

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**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 Plan**

**Public Meeting: June 5, 2014
2341990-OSA
Docket Nos. M-2013-2341990 et al.**

**MOTION OF COMMISSIONER JAMES H. CAWLEY AND
CHAIRMAN ROBERT F. POWELSON**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Revised Smart Meter Deployment Plan (Revised Deployment Plan, or "Plan") of Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power) and West Penn Power Company (West Penn) (collectively, the Companies or FirstEnergy) filed on March 19, 2014, pursuant to the Commission's March 6, 2014, Opinion and Order (March 6 Order). For the reasons stated below, the Revised Deployment Plan proposed by FirstEnergy should be adopted.

In this proceeding, the Companies seek approval of their plan to accelerate the deployment of smart meters. More specifically, the Companies propose to install smart meters for all of Penn Power's 170,000 customers by the end of 2015 and approximately 98.5 percent of all Pennsylvania FirstEnergy customers by no later than mid-2019. Therefore, deployment of 98.5 percent of all smart meters for FirstEnergy customers would be completed six months earlier under the Revised Deployment Plan as compared to the Original Deployment Plan.

While the total overall nominal spending is not affected by this revised plan, the Companies will spend approximately \$47 million more in capital between 2014 and 2019, with a significant portion of this amount occurring in the first three years of deployment and corresponding decreases occurring in later years. In response to this shift in capital spending and operating costs, parties to this case presented arguments regarding the net present value (NPV) of the plan. The use of a higher discount rate based on corporate costs of capital results in a higher cost for the Plan, since the benefits of the plan are discounted more heavily. On the other hand, the use of a lower discount rate, based on money market or U.S. Treasury bond returns, results in a lower cost for the Plan, since the long term benefits of smart meters are discounted less. While well intentioned parties can all agree to disagree about appropriate discount rates, what is clear in this case, as provided by the Companies, is that only a fraction of the benefits of this revised Plan have been captured in this analysis.

First, this analysis does not factor in other non-operating cost savings that customers may receive sooner through the Revised Deployment Plan. The non-operating cost savings benefits are those that may benefit customers, but may not necessarily reduce an electric distribution company's operating costs. Examples of these types of potential sources of benefits are listed in an October 2013 report entitled "Smart Grid Economic and Environmental Benefits -- A Review and Synthesis of Research on Smart Grid Benefits and Costs" ("Report"), prepared by the Smart Grid Consumer Collaborative ("SGCC"), which studied 15 utilities' smart meter/smart grid projects that were partially funded through the U.S. Smart Grid Investment Grant program funds. The Report lists as potential sources of non-operating cost savings the following: (i) Integrated Volt/Var Control; (ii) Remote Meter Reading, which is incorporated into the Companies' savings analysis; (iii) Time Varying Rates; (iv) Prepayment and Remote Disconnect; (v) Revenue Assurance; (vi) Customer Energy Management; (vii) Service Outage Management; (viii) Fault Location and Isolation; and (ix) Renewable Generation Integration.

Similarly, the Industrial Customer Groups identified other non-operating cost savings by averring that an expedited deployment of smart meters will reduce the use of estimated meter data, which will, in turn, reduce a number of customer charges such as unaccounted-for-energy costs. The Industrial Customer Groups note that customers may reduce their costs further by altering their usage behavior after the expedited deployment of smart meters. Indeed, these were some of the benefits we identified in approving the recent rulemaking Amending Regulations Regarding Standards for Changing a Customer's Electricity Generation Supplier (Docket No. L-2014-2409383).

Secondly, not all potential operating cost savings for the Companies were included in this analysis. The Companies only quantified four cost savings categories that they believed were measureable, verifiable and would allow the Companies to realize actual cash savings through the deployment of smart meters: (1) Meter Reading, (2) Meter Services; (3) Back Office; and (4) Contact Center. Each of these savings categories can be measured through metrics known today. Other categories were also analyzed for inclusion but were ultimately not selected because they could not meet the parameters described, according to the Companies.

OCA's witness, Mr. Hornby, suggests in his testimony that the Companies should have looked for potential cost savings in other areas including (i) revenue protection; (ii) improved cash flow; (iii) avoided capital costs; and (iv) future purchases of traditional meters. Each of these areas was reviewed by the Companies. However, the Companies asserted that valid estimates of realizable savings in these areas cannot be made at this time. While there may be potential savings in these or other areas, given the Companies' proposed meter deployment schedule, it may take years to determine if, in fact, the Companies will realize any savings in these areas and, if so, the amount of that savings. Until the meters are installed and data can be studied, it may be difficult to more accurately access these savings. That said, we find it compelling that, in addition to the savings clearly identified by the Companies in their plan, there is the potential for additional operating cost savings in a number of areas.

Thirdly, this Commission has already observed the benefits of early deployment. Use of Penn Power as a case study may help the Companies identify other more cost effective meter deployment strategies that can then be leveraged by FirstEnergy's other operating companies. If deployment and operational savings prove very positive, FirstEnergy may also be in a position to further accelerate smart meter deployment, thus enabling an option to enhance customer savings even more.

Lastly, it should also be noted that Act 129 uses the language "not to exceed 15 years." An EDC is encouraged to expedite the deployment process if it will provide increased customer benefits in a cost-effective manner. Again, the primary goal of the EDC deployment plan should be to implement a deployment and installation schedule that best balances the overall efficiency and timeliness of the smart meter installations with the costs incurred. Given the clear advantages that accelerated smart meter deployment will provide to both the Companies and their customers, FirstEnergy's Plan should be approved as submitted.

THEREFORE, WE MOVE THAT:

1. The Revised Smart Meter Deployment Plan submitted by Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company be approved.
2. Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company be required to 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.
3. The Office of Special Assistants prepare an Order consistent with this Motion.

DATE: June 5, 2014


James H. Cawley, Commissioner


Robert F. Powelson, Chairman