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May 31, 2013

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of PECO Energy Company for Approval of Its Smart Meter Universal Deployment Plan
Docket No. M-2009-2123944

Dear Secretary Chiavetta:

Enclosed for electronic filing is the **Joint Petition of Settlement** of the above-captioned proceeding. As evidenced by the accompanying Certificate of Service, copies of the Joint Petition for Settlement have been served upon the presiding Administrative Law Judge and all parties.

If you have any questions regarding this filing, please do not hesitate to call me at 215-841-5974.

Sincerely,

W. Craig Williams
Assistant General Counsel
Exelon Business Services Company

Enclosures

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY	:	
COMPANY FOR APPROVAL OF ITS	:	
SMART METER UNIVERSAL	:	**DOCKET NO. M-2009-2123944**
DEPLOYMENT PLAN	:	

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Joint Petition for Settlement** in the above-captioned proceeding upon the following persons in the manner specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC AND FIRST CLASS MAIL

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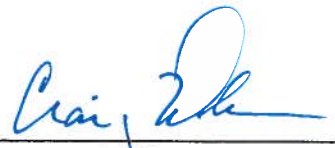

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Date: May 31, 2013

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY FOR APPROVAL OF ITS SMART METER UNIVERSAL DEPLOYMENT PLAN	:	**DOCKET NO. M-2009-2123944**

JOINT PETITION FOR SETTLEMENT

May 31, 2013

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY FOR APPROVAL OF ITS SMART METER UNIVERSAL DEPLOYMENT PLAN	:	**DOCKET NO. M-2009-2123944**

JOINT PETITION FOR SETTLEMENT

TO THE HONORABLE ANGELA T. JONES, ADMINISTRATIVE LAW JUDGE:

PECO Energy Company ("PECO" or the "Company"); the Office of Consumer Advocate ("OCA"); the Office of Small Business Advocate ("OSBA"); Direct Energy Services, LLC ("Direct Energy"); and Sensus Metering Systems ("Sensus") (collectively, the "Joint Petitioners"), by their respective counsel, submit this Joint Petition For Settlement ("Settlement") of the above-captioned proceeding and request that the Administrative Law Judge approve the Settlement without modification.[1] In support of their request, the Joint Petitioners state as follows:

I. BACKGROUND

1. On January 18, 2013, PECO filed the above-captioned petition (the "Petition") requesting that the Pennsylvania Public Utility Commission (the "Commission") issue an order approving the second phase ("Phase Two") of PECO's Smart Meter Technology Procurement and Installation Plan ("Smart Meter Plan" or "Plan"). As set forth in PECO's Smart Meter Universal Deployment Plan ("Universal Deployment Plan"), which was filed with the Petition as

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[1] The Philadelphia Area Industrial Energy Users Group ("PAIEUG") has authorized the Joint Petitioners to represent that it does not oppose the Settlement. *See* Attachment F.

PECO Exhibit 1, PECO proposes to substantially complete the installation of advanced metering infrastructure ("AMI") meters across its service territory by the end of 2014. PECO has completed or is on schedule to complete all of the elements that comprise the first phase ("Phase One") of its Smart Meter Plan, which was approved by the Commission's Orders entered May 6 and June 3, 2010 in *Petition of PECO Energy Company for Approval of Smart Meter Technology Procurement and Installation Plan*, at Docket No. M-2009-2123944 (hereafter, the "Phase One Orders"). Pursuant to the approval granted by those Orders, PECO has constructed the core AMI system and implemented key elements of the information technology system needed to support AMI. *See* PECO Ex. 1, p. 14. As also approved in the Phase One Orders, PECO will have installed approximately 600,000 AMI on or about June 30, 2013. Under its Universal Deployment Plan, PECO will install approximately 1.2 million AMI meters, which will encompass virtually all of PECO's remaining customers ("Universal Deployment").

2. Accompanying its Petition, PECO filed its Universal Deployment Plan (PECO Exhibit 1) as well as the prepared direct testimony and accompanying exhibits of Michael Innocenzo (PECO Statement No. 1); Michael J. Trzaska (PECO Statement No. 2 and PECO Exhibit MJT-1); and Alan B. Cohn (PECO Statement No. 3 and PECO Exhibits ABC-1 and ABC-2).

3. On February 7, 2013, the OCA filed an Answer to the Petition. On February 11 and 20, 2013, PAIEUG and Direct Energy, respectively, filed Petitions to Intervene.

4. By its notice dated February 19, 2013, the Commission scheduled an Initial Prehearing Conference for March 22, 2013, before Administrative Law Judge Angela T. Jones (the "ALJ"), to whom this case was assigned for purposes of conducting hearings, if needed, and issuing an Initial Decision.

5. On March 1, 2013, the Office of Small Business Advocate entered its notice of appearance in the proceeding.

6. On March 2, 2013, the Commission published a notice in the *Pennsylvania Bulletin* stating, among other things, that comments addressing PECO's Universal Deployment Plan had to be filed by March 22, 2013.

7. On March 22, 2013, Sensus filed a Petition to Intervene, and the Pennsylvania Coalition Against Domestic Violence ("PCADV") filed Comments but did not request intervention.[2]

8. In accordance with the Commission's prior notice, a Prehearing Conference was held on March 22, 2013, at which a schedule was established for submitting testimony and conducting hearings. Specifically, the approved schedule provided that parties other than PECO desiring to submit direct testimony should do so in writing on or before May 10, 2013, and that written rebuttal and surrebuttal testimony, if any, should be served by June 5 and 9, 2013, respectively. Evidentiary hearings were scheduled for June 24-26, 2013, if needed. In addition, the ALJ granted the Petitions to Intervene filed by PAIEUG, Direct Energy and Sensus and adopted modifications to the discovery rules to which the parties had agreed. The ALJ's rulings at the Prehearing Conference were memorialized in Prehearing Conference Order #2, which was issued on March 26, 2013. Additionally, on March 27, 2013, the ALJ issued a Protective Order to maintain the confidentiality of proprietary and other sensitive information produced by the parties in discovery or submitted for the record in this case.

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[2] PCADV urged the Commission to carefully consider the protection of "sensitive smart meter data" because "inadvertent disclosure of data" could pose a risk to victims of domestic violence.

9. The information PECO provided in its Petition and its accompanying direct testimony and exhibits was supplemented by PECO responses to 61 interrogatories and data requests, many of which contained multiple subparts.

10. After the Prehearing Conference, the parties engaged in discussions to achieve a settlement of this case. As a result of those discussions, the Joint Petitioners reached the Settlement set forth herein and also agreed to waive cross-examination of PECO's witnesses, to request suspension of the litigation schedule and cancellation of the previously scheduled hearings, and to admit PECO's statements and exhibits into the record by stipulation. Accordingly, the parties advised the ALJ that a settlement had been reached and requested that the balance of the litigation schedule be cancelled. PECO is filing a written motion, accompanied by the stipulation of the parties, to request the admission of its verified testimony and exhibits into the record.

