployed and will not include dates more specific than "within the next sixty days." The information will be limited to identification of the Borough, Township, or City where deployment is scheduled within the next sixty days. In addition, the Companies will update the aforementioned website to confirm that a community's deployment has been completed and that smart meters capable of transmitting usage data on an hourly basis to third parties have been installed.

[Direct Energy Hearing Exhibit 1, pp. 1-2].

No party has objected to the ALJ's and Commission's acceptance of the Joint Stipulation.

Accordingly, the Companies recommend that the ALJ and Commission adopt the proposed Joint

²⁸ Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 8. In her surrebuttal testimony at pages 2-4, Ms. Brockway responded to Mr. Fitzpatrick's articulation of these principles, pointing out that protection of customers from entry by persons purporting to represent the utility was also an important concept. The Companies do not disagree. Ms. Brockway also suggested an edit to the Companies' principles regarding dissemination of installation information, noting that principle ii might be better phrased as "except as required by the Commission or a Federal or Pennsylvania law, the Companies will not release any individual customer information without the express written consent of the customer...". The Companies do not disagree with this formulation of principle ii.

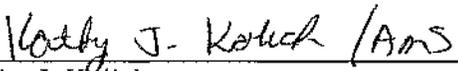
Stipulation that addresses Direct's concern regarding coordination of smart meter deployment with participation by Direct in Pennsylvania's EGS market.

VI. CONCLUSION

The Companies proposed Smart Meter Deployment Plan complies with all Act 129 and Commission requirements and is supported by a preponderance of the evidence. For the foregoing reasons, it should be approved without modification.

Respectfully submitted,

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Date: May 24, 2013

APPENDIX A

PROPOSED FINDINGS OF FACT

I. PROCEDURAL HISTORY

1. On December 31, 2012, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”), each a subsidiary of FirstEnergy Corp. and collectively referred to as the “Companies,” filed a Joint Petition requesting Commission approval of their Smart Meter Deployment Plan (the “Deployment Plan”).

2. The Joint Petition asked that the Commission: (1) find that the Companies’ proposed Deployment Plan (Joint Petitioners’ Exhibit 2) satisfies the requirements of Act 129 and the Commission’s June 24, 2009 Implementation Order; (2) approve the Companies’ proposed procurement and deployment of approximately 2.1 million smart meters, over 98% of which will be installed by the end of 2019; (3) authorize the Companies to continue to recover smart meter costs through their previously approved Smart Meter Technologies Charge (“SMT-C”) Riders, including \$5.1 million of costs incurred by West Penn in anticipation of the installation of smart meters; and (4) authorize the Companies to create a regulatory asset for their investment in meters to be replaced by smart meters (“Legacy Meters”).

3. The Joint Petition was served on the Pennsylvania Office of Consumer Advocate (“OCA”), the Pennsylvania Office of Small Business Advocate (“OSBA”), and the Commission’s Bureau of Investigation and Enforcement. In addition, Notice of the December 31, 2012 filing was published in the *Pennsylvania Bulletin* on January 19, 2013.

4. Petitions to Intervene were filed by Direct Energy Services, LLC (“Direct”) and various Industrial Customer Groups on February 7, 2013; Comments and an Answer were filed

by the OCA on February 8, 2013; and a Notice of Intervention was filed by the OSBA on February 14, 2013.

5. In accordance with the Commission's prior notice, a Prehearing Conference was held in Harrisburg on February 19, 2013 at which the four smart meter dockets assigned to the four Companies were consolidated for purposes of hearing, argument and decision. In addition, the Petitions to Intervene filed by Direct and the Industrial Customer Groups were granted; various modifications to the Commission's standard discovery deadlines were adopted; and a litigation schedule was agreed upon.

6. The Companies' case-in-chief, filed concurrently with the Joint Petition, was comprised of their proposed Deployment Plan and the written statements and exhibits of five witnesses. Thereafter, Direct filed the testimony of one witness and the OCA filed the testimony and exhibits of three witnesses. The Companies responded by filing the testimony and exhibits of two rebuttal witnesses, following which the OCA submitted the surrebuttal testimony and exhibits of three witnesses. Neither the OSBA nor the Industrial Customer Groups submitted testimony or exhibits.

