

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**METROPOLITAN EDISON COMPANY
DOCKET NO. R-2014-2428745**

**PENNSYLVANIA ELECTRIC COMPANY
DOCKET NO. R-2014-2428743**

**PENNSYLVANIA POWER COMPANY
DOCKET NO. R-2014-2428744**

**WEST PENN POWER COMPANY
DOCKET NO. R-2014-2428742**

**Direct Testimony
of
Laura W. Gifford**

List of Topics Addressed

**Unbundling of Uncollectible Accounts Expense
Smart Meter Revenue Requirements
Smart Meter Cost Savings Baselines**

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1 **DIRECT TESTIMONY**
2 **OF**
3 **LAURA W. GIFFORD**

4 **I. INTRODUCTION AND BACKGROUND**

5 **Q. Please state your name and business address.**

6 A. My name is Laura W. Gifford. My business address is 2800 Pottsville Pike, Reading,
7 Pennsylvania 19612.

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by FirstEnergy Service Company as a Rate Analyst V in the Rates and
10 Regulatory Affairs Department – Pennsylvania.

11 **Q. What are your responsibilities as a Rate Analyst V?**

12 A. Generally, the Rates and Regulatory Affairs Department provides regulatory support for
13 Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”),
14 Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West
15 Penn”) (each of which may be referred to as “Company” and/or collectively as the
16 “Companies”). I am responsible to the Manager of Rates and Regulatory Affairs for the
17 preparation and coordination of the Companies’ accounting and financial data in all their
18 rate-related matters before the Pennsylvania Public Utility Commission (“PUC” or
19 “Commission”), the New York State Public Service Commission and the Federal Energy
20 Regulatory Commission (“FERC”), including the preparation of statements and reports
21 addressing, among other things, smart meters, energy costs, non-utility generation costs,
22 default service support charges including uncollectible accounts expense, quarterly
23 earnings, and other financial matters.

1 **Q. What is your educational background and professional experience?**

2 A. I am a graduate of The College of Wooster where I received a Bachelor of Arts degree
3 with a major in Business Economics in 1978. I have over seventeen years of experience
4 with FirstEnergy Corp. and GPU Energy. My work experience is more fully described in
5 Appendix A.

6 **Q. Have you previously testified in proceedings before the Commission?**

7 A. Yes. I have previously testified before this Commission, as further outlined in Appendix
8 A.

9 **Q. On whose behalf are you testifying in this proceeding?**

10 A. I am testifying on behalf of Met-Ed, Penelec, Penn Power and West Penn. My testimony
11 equally applies to all of the Companies, unless otherwise stated.

12 **Q. Please describe the purpose of your direct testimony.**

13 A. The purpose of my testimony is to discuss the unbundling of default service related
14 uncollectible accounts expense and to describe the roll-in of the revenue requirement
15 associated with Smart Meters into distribution base rates, including the development of
16 cost baselines for determining savings resulting from the deployment of smart meters.

17 **Q. Have you prepared any exhibits to accompany your testimony?**

18 A. Yes. Met-Ed Exhibit LWG-1, Penelec Exhibit LWG-1, Penn Power Exhibit LWG-1 and
19 West Penn Exhibit LWG-1 (collectively, "Exhibits LWG-1") and Met-Ed/Penelec/Penn
20 Power/West Penn Exhibits LWG-2 and LWG-3 were prepared by me or under my
21 supervision and are described in detail later in my testimony. In addition, I am

1 sponsoring Riders I and J to Met-Ed Company Exhibit 1; Riders I and J to Penelec
2 Company Exhibit 1; Riders I and J to Penn Power Company Exhibit 1; and Riders I and J
3 to West Penn Company Exhibit No. 1.

4 **II. UNCOLLECTIBLE ACCOUNTS EXPENSE**

5 **A. Met-Ed, Penelec, and Penn Power**

6 **Q. Did Met-Ed, Penelec, and Penn Power previously unbundle uncollectible accounts**
7 **expense associated with the provision of default generation service?**

8 A. Yes. In accordance with the Commission’s Final Order in their Default Service Program
9 proceedings at Docket Nos. P-2009-2093053 and P-2009-2093054, Met-Ed and Penelec
10 fully unbundled uncollectible accounts expense associated with default service for
11 residential, commercial and industrial customers. Specifically, on January 1, 2011, the
12 unbundled uncollectible accounts expense associated with default service and electric
13 generation supplier (“EGS”) service was removed from distribution rates and since then
14 has been recovered through each Company’s Default Service Support (“DSS”) Rider on a
15 non-bypassable, non-reconcilable basis. As part of that proceeding, Met-Ed and Penelec
16 also each established a Purchase of Receivables (“POR”) program for their residential
17 and small commercial customers.

18 Penn Power similarly fully unbundled uncollectible accounts expense associated with
19 default service for residential, commercial and industrial customers in accordance with
20 the Commission’s Final Order in its Default Service Program proceeding at Docket No.
21 P-2010-2157862. Specifically, on June 1, 2011, the unbundled uncollectible accounts
22 expense associated with default service and EGS service was removed from distribution
23 rates and thereafter recovered through the DSS Rider on a non-bypassable, non-

1 reconcilable basis. As part of that proceeding, Penn Power also established a POR for its
2 residential and small commercial customers.

3 **Q. What changes, if any, are Met-Ed, Penelec, and Penn Power proposing in these**
4 **proceedings as to the recovery of uncollectible accounts expense?**

5 A. In a Commission-approved settlement¹ in their most recent default service proceeding
6 (the “Default Service Settlement”), Met-Ed, Penelec, and Penn Power committed that,
7 effective June 1, 2015, the uncollectible accounts expense associated with the provision
8 of hourly-priced service to industrial customers would no longer be recovered through the
9 DSS Riders and instead would be recovered in the default service rates established
10 pursuant to those Companies’ Hourly Priced Default Service (“HPS”) Riders.

11 **Q. Are any changes required in the Companies’ base rate cases to update the**
12 **uncollectible accounts expense in the DSS Rider for residential and commercial**
13 **customers and the HPS Rider for industrial customers for Met-Ed, Penelec and**
14 **Penn Power?**

15 A. Yes. Since Met-Ed, Penelec and Penn Power have included a claim for uncollectible
16 accounts expense with these rate filings based on data for the fully projected future test
17 year (“FPFTY”) ending April 30, 2016, those amounts will need to be unbundled to
18 determine what portion of the expense will remain in distribution base rates, what portion
19 will be included in the DSS Rider for residential and commercial customers, and what
20 portion will be included in the HPS Rider for industrial customers.

