**PENNSYLVANIA**

**PUBLIC UTLIITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held June 5, 2014

Commissioners Present:

Robert F. Powelson, Chairman

John F. Coleman, Jr., Vice Chairman

James H. Cawley

Pamela A. Witmer

Gladys M. Brown

Joint Petition of Metropolitan Edison

Company, Pennsylvania Electric Company, M-2013-2341990

Pennsylvania Power Company and West Penn M-2013-2341991

Power Company For Approval of Their M-2013-2341993

Smart Meter Deployment Plan M-2013-2341994

**ORDER**

**BY THE COMMISSION:**

On March 6, 2014, the Pennsylvania Public Utility Commission (Commission) entered an Order (March 6 Order) granting the Exceptions of Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power) and West Penn Power Company (West Penn) (collectively, FirstEnergy), in part, denying the Exceptions of the Office of Consumer Advocate (OCA), and modifying the Recommended Decision (RD) of the Administrative Law Judge (ALJ), which was issued on November 8, 2013, in the above-captioned proceedings.

The March 6 Order directed FirstEnergy to file an amended SMP within 30 days of the entry date of the Order. FirstEnergy was also directed to hold stakeholder meetings by the second quarter of 2014 and to file a final Communications Plan after the stakeholders had sufficiently reviewed and discussed the Communications plan.

The March 6 Order also allowed FirstEnergy to decide on whether to pursue an accelerated deployment schedule of smart meters in Penn Power’s territory, noting that if FirstEnergy decided to pursue an accelerated deployment, they were to file an amended SMP within 30 days of the entry of the Order.

On March 19, 2014, FirstEnergy filed: (1) the Supplemental Testimony of George L. Fitzpatrick (including, as an attachment, a clean copy of the amended SMP); and (2) the Testimony of Laura W. Gifford (including, as an appendix, a red-lined copy of the revised SMP, together with nine exhibits and Ms. Gifford’s resume). This filing was intended as both a compliance filing to the Commission directive and an amended SMP reflecting the accelerated deployment in Penn Power’s territory.

On March 31, 2014, the OCA filed Exceptions to FirstEnergy’s filing, pursuant to 52 Pa. Code § 5.592. There were two OCA Exceptions. OCA Exception 1 was in regard to compliance with the March 6 Order. OCA Exception 2 was in regard to the amended SMP required due to the proposed accelerated deployment in Penn Power’s territory.

On April 7, 2014, FirstEnergy filed Replies to the OCA Exceptions.

On April 16, 2014, the Commission issued a Secretarial Letter (April 16 SL) directing the Bureau of Technical Utility Services to review and prepare a public meeting recommendation on the limited scope of compliance with the March 6 Order. The April 16 SL also referred the amended SMP to the Office of ALJ for the purposes of developing an evidentiary record with regard to the accelerated deployment in Penn Power’s territory.

On May 6, 2014, FirstEnergy filed a final Communications Plan in compliance with the March 6 Order. FirstEnergy noted that the final Communications Plan assumed approval of the accelerated deployment schedule as outlined in the amended SMP.

**I. OCA Exceptions**

**a. OCA Exception 1**

OCA Exception 1 stated that FirstEnergy’s amended SMP failed to include all of the savings categories required by the March 6 Order and that FirstEnergy should be directed to specifically include the additional categories of theft reduction, revenue enhancement, avoided capital costs and distribution operations in their amended SMP. OCA Exc. at 2. The OCA averred that FirstEnergy had agreed to include all the savings categories identified by the OCA in the SMP. OCA Exc. at 2. The OCA noted that the Commission approved the proposal to include the additional categories of savings in the amended SMP and that the amended SMP filed by FirstEnergy on March 19 did not include the additional categories. The OCA submitted that FirstEnergy should be directed to specifically include the additional categories in their amended SMP to comply with the March 6 Order.

**b. FirstEnergy Response**

FirstEnergy’s Response to OCA Exception 1 stated that the March 6 Order indicated that FirstEnergy had committed to fully investigate and track all sources of potential savings, including those advocated by the OCA. FirstEnergy also noted that the March 6 Order did not contain any directive for FirstEnergy to modify the amended SMP’s description of the investigation of potential cost savings. FirstEnergy Res. at 2. FirstEnergy submitted that the OCA’s objection would have been more properly directed at the March 6 Order and should have been addressed by the filing of a Petition for Reconsideration or a timely-filed appeal of the March 6 Order. FirstEnergy also noted that the March 6 Order included the Commission’s commitment to “closely scrutinize” the cost savings determinations by FirstEnergy in Smart Meter Technologies Charge (SMT-C) Riders and therefore there was no need to modify the amended SMP and that the OCA Exception 1 should be rejected. FirstEnergy Res. at 2.

**c. Disposition**

Based upon the review of the record evidence, we are not persuaded by the OCA’s argument. As FirstEnergy noted, there is no directive in the March 6 Order for FirstEnergy to modify their amended SMP to include a description of the savings categories advocated by the OCA. Rather, we noted that we were persuaded that FirstEnergy would “…investigate and track all sources of potential savings, including the categories listed by the OCA, and to flow-through these savings to their customers in future SMT-C rider filings.” March 6 Order at 20 (emphasis added).

Additionally, the OCA’s claim that FirstEnergy agreed to include all savings categories in their amended SMP is not supported by the evidence. The OCA based this claim on FirstEnergy’s December 2, 2013 Exceptions to the Recommended Decision, page 11. From a clear reading of that record, at no point does FirstEnergy commit to modifying their current or amended SMP to include the specific additional categories identified by the OCA. As FirstEnergy noted, above, we have expressed our commitment to closely examine FirstEnergy’s *future* SMT-C filings and all savings actually realized. Therefore, OCA Exception 1 is denied and FirstEnergy’s Response to OCA Exception 1 is granted.