II. TERMS AND CONDITIONS OF SETTLEMENT

11. The Joint Petitioners agree that the relief requested in PECO's January 18, 2013 Petition is reasonable and the Petition should be approved, subject to the following revisions:

A. Continuation Of Stakeholder Collaborative Process

12. Pursuant to the Smart Meter Plan, PECO has employed a Collaborative process with the aim of communicating project updates to stakeholders and receiving their feedback. Therefore, PECO agrees to continue the periodic Collaboratives through the conclusion of the Universal Deployment.

13. The Company agrees that it will provide updates through the Collaborative process on a quarterly basis as to the progress of the AMI meter deployment. In addition to

general information regarding the AMI meter deployment, the Company will also provide updates with respect to any safety issues (including but not limited to AMI meter over-heating and revision of best practices), customer complaints regarding the installation process or the AMI meters themselves, as well as any consumer issues, including but not limited to: customer education efforts, cyber security, customer privacy, and remote connect-disconnect issues. PECO agrees to continue engaging with stakeholders to address issues regarding customers who express safety and/or privacy concerns with AMI meters.

B. Deployment Schedule Information

14. PECO currently conducts periodic conference calls with electric generation suppliers ("EGSs") to review relevant supplier information particular to PECO. PECO agrees that it will conduct those EGS conferences at least quarterly and include in those discussions an update on PECO's current AMI meter deployment. Specifically, PECO will provide information about the current geographic areas where AMI meter deployment is complete and where AMI meters will be next deployed.

C. Deferral And Recovery Of Costs For Universal Deployment Incurred Prior To The Entry Of A Commission Order In This Case

15. PECO contends that it would not be cost-effective for PECO to halt the deployment of AMI meters after it has completed the installation of the initial 600,000 AMI meters (Phase One of its Smart Meter Plan) while awaiting a final Order in this proceeding. Therefore, the Joint Petitioners agree not to contest PECO: (1) beginning Universal Deployment in the manner set forth in the Petition immediately following the completion of Phase One of its Smart Meter Plan; (2) deferring the costs (O&M, depreciation, return and taxes) incurred, without interest on the deferred cost, for Universal Deployment pending the entry of a final

Order in this case; (3) recovering such deferred costs through its Smart Meter Cost Recovery Charge (SMCRC) after a final Order has been entered in this case approving its Universal Deployment Plan; and (4) recovering such deferred costs through its SMCRC, subject to review as part of the reconciliation of SMCRC costs and revenues, in the same manner and to the same extent as all other AMI implementation costs claimed for recovery under its SMCRC, except that interest shall not accrue on any deferred costs until Commission approval of the Universal Deployment Plan.

16. Settlement of the Universal Deployment Plan in no way limits the parties from challenging future cost recovery relating to the AMI meter overheating events of 2012, except that parties may not challenge recovery of such costs on the grounds that such costs should have been claimed for recovery prior to the resolution of the issues identified in Section 6.5 of PECO's Universal Deployment Plan.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

17. PECO, OCA, OSBA, Direct Energy and Sensus have each prepared, and attached to this Joint Petition, Statements in Support identified as Attachments A through E, respectively, setting forth the bases on which they believe the Settlement is in the public interest.

18. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

- ***Substantial Litigation And Associated Costs Will Be Avoided.*** The Settlement amicably and expeditiously resolves the issues and concerns expressed by certain parties. By so doing, the Settlement avoids the administrative burden and costs to litigate those matters. Moreover, given their nature, the issues and concerns that

were raised in this case are more appropriately resolved by negotiation and compromise than by an adversarial proceeding.

- ***The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements***. The Joint Petitioners arrived at the Settlement terms after conducting discovery and conducting in-depth discussions over several weeks. The Settlement's terms and conditions constitute a carefully considered resolution of this proceeding that represent reasonable, negotiated compromises. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (see 52 Pa. Code §§ 5.231, 69.391, 69.401), and is supported by a substantial record.

- ***The Settlement Enhances Cost-Effective Implementation Of Universal Deployment And Complies With Act 129***. The Settlement will facilitate the uninterrupted implementation of PECO's Universal Deployment Plan following the completion of Phase One and promotes the cost-effectiveness of Universal Deployment. Additionally, the Settlement provides for Universal Deployment in a manner consistent with the Smart Meter provisions of Act 129 and the Commission's Orders implementing Act 129.

IV. ADDITIONAL TERMS AND CONDITIONS

19. The Commission's approval of the Settlement shall not be construed as approval of any party's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. Accordingly, this Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

20. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any party in this or any other proceeding if it were fully litigated.

21. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the parties may have advanced and without prejudice to the position any of the parties may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the parties from taking other positions in proceedings of other public utilities under 66 Pa.C.S. § 2807(f), or any other proceeding involving other public utilities.

22. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

23. If the ALJ, in her Initial Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the

filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the ALJ in her Initial Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

V. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Jones and the Commission approve the Settlement as set forth herein, including all terms and conditions thereof;

2. That the Commission enter an Order evidencing its approval of the Settlement and terminating the proceeding initiated with respect to the PECO's January 18, 2013 Petition; and

3. That the Commission proceeding initiated with respect to PECO's January 18, 2013 Petition be marked closed.

Respectfully submitted,

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Attachment A

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY FOR APPROVAL OF ITS SMART METER UNIVERSAL DEPLOYMENT PLAN	:	**DOCKET NO. M-2009-2123944**

STATEMENT OF PECO ENERGY COMPANY IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT

May 31, 2013

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY FOR APPROVAL OF ITS SMART METER UNIVERSAL DEPLOYMENT PLAN	:	**DOCKET NO. M-2009-2123944**

STATEMENT OF PECO ENERGY COMPANY IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT

I. INTRODUCTION

On May 31, 2013, PECO Energy Company ("PECO" or the "Company"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Direct Energy Services, LLC ("Direct Energy"), and Sensus Metering Systems ("Sensus") (collectively, the "Joint Petitioners"), by their respective counsel, filed with the Pennsylvania Public Utility Commission (the "Commission") a Joint Petition For Settlement ("Joint Petition" or "Settlement") of all issues in the above-captioned proceeding.[1] The Joint Petition contains a statement of the factual background and procedural history of this case. This Statement in Support (the "Statement") is filed on behalf of PECO pursuant to Paragraph 17 of the Joint Petition.

