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File #: 2507/158811

June 1, 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 Replies to 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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Date: June 1, 2015

Anthony D. Kanagy

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PPL ELECTRIC UTILITIES CORPORATION
REPLIES TO EXCEPTIONS

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Date: June 1, 2015

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I. INTRODUCTION

On April 30, 2015, the Recommended Decision ("RD") of Administrative Law Judge Susan D. Colwell (the "ALJ") was issued by the Pennsylvania Public Utility Commission ("Commission") in the above-captioned proceeding. The RD recommends approval of PPL Electric Utilities Corporation's ("PPL Electric" or the "Company") Smart Meter Plan ("SMP") filing, with certain modifications.

On May 20, 2015, PPL Electric, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA") and the PP&L Industrial Customer Alliance ("PPLICA") filed Exceptions to the RD. PPL Electric hereby files these Replies to the Exceptions of OCA, OSBA and PPLICA.

II. SUMMARY OF ARGUMENT

PPL Electric filed its SMP to fully comply with Act 129 as directed by the Commission. The Company's current PLC metering system does not comply with Act 129 and cannot reasonably be upgraded to comply with Act 129. The Company's proposed RF Mesh system will allow the Company to provide the additional smart meter capabilities set forth in the Commission's *Implementation Order*.

In the RD, the ALJ recommended that the Company's proposed deployment schedule be adopted. The Company's proposed deployment schedule is consistent with other Pennsylvania EDCs' smart meter deployment schedules, will avoid unnecessary investment in existing PLC meters that are failing due to age, and will provide benefits to customers, including HAN technology and improved outage management with the addition of last gasp technology.

Many of the OCA's and OSBA's Exceptions object to the ALJ's recommendation to adopt the Company's proposed deployment schedule. OCA argues that the Company's existing PLC metering system complies with the direct access requirements of Act 129 because PPL

Electric can provide customers with access to usage information in less than 24 hours. This is not direct access to usage information as required by Act 129. The OCA and OSBA arguments to delay deployment are contrary to the Commission's guidance in other proceedings and are also inconsistent with the deployment schedules approved by the Commission for all other EDCs in Pennsylvania.

The OCA also excepts to the ALJ's decision not to require PPL Electric to attempt to recover costs for meters that are failing due to advanced age from the Company's meter vendor. PPL Electric does not have a claim against its meter vendor for meters that are failing due to advanced age. OCA has not presented any evidence to support its position, and OCA's Exception should be denied.

The OSBA argues that the Company should reflect cost declines (reductions in revenue requirement due to declining rate base) for its first generation PLC meters in the smart meter charge for second generation meters. This is not reasonable because PPL Electric has always reflected the costs of its first generation meters in base rates and should continue to reflect all costs (or cost declines) for first generation meters in base rates.

PPLICA argues that the Commission should revise its policy regarding EGS and third-party access to the Company's Supplier Portal which places the burden on EGSs and third-parties to ensure that they have the appropriate customer authorization to access data. PPL Electric believes that this issue applies to all utilities in Pennsylvania that have or will have supplier portals. Therefore, the Company does not believe that it is appropriate to address this issue in an individual EDC's smart meter proceeding. Further, the ALJ recommended that all supplier portal issues be addressed in the Commission's ongoing Supplier Portal initiative at

Docket No. M-2009-2092655. This is a reasonable way to address the Supplier Portal issues and the ALJ's recommendation should be approved.

OCA also argues that the Company should be required to file for Commission approval of any involuntary remote disconnection program, service limiting program or pre-pay metering program even if the Company is able to implement the program and follow all applicable Commission regulations. PPL Electric disagrees with this argument. The Company should not be required to file for Commission approval of a program if the program can be implemented to follow all Commission regulations.

Finally, PPLICA argues that the Company should be required to make a compliance filing that establishes whether the calculated line loss rates in Section 6.8 of the Company's supplier tariff exclude unaccounted for energy. PPL Electric responded to questions regarding this issue in discovery and at the hearing and should not be required to make a compliance filing to further address these issues.

