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May 20, 2015

***VIA ELECTRONIC FILING***

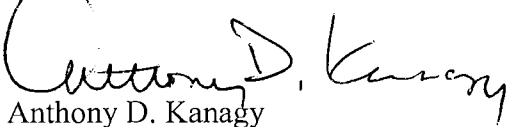
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Petition of PPL Electric Utilities Corporation for Approval of Its Smart Meter  
Technology Procurement and Installation Plan  
Docket No. M-2014-2430781**

Dear Secretary Chiavetta:

Enclosed please find the Exceptions of PPL Electric Utilities Corporation for the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

  
Anthony D. Kanagy

ADK/skr  
Enclosure

cc: Honorable Susan D. Colwell  
Certificate of Service  
Office of Special Assistants (*via e-mail*)

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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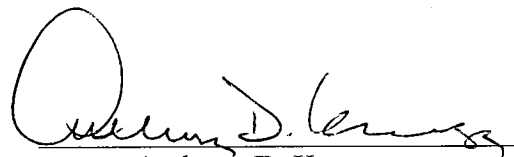
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Date: May 20, 2015

  
Anthony D. Kanagy

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :  
for Approval of Its Smart Meter Technology : Docket No. M-2014-2430781  
Procurement and Installation Plan :

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**EXCEPTIONS OF  
PPL ELECTRIC UTILITIES CORPORATION**

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## I. INTRODUCTION AND BACKGROUND

On June 30, 2014, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) filed a Petition for Approval of Its Smart Meter Technology Procurement and Installation Plan (“Petition”) with the Pennsylvania Public Utility Commission (“Commission”). PPL Electric filed its Petition pursuant to the Commission’s Order entered on August 2, 2012. *Petition of PPL Electric Utilities Corporation for Approval to Modify its Smart Meter Technology Procurement and Installation Plan and to Extend its Grace Period*, Docket Nos. P-2012-2303075, M-2009-2123945, Order entered August 2, 2012 (“2012 Smart Meter Order”). In the *2012 Smart Meter Order*, the Commission directed PPL Electric to file a revised smart meter plan that fully complies with Act 129 by June 30, 2014. *Id.* at 20-21. In the Petition, PPL Electric proposed to implement a Smart Meter Plan (“SMP”) that will fully meet the requirements of Act 129 and the Commission’s Smart Meter Implementation Order. *Smart Meter Procurement and Installation*, Docket No. M-2009-2092655, Order entered June 24, 2009 (“*Implementation Order*”).

The Office of Consumer Advocate (“OCA”) and Office of Small Business Advocate (“OSBA”) filed Notices of Intervention, Public Statements and Answers to the Petition. International Brotherhood of Electrical Workers, Local 1600 (“IEBW”), Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (“CAUSE-PA”), and PP&L Industrial Customer Alliance (“PPLICA”) filed Petitions to Intervene, with PPLICA also filing a protest.

The proceeding was assigned to Administrative Law Judge Susan D. Colwell. On July 8, 2014, the ALJ issued a Prehearing Order which set forth certain rules for the prehearing conference and for the proceeding in general. In response to the Prehearing Order, Parties filed prehearing memoranda.

A Prehearing Conference was held on August 11, 2014. At the Prehearing Conference, the ALJ adopted a litigation schedule and discovery rules for the proceeding. In addition, the

ALJ granted the Petitions to Intervene that were filed by the Parties, with the exception that PPLICA indicated that it was proceeding as a protestant rather than an intervenor. Also on August 11, 2014, the ALJ issued a Scheduling Order which memorialized the actions taken during the Prehearing Conference.

On October 10, 2014, OCA and OSBA served direct testimony. On November 21, 2014, PPL Electric served rebuttal testimony. On December 5, 2014, OCA and OSBA served surrebuttal testimony. On December 12, 2014, PPL Electric served rejoinder testimony.

A hearing was held on December 16, 2014. Parties conducted cross-examination. In addition, the Parties' testimony and exhibits were admitted into the record.

Pursuant to the litigation schedule, parties filed Initial Briefs on January 12, 2015 and Reply Briefs on February 2, 2015.

On April 30, 2015, the Commission issued the ALJ's Recommended Decision ("RD"). Therein, the ALJ approved the Company's Smart Meter Petition, with certain modifications. The RD recommended that the Commission approve the Company's plan to install RF Mesh smart meter technology pursuant to the Company's proposed Implementation Schedule. The RD recommended that the Company's proposed methodology for calculating the smart meter charge be approved, subject to modifications agreed to by the Company and OCA. The RD also recommended that the Company's proposed cybersecurity plan be approved.