The Settlement was achieved only after a careful investigation by the parties of the Company's proposed Smart Meter Universal Deployment Plan (the "Universal Deployment Plan"), which was filed as part of the second phase ("Phase Two") of PECO's Smart Meter Technology Procurement and Installation Plan ("Smart Meter Plan" or "Plan"). PECO's Smart Meter Plan was approved by the Commission's Orders entered May 6 and June 3, 2010 in this

[1] The Philadelphia Area Industrial Energy Users Group ("PAIEUG") has authorized the Joint Petitioners to represent that it does not oppose the Settlement. *See* Joint Petition, p. 1, n. 1.

proceeding (hereafter, the "Phase One Orders") in accordance with the applicable provisions of Act 129 of 2008, 66 Pa. C.S. § 2807(f)(1) ("Act 129"). Over a period of several weeks, the parties conducted extensive discovery and engaged in negotiations about the terms of the Settlement.

PECO believes the Settlement is in the best interests of the Company and its customers, and is therefore in the public interest. PECO is in full agreement with each of the reasons for approval of the Settlement set forth in the Joint Petition. Section II of this Statement provides the background of PECO's Smart Meter Plan and describes the implementation of Phase One of that Plan. Section III of this Statement describes the principal elements of PECO's Universal Deployment Plan. Section IV of this Statement describes the modifications and additions to the terms of the Universal Deployment Plan made by the Settlement and explains why the Universal Deployment Plan, as revised and augmented by the Settlement, should be approved.

II. BACKGROUND

A. Act 129 and the Commission's Implementation Order

Act 129 requires electric distribution companies ("EDCs") with at least 100,000 customers to furnish "smart meter technology," as defined in Section 2807(g), to all of their customers "[i]n accordance with a depreciation schedule not to exceed 15 years." 66 Pa.C.S. § 2807(f)(2). It also requires such EDCs to install smart meters (or "AMI meters") "in new building construction" and to furnish smart meter technology to any customer upon request if the customer agrees to pay the applicable cost. *Id.* Amended Section 2807(f)(3) further directs EDCs, with customer consent, to enable third parties, such as electric generation suppliers ("EGSs") and vendors of conservation and load management services, to have "direct meter access and electronic access to customer meter data."

Act 129 provides that an EDC is entitled to full and current recovery of its reasonable and prudent costs of providing smart meter technology, net of operational and capital cost savings actually realized by the EDC from the use of smart meter technology. 66 Pa.C.S. § 2807(f)(7). Recoverable costs include annual depreciation and capital costs over the life of the smart meter technology and the costs of any system upgrades required to enable the use of the smart meter technology. *Id.* EDCs were authorized to recover their net costs, upon their election, either: (1) on a full and current basis through a Section 1307 reconcilable surcharge; or (2) in base rates with authority to defer costs incurred between base rate cases. *Id.*

The Commission set forth requirements and guidelines for implementing the smart meter provisions of Act 129 in an Order entered on June 24, 2009. *Smart Meter Procurement and Installation*, Docket No. M-2009-2092655 (Order entered June 24, 2009) ("Implementation Order"). In the Implementation Order, the Commission delineated a 30-month grace period, after it approved a smart meter plan, during which EDCs were to develop and install smart meter networks. *Id.* at 7. In the same Order, the Commission provided detailed plan requirements, identified milestones that EDCs would be expected to meet within the 30-month grace period and set forth smart meter capabilities that an EDC's smart meter technology must support. *Id.* at. 7-8, 15-17. The Implementation Order also provided guidance on how the costs of smart meter plans may be recovered and how such costs should be allocated among customer classes. *Id.* at 28-33.

B. PECO's Smart Meter Plan

On August 14, 2009, PECO filed its initial Smart Meter Plan for the Commission's approval. PECO proposed to implement the Plan in two phases. Phase One, to span the 30-month grace period, would focus on selecting the smart meter technology to be deployed; implementing a meter data management system ("MDMS") and other information technology

("IT") investments; testing and validating the smart meter technology; deploying the advanced metering infrastructure ("AMI") communication network ("AMI Network"); initially deploying at least 100,000, and perhaps up to 600,000, AMI meters; and developing a program to educate customers and to implement initial dynamic pricing options. Phase Two of the Plan, in turn, would comprise the universal deployment of AMI meters throughout PECO's service territory.

At the same time PECO filed its Smart Meter Plan with the Commission in 2009, it applied for a $200 million Smart Grid Investment Grant ("SGIG") from the Department of Energy ("DOE") under the American Recovery and Reinvestment Act of 2009 ("ARRA"). In November 2009, DOE informed PECO that it would receive the $200 million SGIG for which it applied. Under the terms of the SGIG, approximately $140 million of the grant is being applied to the net costs of PECO's AMI deployment in Phase One of its Smart Meter Plan. As PECO committed to do in its Smart Meter Plan, PECO has used a substantial portion of those grant funds to expand its initial deployment of AMI meters in Phase One from 100,000 to 600,000 meters. Because of its receipt of the SGIG, PECO also committed to universal deployment of AMI meters within not more than ten years, rather than the full fifteen years permitted by Act 129.

PECO's Smart Meter Plan was assigned to the Office of Administrative Law Judge for hearing and an Initial Decision. Numerous parties intervened in the proceeding, submitted comments, conducted discovery, filed written testimony and participated in technical and evidentiary hearings. From that process, a partial settlement was reached resolving all but two issues ("Smart Meter Settlement"), which related to the allocation among, and recovery from, each customer class of certain common costs.

On January 28, 2010, the presiding Administrative Law Judge issued an Initial Decision recommending approval of the Smart Meter Settlement and resolving the two litigated issues.

As previously explained, in the Phase One Orders, the Commission approved the Company's proposed Smart Meter Plan, as modified by the Smart Meter Settlement; affirmed the Administrative Law Judge's decision of the litigated issues; and directed PECO to work with the Commission's Electronic Data Exchange Working Group to develop appropriate enrollment and electronic data interchange transaction protocols.

C. PECO's Implementation of Phase One

In the period since the Commission approved PECO's Smart Meter Plan, the Company has focused most of its efforts on acquiring and installing the advanced metering infrastructure needed to provide smart meter technology to its customers. As more fully described in PECO Exhibit 1 (pp. 9-15), this effort has included installing and testing the core communications network using tower gateway base stations to receive signals from AMI meters; system applications and network controllers; the "Middleware" that operates between the MDMS and the enterprise service connection; and integrating the foregoing components into PECO's billing and "back office" systems.

As described by Michael Innocenzo, PECO's Senior Vice President, Operations (PECO Statement No. 1, pp. 9-11), the Company used a well-designed and carefully-implemented information-gathering process to select its AMI Network vendor. In this process, key AMI Network specifications were derived from Act 129's smart meter requirements.[2] PECO developed and issued a detailed Request for Proposal ("RFP") and, on the basis of the responses to its RFP, selected Sensus from among three finalists as the preferred vendor to provide a point-to-point AMI Network.