III. REPLIES TO SPECIFIC EXCEPTIONS

A. THE ALJ CORRECTLY DETERMINED THAT PPL ELECTRIC'S EXISTING METERING SYSTEM DOES NOT COMPLY WITH ACT 129. (RESPONSE TO OCA EXCEPTIONS 1 AND 2.)

1. The Commission Has Held That PPL Electric's Existing AMI System Does Not Comply With Act 129.

PPL Electric filed its initial SMP with the Commission on August 14, 2009. Under its initial SMP, the Company proposed to meet the requirements of Act 129 and the Commission's *Implementation Order*[1] through its current automated meter infrastructure ("AMI System"). The Commission denied this request, stating as follows:

[1] *Smart Meter Procurement and Installation,* Docket No. M-2009-2092655, Order entered June 24, 2009 ("*Implementation Order*").

> … PPL Electric needs to expand its metering capabilities to meet the higher standards of Act 129…
>
> Since PPL Electric's existing system does not fully meet all Act 129 requirements, it should use the Grace Period Pilot programs to fully develop a Plan, to be filed with the Commission, to fully comply with Act 129.

Petition of PPL Electric Utilities Corporation for Approval of Smart Meter Technology Procurement and Installation Plan, Docket No. M-2009-2123945, Order entered June 24, 2010, ("*2010 SMP Order*") at 24.

The Commission also stated as follows:

> PPL's Plan, if its HAN pilot is successful, would comply with Act 129. However, to the extent PPL's plan simply provides validated access to hourly usage data contained in its website, generally within 48 hours, this falls short of the goal of providing direct access to customer usage data. This is an example of indirect access to meter data.

2010 SMP Order at 22.

As a result of the 2010 SMP Order, PPL Electric undertook an extensive investigation to evaluate the capabilities of its existing AMI System to determine if it could meet the Act 129 requirements. (PPL Electric St. No. 2, p. 6.) PPL Electric determined that it could not reasonably implement a Home Area Network ("HAN") with its existing PLC system. In addition, 86% of PPL Electric's existing PLC meters are prior generation electromechanical meters that do not meet 7 of the 15 additional *Implementation Order* requirements, including: (1) remote connect/disconnect, (2) providing 15-minute or shorter interval data, (3) supporting on-board storage of meter data, (4) supporting open standards and protocols, (5) ability to upgrade minimum capabilities, (6) ability to remotely reprogram the meter, and (7) net metering of customer generators. (PPL Electric St. No. 2, p. 9.)

The Company's existing PLC system does not meet the Act 129 requirements and cannot reasonably be upgraded to meet them. In addition, a new RF Mesh System will allow PPL Electric to fully comply with Act 129 and the Commission's *Implementation Order*, providing substantial benefits to customers, including improved outage management through meters that provide outage notification through last gasp technology that is not available with the Company's PLC meters.

2. The OCA Misstates The Company's Ability To Comply With Act 129.

The OCA recognizes that the Commission held that PPL Electric's PLC metering system does not meet the direct access requirements of Act 129 for providing customers with direct access to usage data and price information. (OCA Exc. p. 6.) The OCA attempts to distinguish this Commission requirement by stating that the Commission was concerned that a 48-hour delay was not direct access. OCA then argues that providing usage data and price information to customers in less than 24 hours meets the direct access requirements of Act 129. (OCA Exc. pp. 7-8.)

The OCA's argument that providing customers access to consumption and price information in less than 24 hours meets the Act 129 direct access requirements are contrary to Commission precedent and should not be accepted. (66 Pa. C.S. § 2807(g); PPL Electric IB, p. 14.) Decreasing the time period for providing customers with consumption and price information from 48 hours to less than 24 hours does not meet the direct access requirement. All other EDCs in Pennsylvania are meeting the statutory direct access requirements through HANs, and the Commission has held that PPL Electric would be compliant with the direct access requirement if its HAN pilot were successful. *2010 SMP Order*, p. 22. PPL Electric's HAN pilot was not successful. For these reasons, OCA's argument that PPL Electric's PLC System meets the Act 129 direct access requirement is incorrect.