However, the RD disagreed with the Company's proposed methodology for reflecting smart meter cost savings to customers. Further, the RD directs PPL Electric to amend its SMP if there are revisions to applicable statutes, regulations or Commission orders that allow use of the remote disconnect switch for involuntary service termination.

PPL Electric respectfully disagrees with certain of the RD's recommendations and conclusions and files these limited Exceptions to the RD, pursuant to 52 Pa. Code § 5.533, and the Secretarial Letter dated April 30, 2015. PPL Electric excepts to the RD's recommendation regarding how to reflect cost savings to customers. PPL Electric also files limited exceptions to the ALJ's recommendations regarding use of the remote disconnect switch for implementing service terminations. For the reasons explained below, and in the Company's Brief, PPL Electric respectfully requests that the Commission adopt PPL Electric's Exceptions and revise the RD accordingly.

## **II. EXCEPTIONS**

### **A. THE RD'S RECOMMENDATIONS REGARDING COST SAVINGS/QUANTIFICATION OF BENEFITS ARE NOT NECESSARY OR APPROPRIATE FOR AN EDC THAT IS IMPLEMENTING A SECOND GENERATION ADVANCED METERING SYSTEM.**

#### **1. PPL Electric Has Already Reflected AMI Savings to Customers.**

In this proceeding, PPL Electric proposed to reflect any savings that are achieved through the implementation of its Smart Meter Plan in base rates in subsequent base rate proceedings. PPL Electric believes that this is the appropriate methodology for reflecting savings for customers because PPL Electric is implementing a second generation automated metering system and has already reflected savings from implementing the first generation system through base rates. PPL Electric is replacing its existing AMI system with a new AMI system. As explained below, PPL Electric has already reflected AMI savings for the first generation AMI system to customers in base rates. Additional savings from implementing a second generation AMI system will be difficult to quantify, and PPL Electric should be permitted to continue to reflect any additional AMI savings to customers in base rates.



PPL Electric deployed its current advanced metering infrastructure (“AMI”) beginning in 2002. When PPL Electric deployed its first generation AMI system, the Company realized significant cost savings that were reflected in base rates. The most substantial savings resulted from the elimination of the meter reading work force, including expenses associated with salaries, benefits, overheads and vehicles. (PPL Electric Exh. No. DRG 3-R, p. 4.) Other savings included a reduction in call center costs, a reduction in costs to obtain special meter reads, and elimination of costs to manually monitor data quality.

In the Company’s 2004 base rate proceeding, the Company explained the cost savings that were being reflected to customers as follows:

Q. Please describe the economic benefits of the AMR system.

A. The most fundamental benefit is that the manual reading of meters for billing is discontinued and the meter reading workforce can, over time, be eliminated. Expenses associated with salaries, benefits, and overheads (including vehicles) will be eliminated.

There will also be savings at PPL Electric’s call center. With AMR, the need for and number of estimated reads will be reduced and customer calls regarding estimated meter readings and access to meters are virtually eliminated. In addition, the time required to handle telephone calls regarding high usage/high bills will be greatly reduced because the CSRs have available to them actual daily usage information for each account for the previous 45 days. The availability of daily usage information allows a CSR to more quickly resolve with a customer whether the usage billed is indeed accurate.

The ability to obtain meter reads remotely will also greatly reduce the need to send a serviceman to obtain special reads in circumstances such as a final read (when an account is closed) and for high usage/high bill investigations. The reduction in special reads translates, over time, into a reduction in the need for servicemen.

Savings are also expected to be realized at PPL Electric’s meter shop as there will be less maintenance to perform

given that the population of meters will, on average, be significantly newer than the population it replaced.

The automated data monitoring functions inherent in the new system will eliminate the need to perform manual monitoring of data quality from about 30,000 of PPL Electric's commercial and industrial customers who had metering that required transformation equipment to obtain readings instead of reading consumption directly at the supply voltage.

Finally, a few meters in the previous population were significantly under-recording usage. The mass replacement has resulted in the replacement of those meters when, under normal circumstances, their condition would have gone unnoticed. The metering and billing of this use represents revenue that the vast majority of customers (over 99% of them) no longer have to provide and, thus, represents an additional economic benefit from their perspective.

PPL Electric Exh. DRG 3-R, pp. 4-6.