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[2] For example, as previously explained, Section 2807(f)(2) requires EDCs to furnish smart meters to customers upon request whether or not the installation of a smart meter at that customer's premises conforms to the EDC's scheduled meter deployment in that area. Of the two possible types of AMI Networks (commonly referred to as "mesh" and "point-to-point"), the Company decided to procure a "point-to-point" network, which can accommodate *ad hoc* requests for the installation of AMI meters better and more cost effectively than a "mesh" system.

The underlying technologies (AMI System, Communications Network, and IT Systems) were analyzed to ensure they could be successfully integrated and would perform properly. This was done through a sequence of acceptance procedures of escalating rigor in both urban and suburban environments. These efforts focused on ensuring the functionality of installation tools, deployment processes, system interfaces, billing procedures and meter accuracy.

In September 2010, PECO began testing AMI meters for functionality at its Berwyn Meter Shop. In mid to late 2011, PECO expanded its accuracy and functionality testing by deploying a limited number of meters (150) in both suburban and urban test environments. From December 2011 through February of 2012, PECO installed 1,800 AMI meters on customer and employee premises in order to test the installation and billing processes, network performance and customer acceptance. Once the AMI system was in place and successfully operating, PECO began to deploy AMI meters to customers. In March of 2012, the Company began the full rate of AMI meter installation.

Consistent with its initial Smart Meter Plan, PECO also utilized Phase One to develop, and begin to implement, a dynamic pricing and customer acceptance plan. Thus, on October 28, 2010, PECO filed a proposed dynamic pricing pilot program, which was reviewed by the Commission and approved by its Order entered April 15, 2011. *Petition of PECO Energy Company for Approval of its Initial Dynamic Pricing and Customer Acceptance Plan*, Docket No. M-2009-2123944. Thereafter, on April 2, 2012, the Company submitted a supplement to its dynamic pricing plan in which it proposed to use the services of an electric generation supplier ("EGS") to satisfy its Act 129 requirement to provide time-of-use ("TOU") rates to customers that had been provided smart meters. *See Petition of PECO Energy Company for Expedited Approval of its Dynamic Pricing Plan Vendor Selection and Dynamic Pricing Plan Supplement*, Docket No. P-2012-2297304. The Commission approved PECO's revised dynamic pricing plan

on September 13, 2012 with certain modifications. *See* Opinion and Order, *Petition of PECO Energy Company for Expedited Approval of its Dynamic Pricing Plan Vendor Selection and Dynamic Pricing Plan Supplement*, Docket No. P-2012-2297304 (Order entered September 26, 2012). PECO is currently working with its selected EGS on planning for its TOU service pursuant to its Commission-approved pilot program.

As Mr. Innocenzo explained, PECO has implemented a layered cyber security strategy, incorporating physical, platform network, application and process controls. Although PECO is confident that any privacy concerns have been adequately addressed in the design and construction of its advanced meter infrastructure, the Company recommends that the Commission initiate a statewide proceeding to examine issues that may arise in this area. *See* PECO Exhibit 1, pp. 27-29).

Finally, in accordance with the Commission's May 6, 2010 Order approving the Smart Meter Settlement, since the Phase One Orders were issued, PECO has actively engaged interested parties in a collaborative process to keep stakeholders informed of the Company's progress in implementing Phase One of its Plan and to establish a dialogue to address and resolve issues regarding next steps of the AMI meter deployment. In fact, and as detailed in Appendix B of PECO Exhibit 1, PECO has convened fourteen collaborative meetings with stakeholders and, in addition, has held seven separate PUC briefings.

In summary, PECO has completed, or is on schedule to complete, all of the specific tasks designated for Phase One of its Smart Meter Plan. As a consequence, PECO is now positioned to proceed with Phase Two of its Plan, which involves universal deployment of AMI meters to its entire service territory.

III. PHASE TWO OF PECO'S SMART METER PLAN

On January 18, 2013, the Company filed the Petition of PECO Energy Company for Approval of its Smart Meter Universal Deployment Plan ("Petition"), which initiated this proceeding.[3] Accompanying its Petition, PECO filed its Universal Deployment Plan (PECO Exhibit 1), as well as the prepared direct testimony and accompanying exhibits of three witnesses:

Michael Innocenzo (PECO Statement No. 1). As previously noted, Mr. Innocenzo is PECO's Senior Vice President, Operations. His testimony provides a comprehensive overview of Phase Two of PECO's Smart Meter Plan and describes: (1) PECO's smart meter obligations under Act 129; (2) the key components of the Company's smart meter project; (3) the actions taken by PECO to implement Phase One of the Plan; (4) the proposed Universal Deployment Plan; and (5) plans to address cyber security, data privacy and meter incident cost recovery issues.

Michael J. Trzaska (PECO Statement No. 2 and PECO Exhibit MJT-1). Mr. Trzaska is a Principal Engineer, Regulatory and Rates Specialist in the Regulatory Policy and Strategy Department at PECO. His testimony describes PECO's proposal to accelerate universal deployment, as well as the comprehensive cost-benefit analysis supporting that proposal.

Alan B. Cohn (PECO Statement No. 3 and PECO Exhibits ABC-1 and ABC-2). Mr. Cohn is Manager of Regulatory Strategy in PECO's Regulatory Group. His testimony describes the impact on revenue requirement associated with depreciation and the Pennsylvania Corporate Net Income Tax that results from the Company's decision to complete the universal deployment

[3] A detailed procedural history is provided in the Joint Petition (pp. 1-4).

of smart meters by the end of 2014, instead of 2019 as PECO proposed in its initial Smart Meter Plan.

As explained in the Petition (p. 10), PECO Exhibit 1(pp. 20-21), and the testimony of Mr. Innocenzo (PECO Statement No. 1, pp. 13-15), in Phase Two, PECO will procure and install approximately 1.2 million AMI meters between the third quarter of 2013 and the end of 2014.[4] PECO will also continue to expand and upgrade its existing IT infrastructure to provide the necessary capacity to serve the additional demand (PECO Exhibit 1, pp. 20-21).

Completing the installation of AMI meters for substantially all customers by the end of 2014 will provide net benefits to customers as compared to the ten-year deployment plan envisioned in PECO's initial Smart Meter Plan. *See* PECO Statement No. 1, pp, 14-15. In order to analyze the merits of each approach, the Company compared the costs and benefits of deploying substantially all AMI meters proportionately over a ten-year period ending in 2019 to the costs and benefits of deploying substantially all AMI meters by the end of 2014.