In addition, despite clear and convincing evidence to the contrary, OCA continues to argue that "Aclara offers a TWACS-based Home Area Network and In-Home Display system that utilities Zigbee communication systems which may provide additional Zigbee-based In-Home Display alternatives to the PLC AMI System." (OCA Exc. p. 8.) The OCA's argument regarding Aclara having HAN capabilities has been convincingly refuted by the Company, who has a longstanding business relationship with Aclara. The Company addressed this argument in its rebuttal testimony, stating as follows:

> Q. Could PPL Electric's existing system be upgraded to meet the mandatory requirements of Act 129?
>
> A. No. The existing Aclara PLC AMI meters deployed at PPL Electric do not have Zigbee communication chips inside the meters and there are no plans by Aclara to develop that technology. PPL Electric has worked with Aclara regarding their HAN capabilities. Aclara does not intend to develop and commercialize Zigbee communication chips in their meters and if PPL Electric required this as an option, then PPL Electric would be the only Aclara customer requiring this technology and would need to fund the development and future support for this technology.

(PPL Electric St. No. 2-R, p. 3.)

OCA continues to argue that Aclara has Zigbee capabilities despite the fact that the Company has thoroughly investigated this option with Aclara and has: (1) determined that Aclara does not presently have this functionality that would work with the Company's meters, and (2) clearly demonstrated that PPL Electric would be required to fund the development and support of this unproven PLC HAN technology if the Company sought to develop it.

Finally, OCA argues that its witness testified that there are web-based solutions for providing customers with direct access to information. (OCA Exc. p. 8.) This argument is not supported by sufficient facts, including what the web-based solution does, exactly what information is provided through the web-based solution and how soon the information is provided. The OCA has not supported its argument that web-based solutions can allow PPL Electric's PLC AMI System to meet the direct access requirements of Act 129. In addition, PPL Electric is not aware of any web-based solutions that would allow its PLC AMI System to meet the direct access requirements of Act 129.

OCA also argues that the Company's existing system can provide the remote connect/disconnect functionality, monitor voltage and monitor outages. (OCA Exc., p. 9.) While this is technically correct, it does not tell the whole story. PPL Electric's existing AMI System can provide the remote connect/disconnect functionality. However, only a very small number of the Company's existing meters have a remote connect/disconnect switch. PPL Electric would be required to install remote switches on the vast majority of its PLC meters at a significant cost to have this capability on a system-wide basis. PPL Electric does not believe it should make this expenditure now that it must implement an RF Mesh System to provide HAN capability. PPL Electric's PLC System can also monitor voltage, however the new RF Mesh System will provide enhanced voltage monitoring capabilities. Likewise, PPL Electric's existing PLC System can monitor outages by pinging meters. However, the new RF Mesh System will have last gasp technology that will allow the meters to send a signal to the Company when they lose power. This is a significantly more advanced outage monitoring capability than the Company is able to perform with its PLC System. (PPL Electric IB, p. 14.)[2]

In summary, PPL Electric's existing PLC metering system does not meet Act 129's direct access requirements and is limited in its ability to meet certain requirements of the Commission's

[2] In its Exceptions, OCA argues that the ALJ erred in determining that the ability to provide 15-minute interval data and HAN issues provide a basis for replacing the AMI system on an accelerated basis. (OCA Exc., p. 11.) The Company believes that the OCA's interpretation of the RD is too narrow and that the ALJ adopted the Company's proposed deployment schedule for many other reasons as well as explained in Section B below and in the Company's Initial and Reply Briefs.

Implementation Order. A new RF Mesh System will allow PPL Electric to fully comply with Act 129 and the Commission's *Implementation Order*.

B. THE ALJ'S RECOMMENDATION TO ADOPT THE COMPANY'S PROPOSED IMPLEMENTATION SCHEDULE IS REASONABLE AND CONSISTENT WITH COMMISSION PRECEDENT. (OCA EXC. NO. 4; OSBA EXC. NOS. 1, 2 AND 3.)

1. The Company's Proposed Implementation Schedule Is Consistent With The Smart Meter Implementation Schedules Of The Other Pennsylvania EDCs.