7. An evidentiary hearing was held in Harrisburg on May 8, 2013 at which two of the Companies' witnesses (Messrs. Fitzpatrick and Valdes) presented oral rejoinder and were cross-examined. One of the OCA's witnesses (Mr. Hornby) was cross-examined. All remaining pre-filed testimony and exhibits were moved into the record by written verification of authenticity, either at the hearing or, in the case of Joint Petitioners' Cross-Examination Exhibit 2, on the following day. The evidentiary record was closed on May 9, 2013.

8. At the May 8, 2013 hearing, the Companies and Direct submitted a “Joint Stipulation of Position,” (Direct Energy Hearing Exhibit 1) that is intended to resolve certain notification issues raised by Direct.

II. THE COMPANIES’ PROPOSED DEPLOYMENT PLAN

A. Assessment Period Activities

9. The FirstEnergy Smart Meter Implementation Plan Team (“SMIP Team”), which was responsible for developing the Companies’ proposed Deployment Plan, was comprised of dedicated FirstEnergy personnel, individuals from various departments throughout the FirstEnergy organization and subject matter experts from IBM, Black & Veatch and several technology vendors (Joint Petitioners’ Exhibit 2, p. 14).

10. The SMIP Team reviewed numerous documents; hosted sessions with various stakeholder groups; met with employees to be affected by the smart meter program; and visited several other utilities that had deployed, or were deploying, smart meter systems (*Id.* at pp. 16-23).

11. The SMIP Team conducted comprehensive Requests for Information (“RFIs”) and Requests for Proposals (“RFPs”) seeking additional information regarding smart meter technologies and equipment, and thoroughly scrutinizing the responses received (*Id.* at pp. 23-29).

12. The SMIP Team identified the technologies that met the Companies’ smart meter business, technical and functional requirements. Each major piece of equipment and technology was tested in both a test lab and in the field to ensure it interfaced properly with other infrastructure components and would provide the required functionality (*Id.* at pp. 29-33).

B. Selection Of Vendors And Proposed Solution

13. The Companies selected Itron as their vendor for the Smart Meters, Head End and Meter Data Management Systems (“MDMS”). The Itron meters will fully support all six of the functionalities mandated by Act 129 and all nine of the additional functionalities identified by the Commission in its Implementation Order (Met-Ed/Penelec/Penn Power/West Penn St. 3, pp. 3-5).

14. The Companies plan to install a “mesh” Communications Network, which, because of the Companies’ vast service territory, will be less costly to construct than the alternative – a “point-to-point” system -- which would require the construction of numerous communications towers (*Id.* at pp. 8-9; Joint Petitioners’ Exhibit 2, p. 38).

15. The Companies propose to use public “backhaul” services provided by AT&T and Verizon rather than incur the expense of developing their own private communications network. In addition to being more cost-effective, this option will allow the Companies to install smart meters on a more expeditious basis (Met-Ed/Penelec/Penn Power/West Penn St. 3, pp. 9-10).

C. Recommended Deployment Schedule

16. The Companies have proposed a phased deployment strategy consisting of three distinct phases. The **Post-Grace Period Stage** commenced on January 1, 2013 and will conclude with the completion of smart meter deployment. In compliance with Act 129 and the Commission’s Implementation Order, the Companies have implemented procedures to provide smart meters for new construction and for all customers who request, and are willing to pay to have access to a smart meter in advance of their scheduled installation date (Met-Ed/Penelec/Penn Power/West Penn St. 2, pp. 7-9).

17. During the **Solution Validation Stage**, which is expected to run from shortly after Commission approval of the Deployment Plan until early 2017, the Companies will build out needed infrastructure and construct a “mini version” of their proposed smart meter system, serving approximately 60,000 customers in the Penn Power service territory. This will allow the Companies to validate the “mesh” approach and the functionality of all selected equipment in a controlled environment (*Id.* at pp. 11-12).

18. The **Full-Scale Deployment Stage** is expected to commence in early 2017 and conclude by the end of 2022. Assuming a start date in early 2017 and the installation of approximately 3,000 meters per day, five days a week, the Companies expect to install about 98.5% of all smart meters by December 31, 2019 (*Id.* at pp. 13-14).