The results of PECO's cost-benefit comparison are set forth in PECO Exhibit MJT-1 and discussed by Mr. Trzaska in PECO Statement No. 2. That analysis shows that completing deployment by the end of 2014 will provide a net present value benefit to customers, relative to the 2019 deployment scenario, of approximately $58 million when costs and benefits are discounted to 2012. The single largest benefit from early deployment is to enable PECO to cease paying fees to L+G for services that company is providing to operate PECO's existing Advanced Meter Reading ("AMR") system. The second largest benefit is derived from the lower costs PECO will incur to acquire and install AMI meters under the shorter deployment schedule,

[4] Although PECO is confident that it will be able to accommodate individual customer requests for AMI meters during this period (i.e., from the first quarter of 2013 through 2014), as part of the relief requested in its Petition, PECO seeks the Commission's approval to petition for a waiver of this requirement in the event that such requests reach a level that would negatively impact the synergies associated with the Company's accelerated deployment schedule (PECO Exhibit 1, pp. 29-30).

which will enable PECO to achieve economies of scale in meter procurement, avoid future inflation-related increases in the price of meters and capture synergies in the installation of meters generated by a more compressed implementation schedule. The third largest benefit is the operational savings PECO will achieve by early deployment of AMI meters. In addition to these three major sources of savings, further savings will be achieved in the IT area from shortening the implementation schedule, and greater customer/societal benefits will be achieved from advancing the date when customers can begin to take advantage of AMI meter functionality. *See* Petition, pp. 11-12.

Pursuant to the Commission's Phase One Orders, PECO implemented a Smart Meter Cost Recovery Surcharge ("SMCRS") effective January 1, 2011. The Company proposes to continue recovering its smart meter costs through the SMCRS and, in accordance with the Smart Meter Settlement, amortizing its unrecovered investment in prematurely retired AMR meters ratably through the year 2020. As explained by Mr. Cohn in PECO Statement No. 3, PECO's Universal Deployment Plan requires that PECO include two additional elements of revenue requirement in the SMCRS in order to recover fully its investment in existing AMR meters that are being retired and replaced with AMI meters. First, PECO must include approximately $9.8 million in additional depreciation that PECO will record on its books of account in excess of the annual accruals for depreciation associated with PECO's investment in AMR meters that it is recovering in its base rates. Second, PECO must include additional Pennsylvania Corporate Net Income Tax expense in the SMCRS to properly adjust for differences in book-tax timing caused by the early retirement of AMR meters. This additional state income tax liability adds approximately $900,000 of tax expense to the SMCRS, which, when "grossed-up" for federal and state income taxes and gross receipts tax, translates to approximately $1.7 million in

increased revenue requirement. These two additional elements total $11.5 million or an approximate $1.1 million annual increase in the SMCRS.

As set forth in Appendix D to PECO Exhibit 1, PECO projects that smart meter cost recovery will increase an average residential customer's total electric bill from approximately $1.40 (1.5%) in 2012 to $2.60 (3.2%) by 2014. After peaking in 2014, the surcharge will decline steadily each year.

Finally, as explained in the Petition (p. 13), PECO Exhibit 1 (pp. 30-31), and PECO Statement No. 1 (p. 19), PECO is deferring certain meter costs associated with the meter events that occurred during Phase One and PECO's subsequent decision to replace Sensus meters installed during Phase One.[5] Pursuant to the terms of the Petition, the deferral will continue while PECO works to resolve issues related to cost recovery with its meter vendor. When a resolution acceptable to PECO has been achieved, PECO will seek to fully recover remaining deferred costs, if any, through its currently authorized SMCRC, and PECO will not seek a return on the deferred meter event costs.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED

The principal terms and conditions of the Settlement are set forth in Section II of the Joint Petition (¶¶ 11-16). First, and most importantly, the Settlement provides that the relief requested in PECO's January 18, 2013 Petition is reasonable and should be granted, and the Petition should

[5] As the deployment of AMI meters was underway for Phase One, PECO experienced several meter events involving overheating. In response, PECO suspended the installation of smart meters to additional customers while those problems were investigated. As described by Mr. Innocenzo (PECO Statement No. 1, pp. 12-13), PECO also initiated corrective actions, including the replacement of all installed Sensus smart meters with meters manufactured by L+G. By the time PECO filed its Petition on January 18, 2013, PECO had completed the change-out of Sensus meters with L+G meters. As a consequence of PECO's proactive steps, incidents of overheating AMI meters have been resolved.

be approved, subject to the additional terms of the Settlement set forth in Paragraph Nos. 12-16 of the Joint Petition, which are discussed below.

Paragraph Nos. 12 and 13 of the Joint Petition provide for the continuation throughout universal deployment of the highly successful stakeholder collaborative process that was conducted during Phase One. Additionally, Paragraph No. 13 provides that the Company "will provide updates through the Collaborative process on a quarterly basis as to the progress of the AMI meter deployment" and identifies specific areas (safety, customer complaints, and cyber security) that PECO should address.

Paragraph No. 14 of the Joint Petition explains that PECO currently conducts periodic calls with EGSs to review relevant supplier information. The balance of Paragraph No. 14 provides that PECO agrees to conduct such conferences at least quarterly, providing updates of PECO's current AMI meter deployment, including geographic areas where AMI meter deployment has been completed and where AMI meters will next be deployed.

Paragraph No. 15 of the Joint Petition explains PECO's decision not to interrupt the deployment of AMI meters, after it has completed the installation of the initial 600,000 AMI meters (Phase One of its Smart Meter Plan), while awaiting a final Order in this proceeding (in the event a final Order approving the Settlement is not entered until after Phase One has been completed). PECO explained to the parties that it had carefully reviewed the consequences of halting the deployment of AMI meters, after the initial 600,000 meters have been deployed and before a final Order is issued in this case, and concluded that interrupting the installation of AMI meters in that fashion would not be cost-effective. In light of that background, Paragraph No. 15 was included in the Joint Petition and provides as follows:

> Therefore, the Joint Petitioners agree not to contest PECO: (1) beginning Universal Deployment in the manner set forth in the

> Petition immediately following the completion of Phase One of its Smart Meter Plan; (2) deferring the costs (O&M, depreciation, return and taxes) incurred, without interest on the deferred cost, for Universal Deployment pending the entry of a final Order in this case; (3) recovering such deferred costs through its Smart Meter Cost Recovery Charge (SMCRC) after a final Order has been entered in this case approving its Universal Deployment Plan; and (4) recovering such deferred costs through its SMCRC, subject to review as part of the reconciliation of SMCRC costs and revenues, in the same manner and to the same extent as all other AMI implementation costs claimed for recovery under its SMCRC, except that interest shall not accrue on any deferred costs until Commission approval of the Universal Deployment Plan.