PPL Electric has proposed a deployment schedule that will deploy new RF Mesh smart meters throughout its service territory by the end of 2019. This will be followed by a two-year stabilization period that will act as a final cutover during which time any PLC-related systems that are not needed will be decommissioned. (PPL Electric IB, pp. 20-21; PPL Electric RB, p. 21.)

PPL Electric's proposed implementation schedule is consistent with Commission precedent. The Commission has encouraged the FirstEnergy Companies to deploy smart meter technology prior to 2022, stating as follows:

> Nevertheless, we believe the Companies can and should aim for full deployment sooner than 2022. Every year that the Companies wait represents money that ratepayers could potentially save on their electric utility bills. The sooner that customers are given access to tools such as smart meters which allow them to better gauge how their usage patterns correspond to the price of electricity generation, the sooner the customers will have the option of tailoring their individual usage patterns to save money on their electric bills. We strongly advise FirstEnergy that it is in the best interest of all parties involved, especially its customers, to deploy smart meters and their supporting infrastructure as soon as safe and reliable operations will allow.

Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Approval of Smart Meter Technology Procurement and Installation Plan, Docket No. M-2009-2123950, Order entered June 9, 2010, p. 14.

PPL Electric's proposed deployment schedule is also consistent with the deployment schedules of other EDCs in Pennsylvania, which are summarized below:

Company	Meters Planned	Year of Deployment Completion
Duquesne Light	0.5M	2020 (Approved)
FirstEnergy Companies	2.1M	2019 (Approved)
PECO	1.8M	2014 (Approved)
PPL Electric	1.4M	2019 (Proposed)

(PPL Electric St. No. 2-R, p. 8.)

Implementation of the new RF Mesh System will provide substantial benefits to customers including HAN technology, improved outage management, improved tracking of unaccounted for energy, enhanced customer service, improved distribution load management and improved power quality. (PPL Electric IB, p. 22.)

The Company's deployment schedule will also allow EGSs to offer similar products and services, such as HAN-based TOU programs, at similar times as they will be able to offer these programs in other EDCs' service territories.

The Company's deployment schedule will also avoid significant unnecessary investment in the Company's PLC metering system that is nearing the end of its useful life. PPL Electric estimates that the incremental cost of a 2-year delay would be $38.4 million, including $27.9 million in additional investment in PLC meters that would be unnecessary if the Company's deployment schedule is adopted. (PPL Electric St. No. 4-R, p. 8.) Likewise, PPL Electric estimates that the incremental cost of a 4-year delay is $85.6 million, including $62.7 million in additional investment in PLC meters that would be unnecessary if the Company's deployment schedule is adopted. (PPL Electric St. No. 4-RJ, p. 8.) Further, Ms. Ogozaly, the Company's

Director of Advanced Metering and Data Operations, who has 22 years of diversified experience at PPL Corporation, testified that the Company's proposed deployment schedule is prudent from an asset management standpoint because it will avoid a steep increase in PLC meter failure rates. (PPL Electric St. No. 4-R, p. 6.)

In addition, the Company's deployment schedule will better allow it to provide reasonable and continuous service under Chapter 15 of the Public Utility Code, 66 Pa. C.S. § 1501 by avoiding customer complaints associated with failing PLC meters. (PPL Electric IB, p. 24.)

As explained herein, in the Company's testimony and Briefs, there are many reasons supporting PPL Electric's proposed smart meter implementation schedule.

2. PPL Electric Is Not Accelerating Deployment.

In Exceptions, both OCA and OSBA argue that PPL Electric is proposing to accelerate smart meter deployment. (OCA Exc., p. 1; OSBA Exc., p. 4.) PPL Electric is not proposing to "accelerate" smart meter deployment based upon Commission precedent and other EDCs deployment schedules. (See PPL Electric RB, pp. 21-22.) To the contrary, OCA and OSBA are proposing that the Company delay deployment several years past when all of the other EDCs in Pennsylvania will have smart meter systems.

3. The OCA's And OSBA's Arguments For The Company To Delay Smart Meter Deployment Should Be Denied.

Throughout its Exceptions, OCA argues several times that the ALJ erred in recommending approval of the Company's deployment schedule and states that PPL Electric should "evaluate its options over the next two to five years to extend the life of its current AMI system while working towards a more gradual, cost-effective transition to its second-generation AMI system by 2025." (OCA Exc., pp. 6, 10 and 18.)