¹ *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company for Approval of their Default Service Programs*, Docket Nos. P-2013-2391368 (Met-Ed), P-2013-2391372 (Penelec) and P-2013-2391375 (Penn Power)(Order entered July 24, 2014).

1 **Q. Please explain the methodology used to calculate the updated uncollectible accounts**
2 **expenses in the DSS Riders and HPS Riders for Met-Ed, Penelec and Penn Power.**

3 A. To determine an appropriate amount of uncollectible accounts expense for each
4 Company, I first calculated the ratio of (1) the default service revenue in the budget for
5 the FPFTY plus the projected revenues billed to customers on behalf of EGSs for that
6 same time period to (2) the total retail revenue in the FPFTY ending April 30, 2016, plus
7 the projected revenues billed to customers on behalf of EGSs. I then multiplied this ratio
8 by the total uncollectible accounts expense in the FPFTY budget for each Company
9 yielding the default service-related uncollectible accounts expense. This total Company
10 amount of default service-related uncollectible accounts expense was then allocated to
11 the residential, commercial and industrial customer classes based on the weighted
12 average of uncollectible write-offs over the two-year period, June 2012 through May
13 2014. The customer class allocated amount was then divided by projected kWh for that
14 customer class to determine the appropriate rate.

15 The calculation of the uncollectible accounts expense components of the DSS Rider rates
16 and HPS Rider rates are shown in Exhibits LWG-1 for each of the Companies, and which
17 rates are reflected in Riders I and J in each of Companies' Exhibits 1.

18 **Q. Where can the total uncollectible accounts expense amounts for the FPFTY be**
19 **found?**

20 A. The total amounts of uncollectible accounts expense in the FPFTY budget are set forth in
21 FERC Account No. 904, as shown in Attachment A to Exhibits RAD-55 for Met-Ed,

1 Penelec and Penn Power, which are being sponsored by Mr. Richard A. D'Angelo in
2 Met-Ed/Penelec/Penn Power/West Penn Statement No. 2.

3 **B. West Penn**

4 **Q. Has West Penn previously unbundled any portion of its uncollectible accounts**
5 **expense?**

6 A. No. West Penn currently recovers all uncollectible accounts expense through base
7 distribution rates.

8 **Q. Is West Penn proposing in this proceeding to fully unbundle its uncollectible**
9 **accounts expense?**

10 A. Yes. West Penn committed in the Default Service Settlement to propose, in its next base
11 rate case, the unbundling of all uncollectible accounts expense associated with default
12 service and its POR program similar to Met-Ed, Penelec, and Penn Power.

13 **Q. Is West Penn also proposing to include the uncollectible accounts expense charge for**
14 **the Industrial customer class in its HPS Rider?**

15 A. Yes. The calculation of the uncollectible accounts expense component of the HPS Rider
16 rate for West Penn is shown in West Penn Exhibit LWG-1, column 3.

17 **Q. How does West Penn propose to fully unbundle its uncollectible accounts expense?**

18 A. West Penn will utilize the same methodology that was used to update the unbundling of
19 the uncollectible accounts expense for Met-Ed, Penelec and Penn Power in these
20 proceedings. Details of these calculations by customer class, including the unbundled
21 default service-related portion of the total uncollectible accounts expense in FERC

1 Account No. 904, are contained in West Penn Exhibit LWG-1. In addition, the total
2 amount of uncollectible accounts expense in the FPFTY budget is provided in FERC
3 Account No. 904 shown in West Penn Exhibit RAD-55 attached to Mr. D'Angelo's
4 testimony.

5 **Q. Please explain the uncollectible accounts expense components that will be added to**
6 **the existing West Penn DSS Rider and HPS Riders.**

7 A. West Penn already has DSS Riders and HPS Riders in West Penn Electric Pa. P.U.C. No.
8 39 (general application) and West Penn Electric Pa. P.U.C. No. 37 (applicable only to
9 Pennsylvania State University, an industrial customer) that were approved as part of its
10 default service program at Docket No. P-2011-2273670. West Penn is proposing to add
11 uncollectible accounts expense components to the DSS Rider in West Penn Tariff No. 40²
12 to collect the default service-related uncollectible accounts expense on a non-
13 reconcilable, non-bypassable basis similar to Met-Ed, Penelec and Penn Power. This will
14 allow West Penn to collect the default service and POR-related uncollectible accounts
15 expense for residential and commercial customers in its DSS Rider. Both West Penn
16 tariffs will have similar changes to the HPS Riders to allow for the collection of the
17 uncollectible accounts expense for industrial customers. The proposed updates to the
18 West Penn DSS Riders and HPS Riders are shown in West Penn Company Exhibit No. 1,
19 Riders I and J, and West Penn Company Exhibit No. 2, Rider I.

² West Penn is proposing new tariffs in this instant proceeding. Therefore, they will be numbered with the next sequential number.

1 West Penn proposes to annually update the computation for the default service related-
2 uncollectible accounts expense in the revised West Penn DSS Rider and HPS Riders
3 similar to Met-Ed, Penelec and Penn Power.

4 **Q. Will the adjustment to the retail default service prices for uncollectible accounts**
5 **expenses be a component of the reconciliation of the West Penn DSS Rider and HPS**
6 **Riders?**

7 A. No. Consistent with the process for Met-Ed, Penelec and Penn Power, reconciliation will
8 address only the revenues billed to customers for default service and costs actually
9 incurred by the Company associated with the default service program.

10 **Q. What is contained in Met-Ed/Penelec/Penn Power/West Penn Exhibit LWG-2?**

11 A. Met-Ed/Penelec/Penn Power/West Penn Exhibit LWG-2 provides a summary of the
12 unbundling for each Company. The exhibit shows the separation of the total
13 uncollectible accounts expense for each Company into default service-related and
14 distribution based on the calculations contained in Exhibits LWG-1.

15 **III. SMART METER REVENUE REQUIREMENTS AND COST SAVINGS**
16 **BASELINES**

17 **Q. What are the Companies proposing in this proceeding relative to the costs from**
18 **their Commission-approved Revised Smart Meter Deployment Plan?**

19 A. Met-Ed, Penelec, Penn Power and West Penn are proposing to roll the adjusted SMT-C
20 Rider rate base, revenues and costs for the fully projected future test year into the
21 determination of their distribution rate revenue requirement rather than collecting the
22 costs in their existing Smart Meter Technologies Charge (“SMT-C”) Riders.