Paragraph No. 16 of the Joint Petition relates to PECO's deferral of certain meter costs associated with the meter events that occurred in Phase One and PECO's decision to replace such meters. Paragraph No. 16 provides that, by agreeing to the deferral, the parties are not in any way limited in challenging future recovery from customers of costs relating to the AMI meter events that occurred in 2012, except that parties may not challenge recovery on the grounds that such costs should have been claimed for rate recovery before PECO has resolved issues related to cost reimbursement with its vendor and any associated issues, as explained in Section 6.5 of the Universal Deployment Plan (PECO Exhibit No. 1).[6]

The Settlement provides for the approval and implementation of PECO's Universal Deployment Plan, subject to the additional terms and conditions set forth in the Joint Petition, in a manner that complies with the applicable provisions of Act 129 and the Implementation Order. PECO's Universal Deployment Plan appropriately balances the costs, benefits and risk associated with installing AMI technology throughout its service territory. Moreover, as explained in Section II, *supra*, the principal components of PECO's Smart Meter Plan, including its cost-recovery mechanism, were reviewed and approved by the Commission approximately three years ago in the Phase One Orders. Although PECO's Universal Deployment Plan

[6] The determination of deferred costs is not a part of the Settlement.

contains a more accelerated schedule for universal deployment than that proposed initially in PECO's Smart Meter Plan, the evidence shows – and the parties agree – that the accelerated schedule set forth in its Universal Deployment Plan will provide a net present value benefit to customers in excess of $58 million, as compared to a pro rata deployment over ten years.

Additionally, the Settlement enhances PECO's Universal Deployment Plan by: (1) providing for the continuation of the highly successful stakeholder collaborative process and identifying specific topics of interest to be addressed in that process; (2) augmenting PECO's current practice of holding periodic conference calls with EGSs by including information on the geographic area where AMI meters have been, or next will be, deployed; (3) providing a reasonable means for PECO to defer and subsequently recover the costs of continuing the uninterrupted deployment of AMI meters following the completion of Phase One and prior to the entry of a final Order in this proceeding in order to avoid the inefficiencies and higher costs that such an interruption would introduce; and (4) acknowledging that the parties, by agreeing to the deferral of costs associated with meter events and PECO's response to those events, are not limited in any way from challenging future recovery of such costs except that, in light of the aforementioned deferral, the parties cannot challenge such costs on the grounds that PECO should have claimed them sooner.

Finally, the Settlement should be approved because it reflects a reasonable balancing of the interests of parties representing residential customers (OCA), small businesses (OSBA), large energy users (PAIEUG)[7] and EGSs (Direct Energy). Accordingly, the Settlement's terms and conditions constitute a carefully crafted package consisting of reasonable, negotiated compromises on all issues raised in this proceeding. The Settlement provides a reasonable

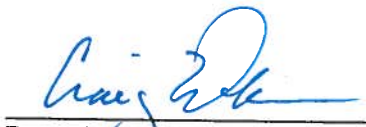
[7] While PAIEUG is not a signatory to the Joint Petition, it does not oppose the Settlement terms. *See* Joint Petition, p. 1, n. 1.

means of resolving issues raised in this proceeding while reducing the administrative burdens on the Commission and the litigation costs of all parties. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements. *See* 52 Pa. Code §§ 5.231, 69.391 and 69.401.

V. CONCLUSION

Accordingly, for the reasons set forth above and in the Joint Petition, the Settlement is in the public interest and should be approved without modification.

Respectfully submitted,



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May 31, 2013

Counsel for PECO Energy Company

Attachment B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION
FOR SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory party to the foregoing Joint Petition for Settlement (Settlement) filed on May 31, 2013 in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge (ALJ) and the Pennsylvania Public Utility Commission (Commission). The Settlement resolves all issues regarding the Petition of PECO Energy Company (PECO or Company) for the universal deployment of Smart Meters in its service territory, consistent with Act 129 of 2008. It is the position of the OCA that the proposed Settlement is in the public interest and in the interest of PECO's customers.

I. INTRODUCTION

The OCA has participated in PECO's Smart Meter proceeding from its inception in 2009. The Company is currently working towards completion of Phase I of its Smart Meter deployment plan, as approved by the Commission's Orders entered May 6 and June 3, 2010 in this docket. On January 18, 2013, the Company filed its Petition for Approval of its Smart Meter Universal Deployment Plan (the Phase II implementation). The OCA, already a party in the M-

2009-2123944 proceeding under which this Petition was docketed, filed an Answer to the Company's Phase II plan on February 7, 2013.

The OCA conducted an extensive review of the Phase II Petition. As part of its review of the Phase II Petition, the OCA retained expert witnesses to ensure that the Phase II plan was reasonable, consistent with applicable law, and would provide benefits to consumers. As part of its review, the OCA propounded extensive discovery and thoroughly reviewed the Company's Phase II plan. Specifically, the OCA examined the cost effectiveness of the Phase II implementation, the allocation of costs to ratepayers, the reasonableness of the technology selections, the treatment and maximization of PECO's Federal Smart Meter grant, customer safety, cyber security and privacy issues.

Upon completion of its review, the OCA determined that the Company's Phase II Plan was a generally reasonable approach to continue the implementation of Smart Meters in the PECO service territory. In particular, the OCA noted that the Company's Phase II plans maximize the remaining value of the Department of Energy Smart Meter grant that was a vital cost saving mechanism for consumers in Phase I.

The Company's Phase II plan, however, will be strengthened through the Joint Settlement. The Joint Settlement addresses important consumer protections and cost recovery issues identified by the OCA in its review of the Phase II Petition. The OCA submits that the Joint Settlement is in the public interest and should be approved.

II. SETTLEMENT PROVISIONS

A. Continuation of Stakeholder Collaborative Process. (Settlement at ¶¶12-13)

Under the Settlement, the Company will ensure continued use of the existing collaborative process through the end of the Phase II deployment. Specifically, the Settlement provides:

> 12. Pursuant to the Smart Meter Plan, PECO has employed a Collaborative process with the aim of communicating project updates to stakeholders and receiving their feedback. Therefore, PECO agrees to continue the periodic Collaboratives through the conclusion of the Universal Deployment.
>
> 13. The Company agrees that it will provide updates through the Collaborative process on a quarterly basis as to the progress of the AMI meter deployment. In addition to general information regarding the AMI meter deployment, the Company will also provide updates with respect to any safety issues (including but not limited to AMI meter over-heating and revision of best practices), customer complaints regarding the installation process or the AMI meters themselves, as well as any consumer issues, including but not limited to: customer education efforts, cyber security, customer privacy, and remote connect-disconnect issues. PECO agrees to continue engaging with stakeholders to address issues regarding customers who express safety and/or privacy concerns with AMI meters.