OCA's argument should not be accepted because there are no low-cost options to extend the life of the current PLC AMI System. The longer that PPL Electric delays in implementing its new smart meter system, the more that it will pay to replace failing PLC meters. The Company's witness, Ms. Ogozaly, stated as follows:

> Q. Do you believe that there is a low cost option to extend the life of the current PLC system?
>
> A. No. The most significant costs for PPL Electric will be in meter replacements due to failure as the population approaches the end of its useful life. Also, PPL Electric's Meter Data Management System (MDMS) and Customer Portal need to be upgraded or replaced. There is risk to the Company that the MDMS system, critical for customer billing, may become a stand-alone platform for the vendor and the costs to support will significantly increase.

(PPL Electric St. No. 4-R, p. 12.)

OSBA also argues that PPL Electric is overstating its meter failure rate. (OCA Exc., pp. 9-10.) PPL Electric is not overstating its meter failure rate, and OSBA's argument should be denied. It is undisputed that PPL Electric's actual experienced meter failure rate was four times the industry standard in 2013. (PPL Electric Exh. No. 2, p. 9.) This is not "clever misinformation" as characterized by the OSBA. In addition, the Company's meter failure rate has steadily increased over the past few years. Moreover, the Company has conducted several studies with industry experts to evaluate the useful life of its existing meters, and these studies found that PPL Electric's PLC meters are nearing the end of their useful life. (PPL Electric St. No. 4-R, pp. 4-5; PPL Electric Exh. Nos. 2-R and 3-R.) Further, the meter failure rate at the end of the useful life is not linear as compared to prior years, but increases exponentially. (PPL Electric St. No. 4-R, pp. 3-5.)

The evidence presented by PPL Electric in this proceeding clearly demonstrates that its PLC metering system is nearing the end of its useful life. No party in this proceeding has presented substantial evidence to the contrary.

The OCA also argues that PPL Electric is not similarly situated to other EDCs because PPL Electric has a first generation metering system. (OCA Exc., p. 16.) While PPL Electric was unique in being able to provide hourly billing information for customers, other EDCs such as PECO and Duquesne Light adopted automated meter reading systems prior to implementing smart meter technology under Act 129. (PPL Electric St. No. 2-RJ, p. 2.) In addition, PPL Electric will be dissimilar to other EDCs if it is required to delay implementation because the Company will not have HAN capability until much later than the other EDCs.

OCA further states that "no evidence has been presented that shows that PPL is somehow limited in its ability to offer similar service and rate plans across the Commonwealth." (OCA Exc., p. 16.) This is incorrect. Mr. Glenwright testified that delaying deployment will affect the Company's and/or EGSs ability to offer similar services and rate plans, stating as follows:

> This would limit EGSs from offering similar services and rate plans across Pennsylvania. As an example, PECO and NRG offered a time of use pilot program including an in home display. Additionally, EGSs in Texas have also offered similar programs offering in home displays. By having a consistent smart meter base across Pennsylvania, these EGSs will be able to offer consistent products and services to all Pennsylvania customers in the markets they serve.

(PPL Electric St. No. 2-RJ, pp. 1-2.)

OCA also argues that delay will allow PPL Electric to observe and study other EDCs' RF Mesh Systems. (OCA Exc., p. 17.) PPL Electric is already observing and studying peers that have or are implementing RF Mesh Systems, and delay in implementing the RF Mesh System will not provide substantial additional benefits. (PPL Electric St. No. 2-R, p. 13.)

OSBA argues that its cost-benefit analysis supports delaying smart meter implementation. (OSBA Exc., pp. 12-13.) As explained in the Company's Briefs, OSBA's cost-benefit analysis has many flaws. It does not consider business risks associated with extending deployment, including the fact that the Company's vendor is not continuing to upgrade the MDMS platform. The OSBA's cost-benefit analysis also is incomplete because it fails to consider all of the benefits of implementing smart meter technology, such as HAN technology, last gasp technology, power restoration messages and others. (PPL Electric IB, pp. 25-26.) In addition, the Commission has recently recognized the limitations of a simple NPV analysis in the FirstEnergy Companies' smart meter proceeding. *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 ("*FirstEnergy SMP Order*"), p. 8.