D. Financial Analysis

19. The Companies conducted a comprehensive financial analysis of various smart meter deployment scenarios. The “98.5% by 2019” schedule was selected because it was deemed the most likely to facilitate the orderly deployment of a well-tested system in a reasonable timeframe and at the lowest cost after factoring in risks (Met-Ed/Penelec/Penn Power/West Penn St. 4, pp. 5-7).

20. The life cycle cost of the Companies’ proposed Deployment Plan over the twenty year period 2013-2032 and without consideration of future smart meter-related savings is projected to approximate \$1.258 billion in nominal dollars and \$694 million on a net present value basis (Met-Ed/Penelec/Penn Power/West Penn St. 4, p. 12).

21. The Companies projected specific dollar savings in four areas where avoided costs could be currently measured and verified and would enable the Companies to realize actual cash savings: (a) Meter Reading; (b) Meter Services; (c) Back-Office; and (d) Contact Center.

Realizable savings of approximately \$406 million are expected to be generated in these areas over the 20-year life of the smart meter project (Joint Petitioners' Exhibit 2, pp. 57-64).

22. The Companies intend to track savings in other areas as well, particularly as they gain experience from the installation of the 60,000 meters in the Penn Power service territory during the Solution Validation Stage (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, pp. 14-16; Tr. 97-103).

23. All smart meter-related savings realized by the Companies will be offset against smart meter costs claimed in future smart meter surcharge filings (*Id.*).

E. Cost Recovery

24. The Companies have proposed to continue to recover smart meter costs, and to flow-back smart meter savings in the future, through the Smart Meter Technologies Charge ("SMT-C") Riders that were approved by the Commission at the conclusion of their respective 2009 SMIP proceedings (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 3-7).

Communications, Change Management And Training Plans

25. The Companies are in the process of developing Communications, Change Management and Training Plans. These plans cannot be finalized until the Deployment Plan is approved and, even then, will need to be updated and/or revised from time to time in response to customer concerns and obstacles encountered (Joint Petitioners' Exhibit 2, pp. 71-80).

III. CONTESTED ISSUES

A. Projected Cost Of Deployment

26. Virtually all of the Companies' estimated smart meter costs are based on bids received during a comprehensive RFI/RFP process (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, pp. 9-10).

27. No party challenged the reasonableness of the Companies' proposed smart meter architecture, questioned their choice of vendors and technologies, or suggested that the projected cost of installing smart meter technology is excessive.

28. The Companies' \$1.258 billion smart meter cost estimate translates into an all-in capital and O&M cost per meter of approximately \$375. This figure is generally comparable to the corresponding per meter costs projected by Commonwealth Edison Company, Delmarva Power & Light Company, Duquesne Light Company, PECO Energy Company and Potomac Electric Power Company (*Id.* at p. 11; Met-Ed/Penelec/Penn Power/West Penn St. 4, pp. 15-16).

B. Savings Estimates

29. The Companies presented savings estimates in the four areas where they believed avoided costs were currently measurable and verifiable and would enable them to realize cash savings. However, the Companies intend to investigate and track savings in various other areas including all eight categories identified by OCA witness Hornby in OCA Exhibit 2 (Tr. 97-103).

30. OCA witness Hornby admitted that he had not carefully reviewed the operational costs savings estimated by the other utilities whose smart meter plans he provided in discovery and that he had no opinion as to the reasonableness of those estimates (Tr. 83-84).

31. The 0.3 "benefit cost ratio" that OCA witness Hornby calculated for the Companies would rise to 0.7 if the Companies, like the other utilities for whom Mr. Hornby developed "benefit cost ratios," read meters on a monthly basis and were authorized to disconnect customers remotely for non-payment (Tr. 103-104).

C. Baselines For Measurement Of Savings

32. The Companies propose that 2013 financial and accounting data, adjusted for any anomalies, initially be utilized to establish the “baselines” against which future cost levels are measured and smart meter savings calculated (Joint Petitioners’ Exhibit 2, p. 49). The Companies intend to update this baseline when they begin to realize savings, which is currently anticipated in or about 2017.

