PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Pa. PUC, et al. v. First Energy Companies

Public Meeting: April 9, 2015

2428742-ALJ, 2428743-ALJ, 2428744-ALJ, 2428745-ALJ

Docket Nos. R-2014-2428742, R-2014-2428743, R-2014-2428744, R-2014-2428745, et al.

STATEMENT OF COMMISSIONER JAMES H. CAWLEY (2 of 2)

Before us are the requests for general increases in base rates requested by Metropolitan Edison Company (Met-Ed), the Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power), and West Penn Power Company (West Penn), (collectively, the Companies), the Recommended Decisions, and the proposed partial Joint Settlement filed on February 3, 2015.

While I am generally supportive of the settlement, I have additional qualifications or concerns that may need to be addressed in the future.

First, as to the approval of the proposal by the Companies to offer LED street lighting to interested customers who wish to obtain LED street lighting service from Company-owned and maintained LED street lighting facilities, I fully support efforts to improve the operational and energy efficiency of these facilities. It gives me pause, however, that Citizens for Pennsylvania's Future (PennFuture) presented testimony that FirstEnergy's cost estimates for providing Company-owned LED street lighting were overstated. There are municipalities that either own or wish to construct and maintain their own LED lighting facilities (rather than have one of the Companies construct and maintain them) and have one of the Companies merely provide unbundled distribution service.

I thank PennFuture for its contributions to the proceeding. Even though its testimony did not alter the decision in this case, it did raise an important point: How can utilities help municipalities that have or wish to construct lower cost lighting facility structures to develop efficient LED street lighting? If PennFuture is correct that the Companies have overstated the cost of LED street lighting, it is important for the company to develop *customer-owned* LED Street Lighting rate schedules to avoid any barriers to full development of this efficient lighting technology. Met-Ed has already implemented such a rate schedule under the "Alternative Technology Lighting" provisions of its tariff. Similarly, Penelec has implemented the same rate schedule, but only for its Altoona service area. Unfortunately, Penn Power and West Penn are lacking such rate schedules. I strongly encourage the Companies to file similar tariffs for the remainder of the Penelec service territory, in addition to similar tariff services in the Penn Power and West Penn service areas.

Second, as part of the settlement, FirstEnergy also provided for the amortization of its stranded legacy meter costs related to its smart meter plan over five years, and included these costs in its cost of service. Pursuant to the Companies' testimony, this allowance is estimated at $23.3 million per year.[1] However, this cost no longer exists after five years. This cost is not potentially reoccurring as may be the case for certain extraordinary storm costs. Further, the settlement is silent as to whether this cost terminates after five years (as an amortization, as opposed to a normalized annual cost, it should end after five years, and perhaps that is what the parties intended), or whether such a cost savings will be netted from future smart meter surcharges, as envisioned by Act 129 of 2008.[2] Alternatively, the parties may have envisioned this as part of the cost of service allowance until the next base rate case (potentially more than five years hence).

Given the opacity of what was intended and in light of the non-reoccurring nature of stranded plant costs and the magnitude of these legacy meter costs, the Companies should clarify their understanding of the settlement terms in their compliance filings.

April 9, 2015
Date

James H. Cawley
James H. Cawley, Commissioner

[1] Statement No. 1, CVF-1.

[2] Recoverable costs must be net of operating and capital cost savings.