Through the Settlement, PECO has committed to provide regular and comprehensive updates to all parties that will address both safety issues, consumer protections, customer education, cyber security, and general implementation issues that arise through the Phase II implementation. Of particular importance, the Company will specifically address any over-heating issues that arise on a quarterly basis, and will inform participants of any changes to the Company's operations as a result of any potential future events. The OCA submits that this is a key feature of the Settlement. PECO will remain obligated to provide key disclosures of any smart meter operational issues on a current basis, thereby allowing parties, including the OCA, to review any potential problems and take appropriate actions on behalf of consumers.

In addition, the Company has agreed to forward information regarding customer complaints pertaining to the installation of meters, or the meters themselves, through quarterly updates. This provision will ensure that the OCA remains apprised of the situation "on the ground" in the PECO service territory. The OCA will be able to assess any potential complaints and provide an appropriate response based on the concerns of consumers on a current basis.

The OCA submits that the PECO collaborative process has provided considerable benefits to consumers. The Settlement will continue that process, while ensuring specific issues are addressed and updated on a quarterly basis, thus allowing the OCA and others the ability to respond appropriately to circumstances as the Company's implementation of smart meters continues into its second phase.

B. Deferral And Recovery Of Costs For Universal Deployment Incurred Prior To The Entry Of A Commission Order In This Case. (Settlement at ¶¶15-16)

As part of the Settlement, the Parties have agreed to terms that allow the Company to proceed with its Phase II plan in a seamless manner from Phase I, consistent with the terms of the Settlement. In addition, the Settlement does not approve the collection of costs from ratepayers from the premature replacement of smart meters during Phase I. Specifically, the settlement provides as follows:

> 15. PECO contends that it would not be cost-effective for PECO to halt the deployment of AMI meters after it has completed the installation of the initial 600,000 AMI meters (Phase One of its Smart Meter Plan) while awaiting a final Order in this proceeding. Therefore, the Joint Petitioners agree not to contest PECO: (1) beginning Universal Deployment in the manner set forth in the Petition immediately following the completion of Phase One of its Smart Meter Plan; (2) deferring the costs (O&M, depreciation, return and taxes) incurred, without interest on the deferred cost, for Universal Deployment pending the entry of a final Order in this case; (3) recovering such deferred costs through its Smart Meter Cost Recovery Charge (SMCRC) after a final Order has been entered in this case approving its Universal Deployment Plan; and

(4) recovering such deferred costs through its SMCRC, subject to review as part of the reconciliation of SMCRC costs and revenues, in the same manner and to the same extent as all other AMI implementation costs claimed for recovery under its SMCRC, except that interest shall not accrue on any deferred costs until Commission approval of the Universal Deployment Plan.

16. Settlement of the Universal Deployment Plan in no way limits the parties from challenging future cost recovery relating to the AMI meter overheating events of 2012, except that parties may not challenge recovery of such costs on the grounds that such costs should have been claimed for recovery prior to the resolution of the issues identified in Section 6.5 of PECO's Universal Deployment Plan.

The OCA submits that these provisions are important to the timely resolution of the Phase II Petition. Paragraph 15 allows for the continuation of implementation without needless and costly delays. The OCA further submits that needlessly stalling implementation plans will likely add costs as the program is ramped down and up, and could potentially delay or impact existing DOE funding.

Additionally, Paragraph 16 clarifies that the resolution of the pending proceeding through this Settlement will not negatively impact the parties rights to challenge any potential claims regarding the AMI overheating issues of 2012 that resulted in the premature replacement of meters in Phase I.

III. CONCLUSION

For the foregoing reasons, the OCA respectfully requests that the Administrative Law Judge and the Public Utility Commission approve the terms and conditions of the Joint Petition for Settlement without modification as being in the public interest.

Respectfully Submitted,

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May 31, 2013

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Attachment C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY	:	
FOR APPROVAL OF ITS SMART METER	:	**DOCKET NO. M-2009-2123944**
UNIVERSAL DEPLOYMENT PLAN	:	

STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission ("Commission") under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate ("OSBA") is participating as a party to this proceeding to ensure that the interests of small commercial and industrial ("Small C&I") customers of PECO Energy Company ("PECO" or the "Company") are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On January 18, 2013, PECO filed with the Commission a petition and supporting testimony seeking approval of it Smart Meter Universal Deployment Plan ("Universal Deployment Plan"). The Universal Deployment Plan implements the second phase of PECO's Smart Meter Technology Procurement and Installation Plan ("Smart Meter Plan"), whereby

PECO proposes to substantially complete the installation of advanced metering infrastructure ("AMI") meters across its service territory by the end of 2014.

The Office of Consumer Advocate filed an Answer to PECO's petition on February 7, 2013.

The OSBA filed a Notice of Appearance in the above-captioned proceeding on March 1, 2013.

Petitions to Intervene were filed by Direct Energy Services, LLC ("Direct Energy"), the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), and Sensus Metering Systems ("Sensus").

A Prehearing Conference was held on March 22, 2013 before Administrative Law Judge ("ALJ") Angela T. Jones, at which time the parties agreed to a procedural schedule and certain discovery modifications. In addition, ALJ Jones granted the Petitions to Intervene of Direct Energy, PAIEUG and Sensus.

Both before and after the Prehearing Conference extensive discovery was conducted by the parties.

The parties engaged in discussions that led to a settlement of all issues before the non-Company parties filed expert testimony. By agreement of the parties, and with the consent of ALJ Jones, the procedural schedule was suspended and the evidentiary hearings scheduled for June 24-26, 2013, were cancelled. The parties have concurrently submitted a joint motion requesting that testimony be admitted into the record by stipulation.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition For Settlement ("Joint Petition"). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT

On March 22, 2013, the OSBA filed its Prehearing Memorandum in this proceeding. In the Prehearing Memorandum, the OSBA identified the following specific issues of concern:

1. Whether the costs that the Company seeks to recover are "reasonable and prudent," as required by Section 2807(f)(7) of the Public Utility Code, 66 Pa. C.S. §2807(f)(7);
2. Whether the overall plan cost is being reduced to reflect "operating and capital cost savings," as required by Section §2807(f)(7);
3. Whether the Company's decision to procure Sensus meters was reasonable and prudent, and whether the proposed deferral of costs associated with faulty meters is reasonable;
4. Whether the Company's claims for incremental depreciation and corporate income tax increases related to the early retirement of existing meters are reasonable;
5. Whether the Company has reasonably evaluated the net benefit to customers associated with the expeditious implementation of smart meters; and
6. Whether the Company has accurately implemented the Commission's decision in Phase One of the smart meter deployment regarding cost allocation and rate design, and whether the Company will continue to apply those methods for Phase Two.