33. OCA witness Hornby recommended that, in addition to submitting the 2013 baseline data, the Companies be directed to provide certain “test year revenue requirement” data on the basis of which the Companies’ current base rates were established (OCA St. 1, pp. 21-23).

34. Penn Power’s current base rates were set in 1988; West Penn’s in 1994; and Med-Ed’s and Penelec’s in 2007 (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 12).

D. Allocation of Costs To Non-Pennsylvania Affiliates

35. No sister utility of the Companies in another jurisdiction currently has plans to deploy smart meters in any significant number. In addition, it would be speculation at this point when, whether and to what extent Deployment Plan expenditures might benefit sister utilities. If at some point in the future non-Pennsylvania sister utilities deploy smart meter technology and utilize systems and smart meter infrastructure also used by the four Pennsylvania Companies, the Companies agree that on-going prospective costs should and will be spread amongst all such companies consistent with the principles that govern cross-jurisdictional cost allocation. The annual SMT-C Rider filings provide all parties ample time, information and opportunity to evaluate an allocation of affected costs (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 5-7).

36. A methodology already exists for allocating costs charged by FirstEnergy Services Company to its affiliates, including the Companies and utilities in other states. To the

extent costs cannot be directly assigned, an existing affiliate service agreement, previously approved by the Commission and utilizing a methodology originally approved by the United States Securities and Exchange Commission, automatically allocates costs across the FirstEnergy utilities in an appropriate manner. The billing determinants used by this allocation methodology are updated annually (Tr. 44-46).

E. Allocation Of Costs By Meter Count

37. The Companies currently use the meter count as of June 30 for SMT-C Rider filings because it is the most recent verified date available before they file their annual SMT-C Rider updates on August 1. Such an approach is akin to the Commission's practice in base rate cases of accepting end of test year updated information for determining revenue requirements. Using the meter count at June 30 is more representative of going forward costs than the OCA's proposal to utilize a historic annual average (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 13-14).

F. Recovery Of Deferred West Penn CIS Costs

38. West Penn's full recovery of \$5.1 million of customer information system ("CIS") costs is warranted because this expenditure: (1) proved to be used and useful in the smart metering design solution, (2) supported West Penn's ability to deploy the approximately 25,000 smart meters that enabled West Penn's Energy Saver Rewards Program, and (3) was inextricably related to the recoverable costs West Penn incurred as part of the development of its 2009 SMIP. (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 15-16).

39. West Penn's \$5.1 million expenditure would not have occurred absent the Act 129 mandate and could not have been avoided once it was necessary to update the CIS system to enable smart meters (Met-Ed/Penelec/Penn Power/West Penn St. 5, p. 15).

40. West Penn had not made any major investments to upgrade the CIS since 1999, which confirms that such upgrades were not commonplace for West Penn and were not done in the normal course of business. West Penn's CIS was functional to meet the Company's needs for the future absent the requirements of Act 129 and there were no CIS upgrades planned for the foreseeable future (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 16).

41. The decision to upgrade West Penn's CIS and incur the \$45.1 million expenditure, within which the \$5.1 million cost was inextricably included, was solely due to Act 129 requirements, was not made in the ordinary course of business and would not have occurred absent the smart meter mandate (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 14-16).

G. Recovery Of Legacy Meter Costs Of Removal

42. Under the Companies' regulatory asset approach for cost recovery of Legacy Meters, the recovery of Legacy Meters costs would continue through current base rates, where it is presently occurring. The cost recovery schedule for the Legacy Meters would be set equal to the remaining depreciable lives of the Legacy Meters with cost recovery continuing through base rates. Salvage value would also be used as an offset to the regulatory asset, amortized over the remaining depreciable lives of the asset (Met-Ed/Penelec/Penn Power/West Penn St. 5, p. 17).

43. Recovery of incremental Legacy Meter costs of removal – which are directly related to the deployment of smart meter technology – through the SMT-C Riders is consistent with the cost recovery mechanism the Companies have chosen under Act 129, Pennsylvania ratemaking and is fair to customers when impact on rates is considered. By removing incremental costs of removal from the SMT-C Rider and adding it to the regulatory asset, as suggested by the OCA, the Companies' distribution expenses would increase without any offsetting base rate revenues, thus eroding revenues and earnings which prevents the full recovery of smart meter technology costs (Tr. 48). The OCA's proposal to amortize the

incremental costs of removal over the remaining depreciable lives of the asset conflicts with established Pennsylvania ratemaking practice which is to treat cost of removal as an O&M expense. Such an amortization allows the undepreciated portion of costs of removal to earn a return until the asset is fully depreciated. This added cost is eliminated by treating incremental costs of removal as an O&M expense recovered through the SMT-C Rider (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, pp. 19-20).