1 Consequently, the Smart Meter rates in each of the Companies' SMT-C Riders will be set
2 to zero upon the implementation of new rates from this proceeding. The Riders will be
3 available to the Companies when smart meter revenue requirements exceed the amount
4 rolled into distribution base rates or when billable savings are achieved.

5 **Q. Where can the smart meter revenue requirements that are being rolled into**
6 **distribution base rates be found?**

7 A. The smart meter revenue requirements for the FPFTY are identified on page 5 of the
8 individual Company Exhibits RAD-2 presented by Mr. D'Angelo for Met-Ed (\$19.0
9 million), Penelec (\$20.3 million), Penn Power (\$12.6 million) and West Penn (\$47.1
10 million).

11 **Q. Why is it appropriate for the Companies to move smart meter costs into distribution**
12 **base rates?**

13 A. First, Act 129 of 2008 provides that electric distribution companies may recover smart
14 meter costs through base rates or a rider mechanism. While the Companies chose to
15 establish the SMT-C Rider to facilitate recovery of initial smart meter costs, they also
16 proposed to have the ability in a future proceeding to propose rolling existing Smart
17 Meter costs into base rates while continuing to recover new smart meter costs through a
18 reconcilable automatic adjustment clause. Following review of that proposal, the
19 Commission agreed that base rate recovery of smart meter costs could appropriately be
20 considered in a future proceeding.³

³ See *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Approval of Smart Meter Technology Procurement and Installment Plan*, Docket No. M-2009-2123950 (Order entered August 3, 2010).

1 Second, while the Companies expect smart meter costs to escalate over the next several
2 years as smart meters are deployed throughout their territories, once deployment is
3 complete, smart meter costs are expected to be more stable and predictable and therefore
4 more akin to costs recovered in base rates than the volatile, more unpredictable costs
5 included in riders authorized under Section 1307(e) of the Public Utility Code.

6 Third, there is ample precedent for rolling into base rates categories of costs that were
7 previously recovered through a reconcilable automatic adjustment clause. For example,
8 certain state taxes are routinely rolled into base rates after being recouped through the
9 State Tax Adjustment Surcharge (“STAS”) between rate cases. Similarly, and perhaps
10 more on point, the Distribution System Improvement Charge (“DSIC”) implemented by
11 many of the Commonwealth’s major jurisdictional water companies and now electric
12 companies is “zeroed out” in base rate proceedings and the depreciated original cost,
13 *i.e.*, unrecovered investment, and related costs of replacement property previously
14 included in the DSIC, are added to base rates.

15 **Q. Please describe how the Companies will transition the recovery of smart meter costs**
16 **from the SMT-C Rider to distribution base rates.**

17 A. The Companies anticipate that the distribution base rates established in this proceeding
18 will become effective on or about May 1, 2015, and those rates will include the smart
19 meter revenue requirements approved in this proceeding. At that time, the SMT-C rate
20 for each Company will be set to zero. However, the Companies will still need to
21 reconcile revenues and costs for the July 1, 2014 through June 30, 2015 period⁴ and file

⁴ The SMT-C reconciliation year, as defined in the SMT-C Rider, is from July 1 through June 30.

1 their 1307(e) reconciliation statements. Any over or under collection balances from this
2 reconciliation process will be held on the books, with interest, until such time that a
3 Company reactivates the SMT-C Rider rate, which, as previously noted, will occur when
4 either smart meter revenue requirements exceed the amount rolled into distribution base
5 rates or when billable savings are achieved. Each Company will track the twelve months
6 of costs and savings for each reconciliation year to determine if reinstatement is
7 appropriate. The Companies will file SMT-C Rider rates on August 1, 2015, if
8 appropriate, and each August 1 thereafter with a determination of whether there will be
9 an incremental SMT-C rate for the following calendar year. The reconciliation year of
10 July through June and the SMT-C rates effective the following January through
11 December is in accordance with the Companies' existing Commission-approved SMT-C
12 Riders.

13 **Q. Will the Companies be measuring savings achieved from the deployment of smart**
14 **meters and flowing those savings through the SMT-C Rider?**

15 A. Yes. In the Companies' most recent smart meter proceedings, the Commission approved
16 a December 31, 2013 cost baseline for purposes of measuring savings achieved from the
17 deployment of smart meters.⁵ In addition, the Commission directed the Companies to
18 provide detailed information on cost savings baseline measures as of December 31, 2013
19 and explain how cost savings will be calculated as part of the next SMT-C rate filing to
20 be made August 1, 2014. It further requested that the Companies file similar information
21 each year with subsequent SMT-C rate filings.

⁵ See *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*, Docket Nos. M-2013-2341990, M-2013-2341991, M-2013-2341993, and M-2013-2341994 (Order entered March 6, 2014).

1 **Q. Will the Companies be filing December 31, 2013 baseline data in this proceeding?**

2 A. No. The Companies are proposing to establish a cost baseline as of April 30, 2016 to
3 measure savings achieved from the deployment of smart meters. The Companies believe
4 the April 30, 2016 baseline date is more appropriate than December 31, 2013 because: (1)
5 it is consistent with the end of the FPFTY period which is being used to determine the
6 smart meter revenue requirements being rolled into base rates; and (2) the Companies do
7 not anticipate achieving any meaningful savings from the deployment of smart meters
8 until sometime after May 2016.

9 **Q. How will cost savings resulting from smart meters be identified and flowed through**
10 **to customers?**

11 A. First, each Company is establishing smart meter baseline costs for eight categories as of
12 April 30, 2016, and one category as of March 31, 2014,⁶ as shown in Met-
13 Ed/Penelec/Penn Power/West Penn Exhibit LWG-3. Four of those categories were
14 identified by the Companies in their Smart Meter Deployment Plan that was approved by
15 the Commission: (1) meter reading; (2) meter services; (3) back-office; and (4) contact
16 center. In addition, the Companies have committed to investigate five additional
17 categories⁷: (1) reduction in theft of service; (2) revenue enhancements; (3) avoided
18 capital costs; (4) distribution operations; (5) and load research. Once the baseline costs

⁶ Baseline costs for the “avoided capital cost” category, which includes legacy meters, were established based on the March 31, 2014 material and supply inventories included in rate base.

⁷ As part of the Companies’ most recent smart meter proceeding, the Companies agreed to investigate certain costs categories that were identified by the Office of Consumer Advocate (“OCA”). In addition, West Penn committed, as part of an earlier smart meter settlement at Docket No. M-2009-2123951, to investigate certain costs. The Companies are addressing all of the items identified by OCA and in the earlier West Penn settlement, except for credit and collections. The Companies have not included this category in their baseline because the Commission has not adopted rules authorizing the use of smart meter for customer shut-offs, which would be the predominant, if not sole, source of savings in this category.