As explained in the Company's Briefs, these savings have been provided to customers in the form of reduced operating expense and capital costs in the Company's base rate proceedings, beginning with the Company's 2004 base rate proceeding. PPL Electric IB at 28-29; PPL Electric RB at 27. PPL Electric has reflected substantial savings from implementing AMI technology to customers in base rates and it is reasonable to continue to reflect any additional savings in base rates.

**2. Any Additional Savings From Implementing The Company's Smart Meter Plan Will Be Difficult To Quantify.**

As the Company explained in this proceeding, additional savings from replacing the existing AMI system will be very difficult to accurately quantify. The Company's witness, Mr. Glenwright, explained that the Company may experience minimal additional savings from implementing its second generation smart meter plan in the areas of reduced meter services support, decreased call center volumes, improved outage management and improved cost

recovery of unaccounted for energy. PPL Electric St. No. 2-R, p. 20. However, these cost savings will be very difficult to quantify because they will require a detailed evaluation of how the new smart meter features will be incorporated into business processes. In addition, it will be very difficult to isolate potential savings that are attributable to individual smart meter functionalities. Moreover, if the Company experiences cost savings in one area from reducing personnel, it may use the same personnel to provide service in another area, which would not create cost savings but simply allow the Company to provide better service.

For these reasons, it is reasonable and more appropriate for the Company to continue its current methodology of reflecting smart meter savings in base rates.

**3. The FirstEnergy Cost Savings Categories Are Not Appropriate For PPL Electric.**

The RD adopted the OCA's proposal that PPL Electric quantify savings from implementing smart meter technology and flow them through the Smart Meter Charge ("SMC"). The ALJ recommended that PPL Electric track savings for the same eight categories of costs that the Commission is requiring the FirstEnergy Companies to track, including:

- (1) Meter reading;
- (2) Meter services;
- (3) Back office;
- (4) Contact center;
- (5) Theft reduction;
- (6) Revenue enhancement;
- (7) Avoided capital costs; and
- (8) Distribution operations.

*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 et. al., Order entered June 25, 2014.*

Requiring the FirstEnergy Companies to track savings in these categories is appropriate (with the exception of avoided capital costs which is discussed below) because the FirstEnergy Companies are implementing a first generation AMI system. Therefore, the FirstEnergy Companies will experience substantial savings for meter reading, meter services, back office support, contact center, theft reduction, revenue enhancement and distribution operations from implementing a first generation AMI system. As explained in Section II(A)(1) above, PPL Electric has already reflected savings from these categories to customers when PPL Electric implemented its first generation AMI system. Moreover, EDCs experience much greater levels of savings when implementing first generation AMI systems. (See, e.g., Tr. 68-69.)

It is unreasonable to require PPL Electric to attempt to track savings in these categories because of the differences between PPL Electric and the FirstEnergy Companies with respect to implementation of AMI systems. For example, the FirstEnergy Companies currently have meter readers. Therefore, they will experience considerable meter reading and meter services savings by implementing a remotely-read smart meter system, including the elimination of the meter reading positions. However, PPL Electric implemented its AMI system beginning in 2002, eliminated its meter reading workforce and reflected these savings in base rates. It is not appropriate or reasonable to require PPL Electric to attempt to track additional potential savings for meter reading or meter services because savings associated with these categories have already been reflected to customers. Likewise, PPL Electric has already reflected savings associated with back-office, contact center, theft reduction, revenue enhancement and

distribution operation to customers in base rates and should not be required to track any additional potential minimal savings that may be achieved in these categories. The potential minimal savings that may be achieved in these categories are better reflected as reduced operating costs in ongoing base rate cases. As explained above, any additional savings achieved by PPL Electric will be very difficult to isolate and quantify.

**4. It Is Unreasonable To Require PPL Electric To Credit Avoided Capital Costs To The SMC.**

As explained in detail in the Company's Brief, it would be unreasonable for PPL Electric to credit "avoided capital costs" to the SMC. Avoided costs are costs that are not spent. Customers experience savings associated with avoided costs by not being required to pay for them in the first instance. It would be unreasonable for PPL Electric to also "credit" avoided costs to the SMC. Under this scenario, customers would benefit twice, once by not having to pay for the costs that are avoided and twice as a credit to the SMC for costs that are not incurred by the Company. For example, when PPL Electric buys a meter, the costs of the meter are added to rate base and customers pay for the meter through rates. If the Company does not have to buy a meter and "avoids" the meter cost, the meter cost is not added to rate base and customers do not pay the cost because it was not incurred by the Company. Under these circumstances, PPL Electric would not be expected to provide any type of "avoided meter cost" credit to customers. No further credit would be lawful or appropriate.