In summary, the Company's proposed deployment schedule will provide significant benefits to customers and EGSs and will avoid unnecessary investment to replace failing PLC meters. The Company's proposed implementation schedule should be adopted.

C. THE ALJ PROPERLY REJECTED OCA'S UNSUPPORTED ALLEGATIONS THAT PPL ELECTRIC'S METER FAILURE RATE JUSTIFIES A CLAIM AGAINST THE COMPANY'S METER VENDOR.

1. The Company's PLC Meters Are Failing Because They Are Nearing The End Of Their Useful Life.

PPL Electric installed its current PLC metering system beginning in 2002 through 2004. Many of the Company's existing meters were retrofitted with electronic communication modules to allow the Company to obtain hourly meter reads over the Company's power lines. The electronic communication modules are susceptible to wear from weather and heat, and do not have as long a life as meters without electronic communication equipment. As a result, the

Company has a 15-year depreciation schedule for meters with electronic communication equipment. (PPL Electric IB, pp. 17-18.)

PPL Electric's meter failure rate has steadily increased over the past several years. In 2007, the Company's meter failure rate was approximately 10,000 meters. In 2013, the meter failure rate was 30,000 meters, which is a rate that is four times the industry standard.

PPL Electric has conducted two studies to attempt to determine how long its meters will last. In 2011, PPL Electric conducted a meter reliability analysis with Aclara. (PPL Electric St. No. 4-R, p. 4.) This study estimated that 50% of PPL Electric's first generation meters will fail within 18.2 years (approximately 2020-2022). PPL Electric also conducted a study with an independent testing agency which predicted an aggressive increase in meter failures beginning in 2013. PPL Electric has experienced an actual meter failure rate that trends most closely to the meter failure forecast produced in the joint PPL Electric/Aclara reliability analysis. (OCA Proprietary Cross-Examination Exh. No. 1.)

The evidence is clear that PPL Electric's meters are nearing the end of their useful life due to the age of the meters. If PPL Electric's proposed deployment schedule is adopted, which has new RF Mesh meters begin installed from 2017-2019, the PPL Electric meters with electronic communication modules that were installed in 2002-2004 will have been in service for 15 years, which is consistent with the Company's depreciation schedule. (PPL Electric RB, p. 17.)

2. The OCA Has Not Provided Any Evidence To Support Its Argument That PPL Electric's Meter Failure Rate Is Premature.

In Exceptions, OCA argues that PPL Electric's meter failure rate is premature and that PPL Electric should pursue this issue with its meter vendor. (OCA Exc., pp. 14-15.) The ALJ did not accept the OCA's argument.

OCA's argument is based upon its erroneous assumption that PPL Electric's meter failure rate is due to the fault of the meter vendor. PPL Electric's meter failure rate is due to the fact that its first generation meters with electronic communication modules have been in-service approximately 11-13 years. Also, during PPL Electric's original deployment of advanced meters, many in-service electromechanical meters were recycled and retrofitted with communications modules. (PPL Electric St. No. 2, p. 8.) This population of almost 720,000 meters will have a total in-service life greater than 15 years when replaced during the deployment period of 2017 to 2019 as proposed in the Company's Smart Meter Implementation plan.

PPL Electric's meter failure rate is due to the old age of the meters. Like any other electronic device, meters wear out over time. PPL Electric does not have an actionable claim for failure of meters due to old age. If an electronic device fails after 12 years of use, like the electronic communication modules in the meters are failing, there is no claim against the manufacturer after the warranty expires.