44. The cost of Legacy Meter removal is projected to represent on average only 16 cents per month for residential customers during the three year full scale deployment period (without netting salvage costs) and only 1 cent or less during all other years. OCA's concerns about smoothing out year-to-year variations in the rate impact of costs of removal are unfounded. (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 20).

H. Communications Plan

45. The Companies' approach to finalizing the Communications Plan is reasonable considering that the document will need to be flexible as the scope of customer educational issues may change, and what is important to customers in 2013 may be significantly different by 2016-2017 when significant numbers of smart meters are actually installed. The Companies' flexible approach to communications is sound, given that the Deployment Plan has not yet been approved. The deployment schedule provides for a Solution Validation Stage between 2014 and 2016 when construction of a mini-system in the Penn Power service territory will occur and communications media, as well as the content of communications, can be tested in a controlled environment before full scale deployment to 2.1 million customers commences (Met-Ed/Penelec/Penn Power/West Penn St. 4-R, p. 5).

I. Miscellaneous Customer Issues

46. The cyber-security, customer privacy and remote disconnection issues addressed by Ms. Brockway are not unique to the Companies and are subject to existing guidelines that are expected to evolve over time. The Companies currently comply with all such guidelines and will monitor these issues and adjust procedures and protocols as necessary to remain in compliance with any new requirements. A global, state wide approach to these issues is appropriate to set expectations for electric distribution utilities (Met-Ed/Penelec/Penn Power/West Penn St. No. 4-R, p. 3).

J. Other Unopposed Issues

47. By Order entered December 6, 2012 at Docket No. M-2009-2092655, the Commission established data exchange standards for current business processes. Because: (1) the Companies' enrollment and billing system is currently programmed to accept dual billing and bill ready EDC-consolidated billing (i.e., the functions the Commission has already said present the best options for attaining real time pricing and time of use pricing capability): (2) the Companies currently have the capability to provide 12-months of historical interval usage data via EDI: and (3) the Companies currently incorporate meter-level interval usage data as directed by the Commission: the Companies are already meeting these Commission data exchange standards (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 24-27). There is no record evidence to conclude otherwise.

48. The load settlement process with PJM Interconnection L.L.C. ("PJM") should reflect an allocation of energy based upon a customer's smart meter interval measurements rather than a customer class load profile that may not be reflective of the customer's actual consumption pattern. Therefore, upon commencement of the Full-Scale Deployment Stage, which is expected to occur in early 2017, the Companies will begin to integrate installed and

fully functional smart meters into the load settlement process, which is projected to occur after the second meter reading after the smart meter is installed (Met-Ed/Penelec/Penn Power/West Penn St. 5-R, p. 21). No party challenged this time frame.

49. The Companies' distribution charges currently include charges for metering and meter reading. The SMT-C is simply a smart metering extension of the Companies' obligation to provide metering and meter reading. Since the Companies' existing metering and meter reading costs are not a separately stated charge on the customer's bill, there is no reason to continue listing the SMT-C as a separately stated line item on the customer's bill. Metering, regardless of whether it's for Legacy Meters or smart meters, is performed by the EDC as part of its base distribution service and should be reflected as such when presented on customer bills. Such an approach is consistent with the bill presentment of all other Pennsylvania EDCs (Met-Ed/Penelec/Penn Power/West Penn St. 5, pp. 18-20). No party opposed the Companies' request to make this change to their bill presentment of smart meter charges.

APPENDIX B

PROPOSED CONCLUSIONS OF LAW

1. The Companies properly utilized their Assessment Period to thoroughly investigate and evaluate their smart meter options. The recommended technology, equipment and vendors were selected following a deliberate and informed data gathering and testing process and the system to be installed will provide all mandated functionalities. In addition, the Companies' proposed three-stage deployment schedule prudently balances smart meter availability with an understanding of the corresponding costs and risks of proceeding too rapidly. As such, the Companies' Deployment Plan satisfies the requirements of Act 129 and the Commission's Implementation Order.

