



COMMONWEALTH OF PENNSYLVANIA

June 1, 2015

**E-FILED**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Enclosed for filing are the Reply Exceptions, on behalf of the Office of Small Business Advocate, in the above-docketed proceeding. As evidenced by the enclosed Certificate of Service, copies have been served on all known parties in this case.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Steven C. Gray" followed by a stylized flourish.

Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID #77538

Enclosures:

cc: The Honorable Susan D. Colwell, Administrative Law Judge  
Parties of Record  
Robert D. Knecht

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY  
COMMISSION**

**v.**

**PPL ELECTRIC UTILITIES  
CORPORATION**

:  
:  
:  
:  
:  
:  
:

**Docket No. M-2014-2430781**

**REPLY EXCEPTIONS  
ON BEHALF OF THE  
OFFICE OF SMALL BUSINESS ADVOCATE**

---

**Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538**

**For: John R. Evans  
Small Business Advocate**

**Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101  
(717) 783-2525**

**Dated: June 1, 2015**

## **I. Introduction**

On October 15, 2008, Governor Corbett signed HB 2200 into law as Act 129 of 2008, (“Act 129”).

On June 24, 2009, the Pennsylvania Public Utility Commission (“Commission”) entered the *Smart Meter Procurement and Installation Order* at Docket No. M-2009-2092655 (“*Implementation Order*”).

On August 14, 2009, PPL Electric Utilities Corporation (“PPL” or the “Company”) filed its Initial Smart Meter Technology Procurement and Installation Plan with the Commission.

On June 20, 2010, the Commission entered an Order regarding PPL’s Initial Smart Meter Plan. *See Petition of PPL Electric Utilities Corporation for Approval of Smart Meter Technology Procurement and Installation Plan*, Docket No. M-2009-2123945.

On May 24, 2012, PPL filed a request with the Commission to extend the Company’s grace period from December 2012 to December 2014.

On August 2, 2012, the Commission entered an Order extending PPL’s grace period until June 30, 2014.

On December 2, 2012, the Commission entered a *Smart Meter Procurement and Installation - Final Order* at Docket No. M-2009-2092655 (“*Final Order*”).

On June 30, 2014, filed its updated *Petition of PPL Electric Utilities Corporation for Approval of Its Smart Meter Technology Procurement and Installation Plan* (“*Petition*”) with the Commission.

On July 8, 2014, Administrative Law Judge (“ALJ”) Susan D. Colwell issued her First Prehearing Order.

On August 6, 2014, the Office of Small Business Advocate (“OSBA”) filed an Answer and Notice of Intervention.

On August 11, 2014, a prehearing conference was held before ALJ Colwell.

On August 11, 2014, ALJ Colwell issued her Second Prehearing Order.

On October 10, 2014, the OSBA served the Direct Testimony of Robert D. Knecht.

On November 5, 2014, ALJ Colwell issued her Third Prehearing Order.

On December 5, 2014, the OSBA served the Surrebuttal Testimony of Robert D. Knecht.

On December 16, 2014, an evidentiary hearing was held before ALJ Colwell.

On January 13, 2015, the OSBA filed its Main Brief.

On February 2, 2015, the OSBA filed its Reply Brief.

On April 30, 2015, ALJ Colwell issued her Initial Decision (“ID”).

On May 20, 2015, the OSBA filed Exceptions to the ID. PPL also filed Exceptions to the ID.

The OSBA submits the following Reply Exceptions in response to the Exceptions filed by PPL.

## II. Exceptions

**Reply to PPL Exception No. 1:** The ALJ properly recommended that PPL shall track any savings associated with the installation of the RF mesh smart meters and credit those savings to the Company's smart meter rider. (PPL Exceptions, at 3-9)

Section 2807(f)(7) of the Public Utility Code, 66 Pa. C.S. § 2807(f)(7), states:

An electric distribution company may recover reasonable and prudent costs of providing smart meter technology under paragraph (2)(ii) and (iii), as determined by the commission. This paragraph includes annual depreciation and capital costs over the life of the smart meter technology and the cost of any system upgrades that the electric distribution company may require to enable the use of the smart meter technology which are incurred after the effective date of this paragraph, *less operating and capital cost savings realized by the electric distribution company from the installation and use of the smart meter technology*. Smart meter technology shall be deemed to be a new service offered for the first time under section 2804(4)(vi). An electric distribution company may recover smart meter technology costs:

(i) through base rates, including a deferral for future base rate recovery of current basis with carrying charge as determined by the commission; or

(ii) on a full and current basis through a reconcilable automatic adjustment clause under section 1307.