Moreover, the OCA does not offer any specific suggestion as to what "resolution" PPL Electric should be pursuing with Aclara. At the hearing, Ms. Mudd stated that she did not have a specific proposal for what PPL Electric should be doing. (Tr. 151-52.) However, she went on to say that PPL Electric "should be seeking compensation through Aclara rather than laying all of the cost recovery risk with -- solely with the ratepayers." (Tr. 152.) The flaw in the OCA's argument is that there is no evidence to support the proposition that the meter failure rate is Aclara's fault. PPL Electric does not have a claim against Aclara for meters that are failing due to their advanced age. Moreover, even though the average meter population may have a useful life of 15 or even 18 years, certain meters will fail before the mean period and certain meters will fail after the mean period. This is normal for a population of meter assets. As explained by Ms. Ogozaly,

> … the meter failure rate does not mean the metering system has not met expectations. The failure rate is a leading indicator of equipment approaching its end-of-life.

(PPL Electric St. No. 4-RJ, p. 2.)

OCA also argues that placing 100% of the meter cost risk on ratepayers violates "sound ratemaking principles." (OCA Exc., p. 14.) This argument should be denied. First, OCA does not cite to any ratemaking principles to support its argument. Second, the meters provided many benefits to customers and are nearing the end of their useful life. PPL Electric is authorized to recover its meter costs from customers.

The OCA does not have any basis to suggest that PPL Electric could receive compensation from its meter vendor for increasing meter failure rates. OCA's argument that PPL Electric should be "aggressively pursuing" a resolution with its meter vendor is without merit and should be denied.

D. RATEMAKING TREATMENT FOR FIRST GENERATION METERS SHOULD CONTINUE IN BASE RATES. (OSBA EXC. NO. 4.)

PPL Electric is now and has always recovered costs for its existing PLC meters in base rates. In fact, PPL Electric began incurring costs for installing its PLC meter in 2002 and did not begin recovering these costs until after its 2004 base rate proceeding.

In its Exceptions, the OSBA argues that beginning in 2017, meter costs for first generation meters will decline without any adjustment in rates until the next base rate proceeding. (OSBA Exc., p. 15.) OSBA argues that the Company should include these cost declines in its smart meter charge.

The Company disagrees with the OSBA's proposal. The Company has always reflected the costs of first generation meters in base rates and cost recovery issues should continue in base rates. When the Company first installed its PLC meters, there was a several year lag between when the Company incurred the costs and when it could recover the costs. In addition, the Company could not recover costs for meters that had been depreciated between the time that the meters were placed in service and when rates became effective after the 2004 rate case. It is now unfair to the Company to abandon the traditional ratemaking process when the costs are declining. The costs for the Company's first generation meters were always recovered in base rates and should continue to be recovered in base rates. Moreover, even OSBA notes that the Company has filed rate cases approximately every three years since 2004. (OSBA Exc., p. 14.)

The OSBA's proposal to require PPL Electric to reflect declining first generation meter costs outside of base rates should be denied.

E. THE COMPANY SHOULD NOT BE REQUIRED TO AMEND ITS SMART METER PLAN IN ORDER TO USE SMART METERS IN A MANNER THAT COMPLIES WITH THE LAW.

The OCA argues that the ALJ erred by not explicitly requiring PPL Electric to file an amended plan with the Commission if the Company intends to use the remote disconnect function for involuntary service terminations, service limiting or pre-pay metering. (OCA Exc., p. 18.)

The OCA's recommendation should be denied. As explained in the Company's Exceptions, the Company should not be required to amend its smart meter plan to perform any activity that is permissible under applicable statutes, regulations or Commission Orders. If PPL Electric seeks to perform an activity that is not permitted by regulation or order, PPL Electric will make an appropriate filing with the Commission. It is unreasonable to require PPL Electric to amend its Smart Meter Plan to perform an activity that is now or may in the future be permitted by law. However, as noted in its Exceptions, PPL Electric expects to file a pilot program regarding the use of the remote disconnect switch for involuntary service terminations with the Commission in January 2016.

F. THE ALJ'S RECOMMENDATIONS REGARDING THE SUPPLIER PORTAL ARE WELL-REASONED AND SHOULD BE ADOPTED. (PPLICA EXC. NO. 1.)

In the RD, the ALJ recommended that any supplier portal issues be addressed in the Commission's web portal proceeding at Docket No. M-2009-2092655. RD at 62. PPLICA argues that this is not sufficient and that PPL Electric should: (1) publish definitive protocols through which customers may access event log data through the Supplier Portal, and (2) revise its policies regarding EGS access to the Supplier Portal and require EDCs to explicitly affirm that EGSs have customer authorization to use the web portal. (PPLICA Exc., pp. 2-5.)