**II. Compliance Issues**

**a. Compliance Filings**

The March 6 Order directed numerous compliance requirements to FirstEnergy in regards to their amended SMP and their final Communications Plan. The most significant directives included the following:

1. In no more than sixty (60) days in advance of installation of their smart meters, FirstEnergy is directed to identify on a website, available to the public, information regarding the deployment schedule.

2. Joint SMP costs are to be allocated based on the annual average number of meters per Company as of June 30prospectively for purposes of calculating each of the FirstEnergy Companies’ annual SMT-C riders.

3. FirstEnergy is permitted to use the date of December 31, 2013, subject to certain adjustments, to establish baseline metrics to measure cost savings achieved throughout deployment.

4. FirstEnergy shall hold stakeholder meetings by the second quarter of 2014 in order to discuss the final Communications Plan and to file the final Communications Plan with the Commission after the stakeholders have sufficiently reviewed and discussed the Communications Plan in the stakeholder meetings.

5. FirstEnergy shall include information in the Communications Plan related to early education for customers about time-varying prices and the functionalities of smart meters.

6. FirstEnergy shall provide to individual consumers educational safety information including, but not be limited to, the following:, (1) that installers for FirstEnergy will have redundant identification, *i.e.*, trucks with logo, uniform, identification badges to enable customers to distinguish between genuine FirstEnergy installers and others; (2) that pictures or descriptions of the uniforms for installers for FirstEnergy will be provided, such that a consumer can readily identify the FirstEnergy installers; (3) that such FirstEnergy installers do not need to enter the household in order to install the smart meters; (4) that customers should check the identification of installers if the customer has any doubt; and (5) that the phone number to call to verify any given installer’s identification is provided.

7. FirstEnergy shall work with the stakeholder group to develop a stand-alone Customer Privacy Policy specifically related to the protection of smart meter information before any wide scale deployment of smart meters and to modify the Companies’ proposed customer privacy principles for clarity.

8. FirstEnergy will not use involuntary remote termination for non-payment as part of their SMP until first working with a stakeholder group, and filing for approval any future proposal to pursue involuntary remote termination for non-payment.

9. FirstEnergy is permitted to collect $5.1 million for expenditures related to West Penn Power Company’s Customer Information System.

10. FirstEnergy shall charge the incremental cost of removal of Legacy Meters to the regulatory asset account containing the remaining cost of the retired Legacy Meters and to amortize the cost over the remaining depreciable lives of the metering assets along with the remaining costs of those retired meters.

11. FirstEnergy shall file an amended SMP within 30 days of the March 6 Order that shall reflect any changes directed by the Commission within the March 6 Order.

FirstEnergy filed an amended SMP on April 16, 2014, and a final Communications Plan on May 6, 2014, in compliance with the directives in the March 6 Order.

**b. Disposition**

FirstEnergy’s amended SMP and final Communications Plan substantially comply with the directives of the March 6 Order. However, there are some minor issues in FirstEnergy’s amended SMP that need to be addressed. All of the issues referenced relate to the clean copy of the amended SMP submitted as Appendix A with Mr. Fitzpatrick’s testimony.

First, all of the page numbers referenced in the Table of Contents are incorrect after Section 4.2 and FirstEnergy. Additionally, the last sentence of paragraph 4 on page 73 should read “…annual average number of meters in each class as of June 30 immediately preceding the Computational Year.” Finally, the West Penn residential per kWh rate to be effective from July 1, 2014 through December 31, 2014 on page 76 should be $0.00393 and not $0.00355.

FirstEnergy is directed to make all of these corrections to its amended SMP.

FirstEnergy’s final Communications Plan had only one minor issue to be addressed. The page numbers only appear on select pages and not on every page of the document. This makes the document difficult to read and reference. FirstEnergy is directed to add page numbers to every page of the final Communications Plan.

In addition, while the March 6 Order did not provide a specific completion date for the Customer Privacy Policy, we expect FirstEnergy to complete this stand-alone policy before the wide scale deployment of smart meters.

FirstEnergy is directed to file the completed stand-alone Customer Privacy Policy with the Commission prior to any wide scale deployment of smart meters.

**III. Conclusion**

Based on our review of the record and the applicable law, we shall approve the amended SMP and the final Communications Plan, as modified by this Order, as they relate to compliance with the March 6 Order and deny the OCA’s Exceptions, in part and grant FirstEnergy’s Response, in part; **THEREFORE,**

**IT IS ORDERED:**

1. That the amended Smart Meter Deployment Plan filed by Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company is approved, as modified by this Order, and only as it relates to compliance with the Commission’s March 6, 2014 Order.

2. That the That the final Communications Plan filed by Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company is approved, as modified by this Order, and as it relates to compliance with the Commission’s Order on March 6, 2014.

3. That the Exceptions of the Office of Consumer Advocate are denied, in part, consistent with this Order.

4. That the Response of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company is granted, in part, consistent with this Order.

5. That Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company shall file a final Smart Meter Deployment Plan incorporating the modifications in this Order within 10 days of the entry date of this Order.

6. That Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company shall file a final Communications Plan incorporating the modifications in this Order within 10 days of the entry date of this Order.

7. That Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company shall file a stand-alone Customer Privacy Policy before any wide scale deployment of smart meters. The stand-alone Customer Privacy Policy shall also be served upon the Reliability and Emergency Preparedness Section of the Bureau of Technical Utility Services.

8. That Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company shall fully investigate and track all sources of potential savings, including, but not limited to, theft reduction, revenue enhancement, avoided capital costs and distribution operations, and flow-through these savings to their customers in future SMT-C rider filings.

 **BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: June 5, 2014

ORDER ENTERED: June 5, 2014