66 Pa. C.S. § 2807(f)(7) (emphasis added).

In her ID, the ALJ concluded, as follows:

The Company argues that its benefits are not as easily quantified as those of the EDCs who are implementing first generation smart meters because the greatest savings are in the salaries and benefits of the meter reading employees who are no longer needed to perform that function. While all parties acknowledge this, *the OCA and CAUSE-PA argue that there should still be an attempt to identify and track potential savings, consistent with the statute*. This is a valid point, and while the Company will not be required to hire an outside consultant, it will be required to track savings in at least the eight identified categories and the savings shall be flowed through its SMT-C rider filings.

ID, at 42-43 (emphasis added).

In her Ordering Paragraphs, the ALJ set forth the “eight identified categories” in which the Company will have to track savings:

That PPL Electric Utilities Corporation shall fully investigate and track all sources of potential savings, including but not limited to (a) Meter reading; (b) Meter services; (c) Back-office; (d) Contact center; (e) Theft reduction; (f) Revenue enhancement; (g) avoided capital costs; and (h) Distribution operations, and shall flow-through these savings to its customers in future SMT-C rider filings.

ID, Ordering Paragraph 3, at 73.

In the Company’s Exceptions, PPL recounted the history of the Company’s first generation smart meters:

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. 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 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 Exceptions, at 4-5 (citation omitted).

PPL then concluded that although the Company has already “reflected substantial savings” in base rates from the installation of the first generation smart meters, it “will be very difficult to accurately quantify” any “additional savings” from the installation of the RF mesh

smart meters. *Id.*, at 5. As stated in the OSBA's Exceptions, the OSBA fully agrees with PPL that accelerating the adoption of the second generation of smart meters will provide little or no direct economic benefits to customers in the form of reduced costs, and will provide relatively little in the way of improved meter functionality. For that reason, the OSBA concludes that PPL has failed to justify its proposed acceleration of the investment necessary to comply with the Commissions smart meter requirements. However, if the Commission is going to approve the acceleration of the plan (which it should not do), the very least PPL can do is to make a reasonable effort to quantify the savings associated with that investment. As explained in OSBA's Exceptions, at the very least, such savings should reflect the declining base rates costs associated with the Company's first generation smart meters.

The OSBA also observes that PPL wants "to continue its current methodology of reflecting smart meter savings in base rates." PPL Exceptions, at 6. However, the Company proposed to recover the costs associated with the installation of the second generation smart meters with a smart meter rider ("SMR"). *See, e.g.*, PPL Initial Brief, at 35.

It is inconsistent with the plain language of Section 2807(f)(7) for PPL to select one option to charge its customers for installation of the RF mesh smart meters, and to select another option to credit any savings back to ratepayers. First, Section 2807(f)(7) states that the electric distribution company ("EDC") may select either option (i) *or* option (ii) to "recover smart meter technology costs." 66 Pa. C.S. § 2807(f)(7). Thus, PPL must choose between the two methodologies, and the Company has chosen to implement a rider. Second, having chosen option (ii), the statute states that the mechanism must be *reconcilable*. *Id.* Consequently, like any other Section 1307 mechanism, PPL will be required to compare expenses to credits in order

to calculate its re-occurring smart meter charge (“SMC”). If PPL is unhappy with this result, it only has itself to blame – PPL could have selected option (i) available under Section 2807(f)(7).

Finally, PPL saw the writing on the wall, and made the following “alternative cost savings proposal,” as set forth below:

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.

PPL Exceptions, at 9.

The OSBA can support the Company’s alternative cost savings proposal as it is consistent with OSBA’s recommendation in its Main Brief that, if the proposed acceleration of second generation smart meters is adopted by the Commission (which it should not do), PPL be required to develop a mechanism to avoid over-charging ratepayers for declining costs of first generation smart meters, and the parallel recommendation in OSBA’s Exceptions that such declining base rates costs be explicitly recognized as cost savings. *See* OSBA Main Brief, at 25-26. *See also* OSBA Exceptions, at 15-16.