The OSBA agreed to defer the Sensus meters cost recovery issues to a later proceeding as provided in paragraph 15 of the Joint Petition. With respect to the remaining issues, an exhaustive analysis of all aspects of the Company's technical, accounting, and tax proposals exceeded the OSBA's resources. Nevertheless, through discovery and settlement discussions, the OSBA determined that its concerns had generally been addressed, and that the settlement is reasonable and in the interest of PECO's Small C&I customers.

Specifically, the OSBA agreed not to contest PECO beginning deployment immediately following completion of Phase One of the Smart Meter Plan in order to keep overall costs lower for Small C&I customers. The OSBA did, however, condition its agreement not to contest immediate deployment on PECO's agreement that no interest shall accrue on the deferred costs of Universal Deployment pending the entry of a final Commission Order approving the Universal Deployment Plan. Finally, OSBA notes that PECO proposed that cost allocation and rate design issues remain as approved in Phase One of the smart meter plan.

Additionally, the OSBA will continue to participate in the Stakeholder Collaborative Process to remain informed and give input as necessary with regard to AMI meter deployment, safety issues, customer complaints, and consumer issues, including, but not limited to: customer education efforts, cyber security, customer privacy, and remote connect-disconnect issues.

Moreover, the OSBA notes that the settlement proposed in the Joint Petition was reached without the need for non-Company parties to file expert testimony in this proceeding. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJ Jones and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,

Elizabeth Rose Triscari

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Assistant Small Business Advocate
Attorney ID No. 306921

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Dated: May 31, 2013

Attachment D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY FOR APPROVAL OF ITS SMART METER UNIVERSAL DEPLOYMENT PLAN	:	DOCKET NO. M-2009-2123944

STATEMENT OF
DIRECT ENERGY SERVICES, LLC
IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT

I. INTRODUCTION

Direct Energy Services, LLC ("Direct Energy") submits this Statement in Support of the Joint Petition For Settlement ("Settlement") regarding the Petition of PECO Energy Company ("PECO") for Approval of Its Smart Meter Universal Deployment Plan ("Petition").

Direct Energy is licensed by the Public Utility Commission ("Commission") at PUC Docket No. A-110164 to provide services as an Electric Generation Supplier ("EGS") to all customer classes in the service territories of all Electric Distribution Companies ("EDCs") within the Commonwealth of Pennsylvania, including PECO's service territory. Direct Energy is one of North America's largest energy and energy–related services providers with more than 6 million residential and commercial customer relationships. Direct Energy provides customers with choice and support in managing their energy costs through a portfolio of innovative products and services. A subsidiary of Centrica plc, one of the world's leading integrated energy companies, Direct Energy operates in 46 U.S. states.

II. STATEMENT IN SUPPORT

Direct Energy intervened in this proceeding in order to protect its interests relative to PECO's deployment of smart meter technology in its service territory. Smart meter technology, properly utilized and deployed, provides an opportunity for Direct Energy and other EGSs to offer innovative products and services that benefit electric consumers in the Commonwealth. Although Direct Energy's actual product offerings may depend upon a variety of factors, including the state of the wholesale market and the retail competition rules in place in PECO's service territory at the time, some of the services that it could offer once smart meter technology is deployed include the following: free power days, best hourly rates, free weekends, free nights, among many other innovative options that may develop in the future. In order for Direct Energy to offer these innovative products, it is important that PECO and other Pennsylvania EDCs deploy smart meter technology in a reasonable and transparent manner.

Direct Energy supports the Settlement in this matter because it addresses some of the concerns raised by Direct Energy in relation to PECO's original deployment plan. Direct Energy recommended, among other things, that PECO provide timely information regarding the progress of smart meter deployment by service area and to provide details about the installation of specific smart meters and when their functionality will be made available. PECO's Smart Meter Deployment Plan is an important element to foster competition and innovative product development in the residential and small commercial segments of the market and the plan must be designed with as much transparency as possible to enable EGSs, like Direct Energy, to be able to plan and develop competitive products that can be offered to consumers.

In response to these concerns, the Settlement Parties agreed to a number of changes that create more favorable conditions for Direct Energy and other suppliers and makes it more likely that the smart meter deployment process will be more transparent and useful to suppliers and end users. Under the Settlement, PECO has agreed to continue the existing Stakeholder Collaborative Process to communicate project updates to stakeholders and to receive their feedback. In addition, PECO will provide quarterly progress reports on smart meter deployment, safety issues and customer complaints, among other items of information. Lastly, PECO has agreed to conduct periodic conference calls, at least quarterly, to update participants on on-going deployments by geographic area and where smart meters will be deployed in the future. These commitments by PECO are satisfactory to Direct Energy and are in the public interest.

Although Direct Energy has lingering reservations about PECO's overall proposal, we recognize that the parties have negotiated in good faith to arrive at a mutually-acceptable compromise. We support the Settlement, even though it does grant Direct Energy everything it sought, because it represents an adequate bargain and a satisfactory set of concessions that will advance the interests of all the parties in the proceeding.

III. CONCLUSION

Based on the foregoing, Direct Energy respectfully requests that the Commission approve PECO's Smart Meter Universal Deployment Plan as modified by the Settlement as in the public interest and a reasonable settlement of the issues raised by the parties in this proceeding.

Respectfully submitted,

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May 31, 2013

Attachment E

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RHOADS & SINON LLP

FILE NO: 11304/11

May 29, 2013

Re: Petition of PECO Energy Company for Approval of its Smart Meter Universal Deployment Plan – Docket No. M-2009-2123944 – Statement in Support of Joint Petition for Settlement of Sensus Metering Systems

Ms. Angela T. Jones
Administrative Law Judge
Commonwealth of Pennsylvania
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107

Dear Hon. Angela Jones,

On March 22, 2013, Sensus Metering Systems ("Sensus") filed a Petition to Intervene in the above-captioned proceeding.

Sensus Metering Systems ("Sensus"), by and through its counsel, hereby respectfully submits that the terms and conditions of the Joint Petition for Settlement ("Settlement") are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Sensus and the Company.

Please feel free to contact me at (717) 237-6716 if you have any questions.

Best regards,

RHOADS & SINON LLP

By: Scott H. DeBroff, Esq.

Attachment F

McNees
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May 31, 2013

Honorable Angela T. Jones
Administrative Law Judge
Pennsylvania Public Utility Commission
801 Market Street, Suite 4063
Philadelphia, Pa 19107

RE: Petition of PECO Energy Company For Approval of its Smart Meter Universal Deployment Plan; Docket No. M-2009-2123944

Dear Judge Jones:

The Philadelphia Area Industrial Energy Users Group ("PAIEUG"), an intervenor in the above-referenced proceeding, hereby submits this letter to indicate that it does not oppose the Joint Petition for Settlement in the above-referenced proceeding.

Sincerely,

McNEES WALLACE & NURICK LLC

By
Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial Energy Users Group