1 are established and approved by the Commission, any cost savings moving forward will
2 be reflected as an offset to the costs that will be included in the SMT-C Riders.

3 **Q. How did the Companies determine the cost baseline for the four categories that**
4 **were part of their Smart Meter Deployment Plan?**

5 A. ***Meter Reading.*** The Companies have developed the projected baseline by tracking the
6 following: (i) labor costs, which include headcount, salary, overtime benefits and taxes;
7 (ii) meter reader reductions due to attrition and retirement; (iii) total severance costs; (iv)
8 total cost of uniform supplies; (v) fleet costs, which include lease, license, direct parts
9 and labor, indirect parts and labor, and fuel; (vi) the estimated expense of personal
10 mileage; (vii) handheld costs, which include both maintenance and replacement costs;
11 and (viii) the cost of claims.

12 ***Meter Services.*** The Companies have developed the projected baseline by tracking the
13 following: (i) labor costs-original roles, which include headcount, salary, overtime
14 benefits and taxes; (ii) total severance costs; (iii) total cost of uniform supplies; (iv) fleet
15 costs, which include lease, license, direct parts and labor, indirect parts and labor, and
16 fuel; (v) original tablet costs, which include both maintenance and replacement costs; (vi)
17 new device costs; (vii) staff retraining costs; and (viii) labor costs-new roles, which
18 include headcount, salary, overtime benefits and taxes.

19 ***Back-office.*** The Companies have developed the projected baseline by tracking the
20 following: (i) labor costs, which include headcount and salary, and severance costs; and
21 (ii) staffing updates.

1 **Contact Center.** The Companies have developed the projected baseline by tracking the
2 following: (i) labor costs, which include headcount and salary; and (ii) staffing updates.

3 **Q. How will the Companies determine the cost baselines for the five additional**
4 **categories that were not part of their Smart Meter Deployment Plan?**

5 A. **Reduction in Theft of Service.** Revenues recovered due to theft of service currently are
6 not separately recorded on the Companies' books. If the Companies are successful in
7 recovering any revenues as a result of theft of service, they are booked as retail revenues.
8 Therefore, the baseline for this category is zero and when the Companies do record any
9 recovered revenues due to the discovery of theft, the savings will be flowed to customers
10 through the SMT-C Rider.

11 **Revenue Enhancements.** This category refers to a reduction in the lag between the time
12 a meter is read and when a bill is produced. The Companies currently recognize a 1.5
13 day lag, as supported by the Direct Testimony of Patricia M. Larkin in Met-
14 Ed/Penelec/Penn Power/West Penn Statement No. 6. Because smart meters could
15 possibly reduce this lag, a baseline cost associated with this 1.5 day delay has been
16 established for purposes of measuring savings.

17 **Avoided Capital Costs.** This category refers to legacy meters and meter services
18 handheld equipment used for meter reading that the Companies will no longer have to
19 purchase as they are replaced with smart meters. As noted earlier, baseline costs were
20 established based on the March 31, 2014 material and supply inventories included in rate
21 base. Savings will accrue as these legacy inventories get smaller.

1 ***Distribution Operations.*** This category refers to the costs associated with sending a
2 utility crew to a customer’s location in response to a customer reported power outage.
3 Smart meters could reduce the number of these “truck rolls” by allowing the Company to
4 remotely determine whether the smart meter at the customer’s location still has power. If
5 the smart meter still has power, the problem is likely on the customer side of the meter
6 and a truck roll may be avoided entirely. The Companies do not currently track, and have
7 not separately budgeted for, costs associated with truck rolls where the problem is on the
8 customer side of the meter. Therefore, the Companies are utilizing a baseline of zero and
9 all savings will be shown in the form of a negative value in this category. The
10 Companies will track the number of truck rolls avoided as a result of smart meters and
11 will determine cost savings by looking at vehicle fuel expense, line department employee
12 payroll, including overtime and training expenses.

13 ***Load Research.*** This category refers to a statistical sampling of customers with
14 specialized interval meters that provide information to the Companies so as to determine
15 appropriate load shapes for each customer class. The Companies are not currently
16 conducting load research; therefore, there are no costs for load research in the budget.
17 However, there are interval meters in the field that are capable of being used for load
18 research and it is the cost of those existing load research meters that are in the baseline.

19 **Q. When will measured savings be included in the SMT-C Riders?**

20 A. The savings will be included in the SMT-C Riders once they are substantial enough to be
21 billable. The Companies will measure savings on a monthly basis and accumulate the
22 amount of cost savings during each reconciliation year and include billable savings either

1 in the form of a negative SMT-C rate or as an offset to costs in the SMT-C rates to be
2 filed August 1 and effective the following January.

3 **Q. What do you mean that the savings must be billable?**

4 A. Met-Ed, Penelec, and Penn Power residential, commercial and industrial SMT-C rates, as
5 well as West Penn commercial and industrial SMT-C rates, are billed on a twelve-month
6 average meter count. The billing system can bill rates that are one hundredth of a cent;
7 therefore, the amount of savings must be 12 cents per customer in order to be billable. At
8 West Penn, the SMT-C residential rate is on a kWh basis, so the amount of accumulated
9 savings should exceed \$0.00001 for an average 1000 kWh customer.

10 **Q. Will incremental smart meter costs or savings be included in the SMT-C Rider on a
11 permanent basis?**

12 A. No. During future base rate proceedings, the Companies will propose to move the
13 recovery of any incremental costs or savings from the SMT-C Rider to base distribution
14 rates.