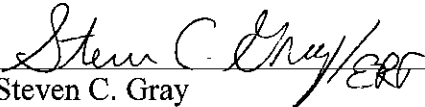
Ultimately, the ALJ’s conclusion requiring cost savings be followed through to the SMC is required by Section 2807(f)(7) and must be implemented if the Commission decides to approve the Company’s filed smart meter plan.



**III. Conclusion**

For the reasons set forth herein, the OSBA respectfully requests that the Commission deny PPL Exception No. 1.

Respectfully submitted,



\_\_\_\_\_

Steven C. Gray  
Attorney ID No. 77538  
Assistant Small Business Advocate

Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101  
(717) 783-2525  
[sgray@pa.gov](mailto:sgray@pa.gov)

Dated: June 1, 2015

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**CERTIFICATE OF SERVICE**

I certify that I am serving two copies of the foregoing, on behalf of the Office of Small Business Advocate, by e-mail and first-class mail (unless otherwise indicated) upon the persons addressed below:

The Honorable Susan D. Colwell  
Administrative Law Judge  
Pa. Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105  
[scolwell@pa.gov](mailto:scolwell@pa.gov)  
**(E-mail and Hand Delivery)**

Allison C. Kaster, Esquire  
Bureau of Investigation & Enforcement  
Pa. Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105  
[josimms@pa.gov](mailto:josimms@pa.gov)  
[akaster@pa.gov](mailto:akaster@pa.gov)  
**(E-mail and Hand Delivery)**

Paul E. Russell, Esquire  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18106  
[perussell@pplweb.com](mailto:perussell@pplweb.com)

Christy M. Appleby, Esquire  
Amy Hirakis, Esquire  
Hobart J. Webster, Esquire  
Office of Consumer Advocate  
555 Walnut Street - Fifth Floor  
Harrisburg, PA 17101-1923  
[tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)  
[cappleby@paoca.org](mailto:cappleby@paoca.org)  
[ahirakis@paoca.org](mailto:ahirakis@paoca.org)  
[hwebster@paoca.org](mailto:hwebster@paoca.org)  
**(E-mail and Hand Delivery)**

David B. MacGregor, Esquire  
Post & Schell, PC  
Four Penn Center  
1600 John F. Kennedy Boulevard  
Philadelphia, PA 19103-2808  
[dmacgregor@postschell.com](mailto:dmacgregor@postschell.com)

Anthony Kanagy, Esquire  
Post & Schell, PC  
17 North Second Street - 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
[akanagy@postschell.com](mailto:akanagy@postschell.com)

Divesh Gupta  
Constellation NewEnergy, Inc.  
111 Market Place - #500  
Baltimore, MD 21202  
[divesh.gupta@constellation.com](mailto:divesh.gupta@constellation.com)

Scott J. Rubin, Esquire  
333 Oak Lane  
Bloomsburg, PA 17815-2036  
[scott.j.rubin@gmail.com](mailto:scott.j.rubin@gmail.com)

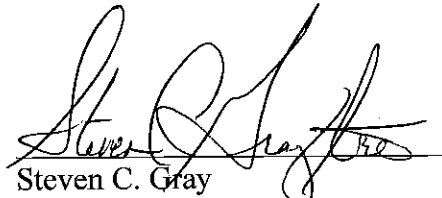
Christina R. Mudd  
Thomas Catlin  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway - #300  
Columbia, MD 21044  
[cmudd@exeterassociates.com](mailto:cmudd@exeterassociates.com)  
[topcat@exeterassociates.com](mailto:topcat@exeterassociates.com)  
**(E-mail Only)**

Harry S. Geller, Esquire  
Elizabeth R. Marx, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
[pulp@palegalaid.net](mailto:pulp@palegalaid.net)

Kimberly H. Childe, Esquire  
Department of Environmental Protection  
400 Market Street - 9<sup>th</sup> Floor  
Harrisburg, PA 17101-2301  
[kchilde@pa.gov](mailto:kchilde@pa.gov)

Adeolu A. Bakare, Esquire  
Pamela C. Polacek, Esquire  
McNees Wallace & Nurick, LLC  
P. O. Box 1166  
Harrisburg, PA 17108-1166  
[ppolacek@mwn.com](mailto:ppolacek@mwn.com)  
[abakare@mwn.com](mailto:abakare@mwn.com)

**Dated: June 1, 2015**

  
Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538