Requiring PPL Electric to credit avoided costs to the SMC would prevent it from fully recovering its smart meter costs as is authorized under 66 Pa. C.S. 2807(f) and could also eliminate any opportunity for the Company to earn a fair return on its investment in violation of the United States and Pennsylvania Constitutions. U.S. Constitution, Fifth and Fourteenth Amendments; Pennsylvania Constitution, Article 1, Section 10; *Bluefield Waterworks and Imp.*

*Co. v. P.S.C. of West Virginia*, 262 U.S. 679, 690 (1923); *Riverton Consolidated Water Co. v. Pa. P.U.C.*, 186 Pa. Super 1, 140 A.2d 114 (1958).

The Company also explained in this proceeding that crediting avoided capital costs to the SM would create a catch-22 situation because PPL Electric would be required to credit “avoided costs” to the SMC but could not use the avoided costs to support a base rate filing. The Company explained as follows:

Mr. Knecht’s proposal that this credit for avoided costs continue until the Company’s next base rate case is also flawed because the avoided costs could actually delay a future base rate filing. This is a catch-22 because PPL Electric would be required to reflect costs that it was not incurring as savings in the SMR but would not be able to include the avoided costs as support for a base rate increase.

(PPL Electric St. No. 6-RJ, p. 7.)

For these reasons and as further explained by the Company in its testimony and briefs in this proceeding, it is unreasonable to require PPL Electric to credit “avoided capital costs” to the SMC.

##### **5. Alternative Cost Savings Proposal.**

As explained above, PPL Electric believes that it is reasonable to reflect smart meter savings to customers through base rates. However, if the Commission determines otherwise, PPL Electric proposes the following alternative cost savings proposal. First, the Company should only be required to flow actual quantifiable smart meter savings through to customers. Second, the savings must reflect a reduction of costs that are currently included in base rates. It is not appropriate to flow savings to customers if the underlying costs are not in base rates, because customers are not paying for the costs. Third, if PPL Electric has already reflected cost savings in base rates, it should not be required to flow those cost savings to customers again through the SMC. This would be double-counting savings to customers.

**B. PPL ELECTRIC SHOULD NOT BE REQUIRED TO AMEND ITS PLAN IN ORDER TO USE SMART METERS FOR INVOLUNTARY SERVICE TERMINATIONS.**

With respect to use of the remote disconnect switch for involuntary service terminations, Ordering Paragraph No. 8 of the RD provides as follows:

That PPL Electric Utilities Corporation shall seek prior Commission approval in the form of an amendment to this Smart Meter Plan if, at any time in the future, applicable statutes, regulations, and Commission orders permit the use of smart meters for the termination of customers due to nonpayment.

PPL Electric files a limited exception to the remote disconnect recommendations in the RD. PPL Electric does not believe that it should be required to seek separate Commission approval or formally amend its Smart Meter Plan if applicable statutes, regulations or Commission orders permit the use of smart meters for termination of customers due to nonpayment. If PPL Electric is able to comply with applicable statutes, regulations or Commission orders, it should be permitted to do so without amending its Smart Meter Plan.

However, in order to address parties' concerns regarding this issue, PPL Electric advises the parties that it expects to file a pilot-program regarding use of the remote disconnect switch for involuntary service terminations with the Commission in January 2016. Interested parties will have the opportunity to intervene in that proceeding and argue the merits of using the remote disconnect switch for involuntary service terminations including what customer protection measures should be included under the Pilot Program.

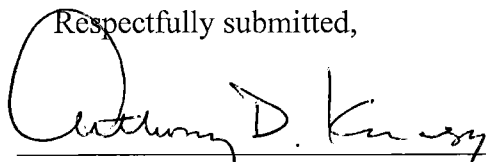
### III. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission grant the Company's Exceptions and find that:

(1) PPL Electric shall be permitted to reflect savings associated with implementing its SMP through base rates in subsequent base rate proceedings; and

(2) PPL Electric shall not be required to seek separate Commission approval or amend its Smart Meter Plan if applicable statutes, regulations or Commission Orders permit the use of smart meters for the termination of electric service due to nonpayment.

Respectfully submitted,



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