15 **Q. Does this conclude your direct testimony?**

16 A. Yes, it does.

Resume: Education and Experience of Laura W. Gifford

Education:

- 1978 Bachelor of Arts Degree in Business Economics - The College of Wooster, Wooster, Ohio
- 1999 – Present Various utility industry conferences and seminars addressing issues in the areas of Utility Finance, Electric Utility Operations, Rate Design, FERC Organization and Transmission Pricing

Experience:

- 7/78 – 3/79 Trust Accountant - Union Commerce Bank, Cleveland, Ohio
- 5/79 – 5/82 New Business and Pension Coordinator – Connecticut General Life Insurance Company/CIGNA, Buffalo, NY
- 9/88 – 9/92 Director of Mom’s Morning Out – St. John’s Lutheran Church, Sinking Spring, PA
- 9/92 – 10/94 Office Manager/Medical Secretary – Southeastern Berks Internal Medicine Associates, Reading PA
- 10/94 – 2/97 Senior Customer Service Representative/Medical Claims Processor – AETNA Life Insurance Company, Reading, PA
- 2/97 – 8/98 Employed as Customer Service Representative – Customer Service Department of GPU Energy
- 8/98 – 5/00 Rate Analyst – FERC Activity within the Rate Department – GPU Energy
- 5/00 – 11/01 Rate Analyst – Rate Activity within the Rate Department – GPU Energy
- 11/01 – 3/03 Associate Business Analyst – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy Service Company
- 3/03 – 3/05 Business Analyst – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy Service Company
- 3/05 – 12/06 Advanced Business Analyst – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy Service Company
- 12/06 – 3/12 State Regulatory Analyst IV / Senior Business Analyst – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy Service Company
- 3/12 – Present State Regulatory Analyst V – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy Service Company

Prepared and presented testimony in the following rate-related cases:

- Pa. P.U.C. Cases: Docket Nos. R-00016219
R-00016220
C-20028926
M-2008-2041151
M-2008-2041153
M-2008-2041167
M-2008-2041169

M-2008-2036188
M-2009-2105616
M-2009-2105619
P-2010-2157862
M-2010-2180408
M-2010-2180413
M-2011-2241863
M-2011-2241892
M-2012-2303491
M-2012-2303492
M-2012-2303487

Assisted in development and preparation in the following rate related cases:

Pa. P.U.C. Cases: Docket Nos. R-00061366
R-00061367
R-00016851C0001
R-00016852C0001
R-00016853C0001
P-00062235
P-00072259
P-2008-2020257
P-2008-2036197
P-2008-2036188
P-2009-2093053
P-2009-2093054
A-2010-2176520
A-2010-2176732
P-2011-2273650
P-2011-2273668
P-2011-2273669
P-2011-2273670
P-2013-2341990
P-2013-2341991
P-2013-2341993
P-2013-2341994
P-2013-2351260

NY P.S.C Cases: Case Nos. 11-E-0594
13-E-0067

FERC Case: Docket No. ER99-3393-000
ER00-3567-000
EL00-88-000

Metropolitan Edison Company
Default Service Support Charge Rider / Hourly Pricing Default Service Rider
 Default Service Related Uncollectible Accounts Expense
 Based on 12 Months Ending April 30, 2016
 (000's)

<u>Line No.</u>	<u>Description</u>	<u>DSS Rider</u>		<u>HPS Rider</u>	<u>Total Company</u>
		<u>Residential</u> (1)	<u>Commercial</u> (2)	<u>Industrial</u> (3)	
1	Total Company Revenue and billed EGS revenue at April 30, 2016				\$ 951,772
2	Default Service Revenue at April 30, 2016				\$286,330
3	Residential and Commercial Generation Revenues billed for EGSs at April 30, 2016				<u>295,072</u>
4	Total Generation and Transmission Revenues (line 2 + line 3)				\$581,402
5	Percentage of Generation/Transmission Revenue to Total Revenue (line 4 / line 1)				61%
6	Uncollectible Accounts Expense at April 30, 2016				<u>12,136</u>
7	Default Service Related Uncollectible Accounts Expense at April 30, 2016 (line 5 X line 6)				\$ 7,403
8	Allocation of Default Service Related Uncollectible Accounts Expense to Rate Classes (A)	95.60%	3.93%	0.47%	100.00%
9	Default Service Related Uncollectible Accounts Expense by Customer Class (Line 7 X Line 8)	\$ 7,077	\$ 291	\$ 35	\$ 7,403
10	kWh at April 30, 2016	<u>5,408,762</u>	<u>2,997,814</u>	5,391,799	13,798,375
11	Default Service Related Uncollectible Accounts Expense (line 9 / line 10)	<u>0.13085</u> cents per kWh	<u>0.00971</u> cents per kWh	<u>0.00065</u> cents per kWh	

(A) Allocated based on a 2 year average of net write offs.

**Metropolitan Ediston Company
 Pennsylvania Electric Company
 Penn Power Company
 West Penn Power Company**

Unbundled Uncollectible Accounts Expense

<u>Line No.</u>	<u>Company</u>	<u>Description</u>	<u>Normalized Uncollectibles in FFTY</u>	<u>per Budget Uncollectibles in FFTY</u>	<u>Uncollectibles in Base Rates A&G Normalization</u>
1	Met-Ed	Total	12,136	12,136	
2		Default Service	7,403	8,077	(674)
3		Distribution	4,733	4,059	674
4	Penelec	Total	8,959	8,959	
5		Default Service	4,927	5,420	(493)
6		Distribution	4,032	3,539	493
7	Penn Power	Total	1,610	1,610	
8		Default Service	1,031	2,042	(1,011)
9		Distribution	579	(432)	1,011
10	West Penn	Total	10,642	10,642	
11		Default Service	6,917	-	6,917
12		Distribution	3,725	10,642	(6,917)

**Metropolitan Edison Company
 Pennsylvania Electric Company
 Pennsylvania Power Company
 West Penn Power Company**

Cost Baseline for Savings as a Result of the Deployment of Smart Meters

<u>Line No.</u>	<u>Description</u>	<u>Met-Ed</u>	<u>Penelec</u>	<u>Penn Power</u>	<u>West Penn</u>	<u>Total PA Companies</u>
1	Meter reading (Page 2)	\$ 5,596,570	\$ 5,760,672	\$ 1,548,187	\$ 7,338,454	\$ 20,243,883
2	Meter services (Page 4)	2,424,995	1,942,292	515,189	1,716,634	6,599,110
3	Back-office (Page 6)	686,873	729,613	192,340	1,353,074	2,961,900
4	Contact Center (Page 8)	2,741,626	2,940,535	778,626	3,258,602	9,719,389
5	Theft of service reduction	0	0	0	0	0
6	Revenue enhancement (Page 10)	500,000	484,000	130,000	500,000	1,614,000
7	Avoided capital costs (Page 10)	42,697	54,561	6,135	59,352	162,745
8	Distribution operations	0	0	0	0	0
9	Load research (Page 11)	<u>9,525</u>	<u>13,923</u>	<u>381</u>	<u>5,502</u>	<u>29,331</u>
10	Total	<u>\$ 12,002,286</u>	<u>\$ 11,925,596</u>	<u>\$ 3,170,858</u>	<u>\$ 14,231,618</u>	<u>\$ 41,330,358</u>

**Meter Reading
 Cost Baseline for Smart Meter Benefit
 For the Twelve Months Ending April 2016**

Line No.