PPLICA's arguments should be denied for several reasons. First, it is completely reasonable to address these issues in the ongoing Commission web-portal proceeding at Docket No. M-2009-2092055. Resolution of these supplier portal issues can affect every EDC in Pennsylvania. Therefore, they should be addressed in the generic proceeding.

Second, with respect to publishing protocols for customers to access log data, PPL Electric has already developed reasonable procedures for providing customers with log event information from the customer portal. (PPL Electric RB, p. 36.) The Company cannot develop additional procedures at this time because it has not had <u>any</u> requests for event logs and cannot predict what circumstances may arise in the future.

Third, with respect to EGS access to the web portal, the Commission has directed that EGSs are not required to provide prior documentation to EDCs that they have authorization to receive customer data. *RE Electric Generation Supplier Access to Restricted Customer*

Accounts, Docket No. M-2009-2082042, Secretarial Letter issued August 20, 2010. Therein, the Commission stated,

> We again addressed EGS access to restricted customer accounts in the *PECO Order*. There, we discussed our treatment of this issue in the *PPL Order* with approval. We stated, "Consistent with our findings regarding the authorization to release historic usage data for PPL, an EGS will not be required to provide documentation to PECO that the EGS has received authorization of a customer to provide historical usage data to the EGS." *PECO Order* at 13. We reiterated that EGSs are subject to audit by the Commission and the EDC to ensure that the EGS seeking restricted account information did have customer authorization to initiate the request.
>
> Based upon the foregoing, an EGS will not be required to provide prior documentation to EDCs of a customer's authorization to provide historical usage data to the EGS in connection with either electronic or manual transactions. The Authorization process used by EGSs should convey to consumers that EDCs will release the information only to the EGS to whom the authorization was given; and that the EGS will not release the information to others, unless the EGS is a licensed broker who is obtaining this information for purposes of sharing it with other licensed EGSs and makes that intent clear in communications with the consumers. It is incumbent upon the EGS to retain records of the requisite authorization for a minimum of two years to produce for a Commission or EDC audit.

PPL Electric follows this Commission guidance with respect to EGS access to its web portal. If an EGS uses or obtains customer information without the proper authorization, a customer can address the situation by filing a complaint. PPL Electric should not be required to police EGS activity.

For these reasons, PPLICA's Exceptions to the supplier portal recommendations of the ALJ should be denied.

G. PPL ELECTRIC SHOULD NOT BE REQUIRED TO MAKE A COMPLIANCE FILING REGARDING LINE LOSSES. (PPLICA EXC. NO. 2.)

In Exceptions, PPLICA argues that the Commission should direct PPL Electric to make a compliance filing establishing whether the calculated line loss rates in Section 6.8 of its Supplier Tariff include UFE. The ALJ denied PPLICA's request because PPLICA failed to provide sufficient evidence on the record regarding its proposal, including providing testimony and an opportunity for PPL Electric to respond with written testimony. The ALJ also considered that PPL Electric responded to PPLICA's argument and stated that line loss factors do not include unaccounted for energy. See PPL Electric RB, p. 38.

PPL Electric fully responded to PPLICA's discovery questions and questions at the hearing. PPLICA requests a further "Compliance Filing" because it is not satisfied with the Company's answers to its questions. PPL Electric should not be required to make a compliance filing to address questions that PPLICA deems to be unresolved. If PPLICA wanted further information, it should have asked additional discovery questions or presented testimony. PPLICA's request to require a PPL Electric compliance filing to address issues that the Company addressed on the record should be denied.

IV. CONCLUSION

WHEREFORE, for the foregoing reasons and as further explained in the PPL Electric Utilities Corporation's Initial and Reply Briefs, the Exceptions of the Office of Consumer Advocate, Office of Small Business Advocate and PP&L Industrial Customer Alliance to the Recommended Decision of Administrative Law Judge Susan D. Colwell should be denied.

Respectfully submitted,

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