2. The Companies' Smart Meter Technologies Charge Riders were previously authorized by the Commission as consistent with Sections 1307 and 2807(f)(7) of the Public Utility Code. Their continued use for the recovery of smart meter-related costs is reasonable and appropriate.

3. The Companies' recommended use of current cost data to establish the baselines against which future cost levels will be measured and smart meter savings calculated is consistent with the plain language of Section 2807(f)(7) of the Public Utility Code and the Commission's final Order in the Met-Ed/Penelec/Penn Power 2009 SMIP proceeding at Docket No. M-2009-2123950 (June 9, 2010). In contrast, the use of test year revenue requirement data from base rate proceedings litigated many years ago to develop such baselines would violate the prohibition against single issue and retroactive ratemaking. *Pennsylvania Indus. Energy Coal. v. Pa. P.U.C.*, 653 A.2d 1336 (Pa. Cmwlth. 1995).

4. Section 2807(f)(7) of the Public Utility Code provides that an electric distribution company may recover the reasonable and prudent costs of “providing smart meter technology” including “the cost of any system upgrades that the electric distribution company may require to enable the use of the smart meter technology which are incurred after effective date of this paragraph...”. (66 Pa.C.S. § 2807(f)(7)). Therefore Section 2807(f)(7) of Act 129 explicitly provides for recovery of West Penn’s postponed claim for \$5.1 million in CIS costs, as these expenditures were incurred to upgrade systems necessary to enable smart meter technology.

5. Pursuant to the rider cost recovery option elected by the Companies under Section 2807(f)(7)(i)-(ii), the incremental costs of removing Legacy Meters should be recovered through a Section 1307 automatic adjustment clause.

6. Recovery of incremental Legacy Meter costs of removal through the SMT-C Rider is consistent with the cost recovery mechanism the Companies have chosen under Act 129 because Act 129 provides that an electric distribution company may recover smart meter technology costs either through a deferral for future base rate recovery or on a full and current basis through a reconcilable automatic adjustment clause under Section 1307 of the Pennsylvania Public Utility Code (66 Pa.C.S. § 2807(f)(7)(i)(ii)).

APPENDIX C

PROPOSED ORDERING PARAGRAPHS

1. The Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (the “Companies”), for Approval of Their Smart Meter Deployment Plan is approved.

2. The Smart Meter Deployment Plan filed by the Companies on December 31, 2012 is approved and the Companies are authorized to implement said Plan in accordance with its terms.

3. The Companies’ request to create a regulatory asset for the removal of Legacy Meters is approved as proposed.

4. The Companies shall continue to recover smart meter costs through their previously authorized Smart Meter Technologies Charge (“SMT-C”) Riders.

5. The Companies’ recovery of the incremental cost of removing Legacy Meters through the SMT-C Riders is consistent with and supported by Section 2807(f)(7)(ii) of the Public Utility Code which provides for full and current cost recovery of smart meter technology costs through a reconcilable Section 1307 automatic adjustment clause.

6. West Penn is authorized to recover \$5.1 million in prudent and reasonable CIS costs that were incurred for system upgrades that enable the use of smart meter technology pursuant to Section 2807(f)(7) of the Public Utility Code.

7. The Companies’ Communication Plan should be submitted to the Commission by December 31, 2013, and will be updated as needed to address future circumstances as the smart meter deployment plan is implemented.

8. The Joint Stipulation of Position between the Companies and Direct Energy is approved.

9. The Companies' request to modify its bill format to include SMT-C rider charges as part of their total distribution charge is approved.

10. The Commission finds that the Companies are in compliance with the Data Exchange Standards as set forth in Docket No. M-2009-2092655.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition of Metropolitan Edison	:	
Company, Pennsylvania Electric Company,	:	Docket Nos. M-2013-2341990
Pennsylvania Power Company and	:	M-2013-2341991
West Penn Power Company for Approval	:	M-2013-2341993
of their Smart Meter Deployment Plan	:	M-2013-2341994

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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