<u>Total Meter Reading Costs</u>		<u>Total Headcount</u>	<u>Total</u>	
1	<i>Met-Ed</i>	68	\$ 5,596,570	
2	<i>Penelec</i>	71	\$ 5,760,672	
3	<i>Penn Power</i>	18	\$ 1,548,187	
4	<i>West Penn Power</i>	89	\$ 7,338,454	
<u>Labor Costs</u>		<u>Headcount</u>	<u>Salary</u>	<u>Severance Costs</u>
5	<i>Met-Ed</i>	68	\$ 4,975,224	\$ _____
6	<i>Penelec</i>	71	\$ 5,216,531	\$ _____
7	<i>Penn Power</i>	18	\$ 1,400,051	\$ _____
8	<i>West Penn Power</i>	89	\$ 6,422,219	\$ _____
<u>Uniforms/Supplies</u>		<u>Uniforms/ Supplies Costs</u>		
9	<i>Met-Ed</i>	\$ 27,735		
10	<i>Penelec</i>	\$ 37,080		
11	<i>Penn Power</i>	\$ 40,885		
12	<i>West Penn Power</i>	\$ 48,328		
<u>Fleet Costs</u>		<u>Fleet Costs</u>		
13	<i>Met-Ed</i>	\$ 593,611		
14	<i>Penelec</i>	\$ 507,061		
15	<i>Penn Power</i>	\$ 107,251		
16	<i>West Penn Power</i>	\$ 867,907		
<u>Handheld Costs</u>		<u>Replacement Costs</u>	<u>Maintenance Costs</u>	
17	<i>Met-Ed</i>	\$ _____	\$ _____	
18	<i>Penelec</i>	\$ _____	\$ _____	
19	<i>Penn Power</i>	\$ _____	\$ _____	
20	<i>West Penn Power</i>	\$ _____	\$ _____	
<u>Claims</u>		<u>Claims Costs</u>		
21	<i>Met-Ed</i>	\$ _____		
22	<i>Penelec</i>	\$ _____		
23	<i>Penn Power</i>	\$ _____		
24	<i>West Penn Power</i>	\$ _____		

(1) Inputs for Cost Centers 440021 - ME Meter Reading, 450020 - PN Meter Reading South, 450022 - PN Meter Reading North, 433251 - Penn Power Meter Reading, 490144 - West Penn Meter Reading Excluding Waynesboro, 490201 - West Penn Meter Reading Waynesboro from Budget

Meter Reading Cost Baseline for Smart Meter Benefit by FERC Accounts For the Twelve Months Ending April 2016

Line No.**Salary*****Met-Ed***

1	FERC Account	593	Maintenance Overhead Lines	\$	177,440
2	FERC Account	902	Meter Reading Expense		4,797,784
3			Total	\$	4,975,224

Penelec

4	FERC Account	593	Maintenance Overhead Lines	\$	102,034
5	FERC Account	902	Meter Reading Expense		5,114,497
6			Total	\$	5,216,531

Penn Power

7	FERC Account	593	Maintenance Overhead Lines	\$	7,884
8	FERC Account	902	Meter Reading Expense		1,392,167
9			Total	\$	1,400,051

West Penn Power

10	FERC Account	593	Maintenance Overhead Lines	\$	111,800
11	FERC Account	902	Meter Reading Expense		6,310,419
12			Total	\$	6,422,219

Uniform/Supplies Costs***Met-Ed***

13	FERC Account	902	Meter Reading Expense	\$	27,735
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Penelec

14	FERC Account	902	Meter Reading Expense	\$	37,080
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Penn Power

15	FERC Account	902	Meter Reading Expense	\$	40,885
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West Penn Power

16	FERC Account	902	Meter Reading Expense	\$	48,328
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Fleet Costs***Met-Ed***

17	FERC Account	593	Maintenance Overhead Lines	\$	21,165
18	FERC Account	902	Meter Reading Expense		572,446
19			Total	\$	593,611

Penelec

20	FERC Account	593	Maintenance Overhead Lines	\$	9,898
21	FERC Account	902	Meter Reading Expense		497,163
22			Total	\$	507,061

Penn Power

23	FERC Account	593	Maintenance Overhead Lines	\$	603
24	FERC Account	902	Meter Reading Expense		106,648
25			Total	\$	107,251

West Penn Power

26	FERC Account	593	Maintenance Overhead Lines	\$	15,083
27	FERC Account	902	Meter Reading Expense		852,824
28			Total	\$	867,907

(1) Inputs for Cost Centers 440021 - ME Meter Reading, 450020 - PN Meter Reading South, 450022 - PN Meter Reading North, 433251 - Penn Power Meter Reading, 490144 - West Penn Meter Reading Excluding Waynesboro, 490201 - West Penn Meter Reading Waynesboro from Budget
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Meter Services
Cost Baseline for Smart Meter Benefit
For the Twelve Months Ending April 2016

Line No.

<u>Total Meter Services Costs</u>		Total Headcount	Salary
1	Met-Ed	37	\$ 2,424,995
2	Penelec	35	\$ 1,942,292
3	Penn Power	9	\$ 515,189
4	West Penn Power	26	\$ 1,716,634

<u>Labor Costs - Original Roles</u>		Headcount	Salary	Severance Costs
5	Met-Ed	37	\$ 2,113,014	\$ _____
6	Penelec	35	\$ 1,700,276	\$ _____
7	Penn Power	9	\$ 467,411	\$ _____
8	West Penn Power	26	\$ 1,453,666	\$ _____

<u>Uniforms/Supplies</u>		Uniforms/ Supplies Cost
9	Met-Ed	\$ 112,572
10	Penelec	\$ 145,714
11	Penn Power	\$ 4,450
12	West Penn Power	\$ 117,252

<u>Fleet Costs</u>		Fleet Costs
13	Met-Ed	\$ 199,409
14	Penelec	\$ 96,302
15	Penn Power	\$ 43,328
16	West Penn Power	\$ 145,716

<u>Original Tablet Costs</u>		Replacement Costs	Maintenance Costs
17	Met-Ed	\$ _____	\$ _____
18	Penelec	\$ _____	\$ _____
19	Penn Power	\$ _____	\$ _____
20	West Penn Power	\$ _____	\$ _____

<u>New Device Costs</u>		Costs
21	Met-Ed	\$ _____
22	Penelec	\$ _____
23	Penn Power	\$ _____
24	West Penn Power	\$ _____

<u>Staff Retraining Costs</u>		Cost
25	Met-Ed	\$ _____
26	Penelec	\$ _____
27	Penn Power	\$ _____
28	West Penn Power	\$ _____

<u>Labor Costs - New Roles</u>		Headcount	Salary
29	Met-Ed	_____	\$ _____
30	Penelec	_____	\$ _____
31	Penn Power	_____	\$ _____
32	West Penn Power	_____	\$ _____

(1) Inputs for Cost Centers 440204 Eastern Penn Region Meter Services, 450115 Meter Services, 450116 Meter Services-Northeast L459, 450117 Meter Services-Northwest L459, 450118 Meter Services - South L459, 450119 Meter Services - South L180, 433401 Meter Services - PPCO, 490145 WP Meter Services from Budget

Meter Services
Cost Baseline for Smart Meter Benefit by FERC Accounts
For the Twelve Months Ending April 2016

Line No.				
	Salary			
	Met-Ed			
1	FERC Account	586	Meter Expenses	\$ 425,140
2	FERC Account	593	Maintenance of Overhead Lines	48,026
3	FERC Account	597	Maintenance of Meters	1,629,700
4	FERC Account	920	Admin & Gen Salaries	10,148
5			Total	\$ 2,113,014
	Penelec			
6	FERC Account	586	Meter Expenses	\$ 189,879
7	FERC Account	593	Maintenance of Overhead Lines	147,406
8	FERC Account	597	Maintenance of Meters	1,362,991
9			Total	\$ 1,700,276
	Penn Power			
10	FERC Account	570	Maintenance of Station Equipment	\$ 102
11	FERC Account	588	Misc Distribution Expenses	(1,754)
12	FERC Account	593	Maintenance of Overhead Lines	17,780
13	FERC Account	597	Maintenance of Meters	451,157
14	FERC Account	920	Admin & Gen Salaries	126
15			Total	\$ 467,411
	West Penn Power			
16	FERC Account	586	Meter Expenses	\$ 6,209
17	FERC Account	593	Maintenance of Overhead Lines	64,569
18	FERC Account	597	Maintenance of Meters	1,382,888
19			Total	\$ 1,453,666
	Uniform/Supplies Costs			
	Met-Ed			
20	FERC Account	586	Meter Expenses	\$ 56,290
21	FERC Account	597	Maintenance of Meters	56,282
22			Total	\$ 112,572
	Penelec			
23	FERC Account	586	Meter Expenses	\$ 72,857
24	FERC Account	597	Maintenance of Meters	72,857
25			Total	\$ 145,714
	Penn Power			
26	FERC Account	597	Maintenance of Meters	\$ 4,450
27			Total	\$ 4,450
	West Penn Power			
28	FERC Account	586	Meter Expenses	\$ 117,252
	Fleet Costs			
	Met-Ed			
29	FERC Account	586	Meter Expenses	\$ 40,161
30	FERC Account	593	Maintenance of Overhead Lines	4,540
31	FERC Account	597	Maintenance of Meters	153,765
32	FERC Account	920	Admin & Gen Salaries	943
33			Total	\$ 199,409
	Penelec			
34	FERC Account	586	Meter Expenses	\$ 10,794
35	FERC Account	593	Maintenance of Overhead Lines	8,325
36	FERC Account	597	Maintenance of Meters	77,183
37			Total	\$ 96,302
	Penn Power			
38	FERC Account	570	Maintenance of Station Equipment	\$ 9
39	FERC Account	588	Misc Distribution Expenses	(162)
40	FERC Account	593	Maintenance of Overhead Lines	1,637
41	FERC Account	597	Maintenance of Meters	41,835
42	FERC Account	920	Admin & Gen Salaries	9
43			Total	\$ 43,328
	West Penn Power			
44	FERC Account	586	Meter Expenses	\$ 635
45	FERC Account	593	Maintenance of Overhead Lines	6,472
46	FERC Account	597	Maintenance of Meters	138,609
47			Total	\$ 145,716

(1) Inputs for Cost Centers 440204 Eastern Penn Region Meter Services, 450115 Meter Services, 450116 Meter Services-Northeast L459, 450117 Meter Services-Northwest L459, 450118 Meter Services - South L459, 450119 Meter Services - South L180, 433401 Meter Services - PPCO, 490145 WP Meter Services from Budget

**Back Office
Cost Baseline for Smart Meter Benefit
For the Twelve Months Ending April 2016**

Line No.

<u>Total Back Office Costs</u>		Headcount	Salary
1	<i>Met-Ed</i>	9	\$ 686,873
2	<i>Penelec</i>	10	\$ 729,613
3	<i>Penn Power</i>	3	\$ 192,340
4	<i>West Penn Power</i>	23	\$ 1,353,074

<u>Labor Costs</u>		Headcount	Salary	Severance Costs
5	<i>Met-Ed</i>	9	\$ 686,873	\$ -
6	<i>Penelec</i>	10	\$ 729,613	\$ -
7	<i>Penn Power</i>	3	\$ 192,340	\$ -
8	<i>West Penn Power</i>	23	\$ 1,353,074	\$ -

(1) Inputs for Cost Centers 509035 – Customer Accounting (OH), 506208 – Customer Accounting (South), 509061 – Customer Accounting (NJ) from Budget

Back Office
Cost Baseline for Smart Meter Benefit by FERC Accounts
For the Twelve Months Ending April 2016

<u>Line No.</u>		<u>FERC Account</u>	<u>Description</u>	<u>Amount</u>
	<u>Salary</u>			
	<i>Met-Ed</i>			
1	FERC Account	903	Cust Rcrd & Collect Exp	\$ 686,873
2			Total	\$ 686,873
	<i>Penelec</i>			
3	FERC Account	903	Cust Rcrd & Collect Exp	\$ 729,613
4			Total	\$ 729,613
	<i>Penn Power</i>			
5	FERC Account	902	Meter Reading Expense	\$ 134,636
6	FERC Account	903	Cust Rcrd & Collect Exp	57,704
7			Total	\$ 192,340
	<i>West Penn Power</i>			
8	FERC Account	902	Meter Reading Expense	\$ 448,242
9	FERC Account	923	Outside Svcx Employed	904,832
10			Total	\$ 1,353,074

(1) Inputs for Cost Centers 509035 – Customer Accounting (OH), 506208 – Customer Accounting (South), 509061 – Customer Accounting (NJ) from Budget

**Contact Center
 Cost Baseline for Smart Meter Benefit
 For the Twelve Months Ending April 2016**

Line No.

<u>Total Contact Center Costs</u>		Total Headcount	Salary	
1	<i>Met-Ed</i>	59	\$ 2,741,626	
2	<i>Penelec</i>	63	\$ 2,940,535	
3	<i>Penn Power</i>	17	\$ 778,626	
4	<i>West Penn Power</i>	70	\$ 3,258,602	
<u>Labor Costs</u>		Headcount	Salary	Severance Costs
5	<i>Met-Ed</i>	59	\$ 2,741,626	\$ -
6	<i>Penelec</i>	63	\$ 2,940,535	\$ -
7	<i>Penn Power</i>	17	\$ 778,626	\$ -
8	<i>West Penn Power</i>	70	\$ 3,258,602	\$ -

(1) Inputs for Cost Centers 509057 - FECC Command Center, 509053 - FECC Ops Akron, 509051 - FECC Admin Akron, 509058 - FECC Admin Reading, 509059 - FECC Ops Reading, 509086 - FECC Ops Akron - Toledo, 509321 - FECC Ops Fairmont, 509322 - FECC Admin Fairmont, 501088 - FECC Quality Monitoring, 509351 - Customer Self-Service, from Budget

Contact Center
Cost Baseline for Smart Meter Benefit by FERC Accounts
For the Twelve Months Ending April 2016

<u>Line No.</u>		<u>FERC Account</u>	<u>Description</u>	<u>Amount</u>
	<u>Salary</u>			
	<i>Met-Ed</i>			
1	FERC Account	903	Cust Rcrd & Collect Exp	\$ 285,781
2	FERC Account	910	Misc Cust Svc & Info Exp	<u>2,455,845</u>
3			Total	\$ 2,741,626
	<i>Penelec</i>			
4	FERC Account	903	Cust Rcrd & Collect Exp	\$ 320,876
5	FERC Account	910	Misc Cust Svc & Info Exp	<u>2,619,659</u>
6			Total	\$ 2,940,535
	<i>Penn Power</i>			
7	FERC Account	903	Cust Rcrd & Collect Exp	\$ 70,191
8	FERC Account	910	Misc Cust Svc & Info Exp	<u>708,435</u>
9			Total	\$ 778,626
	<i>West Penn Power</i>			
10	FERC Account	902	Meter Reading Expense	\$ 2,859,928
11	FERC Account	903	Cust Rcrd & Collect Exp	252,159
12	FERC Account	910	Misc Cust Svc & Info Exp	<u>146,515</u>
13			Total	\$ 3,258,602

(1) Inputs for Cost Centers 509057 - FECC Command Center, 509053 - FECC Ops Akron, 509051 - FECC Admin Akron, 509058 - FECC Admin Reading, 509059 - FECC Ops Reading, 509086 - FECC Ops Akron - Toledo, 509321 - FECC Ops Fairmont, 509322 - FECC Admin Fairmont, 501088 - FECC Quality Monitoring, 509351 - Customer Self-Service, from Budget

**Revenue Enhancement and Avoided Capital Costs
 Cost Baseline for Smart Meter Benefit
 For the Twelve Months Ending April 2016**

Revenue Enhancement -- Change 1.5 day lag in Cash Working Capital

<u>Line No.</u>		<u>Met-Ed</u>	<u>Penelec</u>	<u>Penn Power</u>	<u>West Penn</u>	<u>Total</u>
1	1.5 day lag for billing difference in CWC	\$ 3,336,000	\$ 3,206,000	\$ 867,000	\$ 3,384,000	\$ 10,793,000
2	Associated Rev Req	\$ 500,000	\$ 484,000	\$ 130,000	\$ 500,000	\$ 1,614,000

Avoided Capital Costs -- Material and Supply Inventories at March 31, 2014

	<u>Met-Ed</u>	<u>Penelec</u>	<u>Penn Power</u>	<u>West Penn</u>	<u>Total</u>
3 Total meters in inventory	\$ 423,493	\$ 493,802	\$ 85,054	\$ 602,254	\$ 1,604,603
4 Smart Meters in inventory	139	130	44	207	520
5 Legacy meters in inventory (Line 1 - Line 2)	\$ 423,354	\$ 493,672	\$ 85,010	\$ 602,047	\$ 1,604,083
6 Handheld devices in inventory	-	-	-	-	-
7 Total inventory (Line 3 + Line 4)	\$ 423,354	\$ 493,672	\$ 85,010	\$ 602,047	\$ 1,604,083
8 Revenue requirement	\$ 42,697	\$ 54,561	\$ 6,135	\$ 59,352	\$ 162,745

**Load Research
Cost Baseline for Smart Meter Benefit
For the Twelve Months Ending April 2016**

<u>Line No</u>	<u>Description</u>	<u>Met-Ed</u>	<u>Penelec</u>	<u>Penn Power</u>	<u>West Penn</u>	<u>Total</u>
1	Number of load research meters in field	196	284	14	238	732
2	Cost of load research meters	\$ 400	\$ 400	\$ 400	\$ 400	\$ 1,600
3	Cost of Normal meters	50	50	50	50	200
4	Net Cost of load research Meters (Line 2 - Line 3)	350	350	350	350	1,400
5	Capital Cost of load research Meters (line 1 X line 4)	68,600	99,400	4,900	83,300	256,200
6	Depreciation Reserve per meter	87	87	215	226	616
7	Accumulated Depreciation Reserve (Line 1 X Line 6)	<u>17,081</u>	<u>24,780</u>	<u>3,012</u>	<u>53,887</u>	98,761
8	Net load research Meters in Rate Base (Line 5 - Line 7)	\$ 51,519	\$ 74,620	\$ 1,888	\$ 29,413	\$ 157,439
9	Carrying Charge	<u>12.91%</u>	<u>12.93%</u>	<u>13.16%</u>	<u>12.76%</u>	
10	Revenue requirement for rate base (Line 8 X Line 9)	\$ 6,651	\$ 9,648	\$ 248	\$ 3,753	\$ 20,301
11	Depreciation Rate of meters	4.19%	4.30%	2.70%	2.10%	
12	Depreciation expense (Line 5 X Line 11)	<u>2,874</u>	<u>4,274</u>	<u>132</u>	<u>1,749</u>	<u>9,030</u>
13	Revenue requirement (Line 10 + Line 12)	<u>\$ 9,525</u>	<u>\$ 13,923</u>	<u>\$ 381</u>	<u>\$ 5,502</u>	<u>\$ 29,331</u>