

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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SECRETARY'S BUREAU

Re: Smart Meter Procurement :
and Installation Plans : Docket No. M-2009-2096555

REPLY COMMENTS of
THE ENERGY ASSOCIATION of PENNSYLVANIA

Pursuant to Secretarial Letters issued on March 30 and April 9, 2009, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) issued for comment a draft staff Implementation Order regarding Act 129 Smart Meter Procurement and Installation Plans (“SMPI Plans”) which are to be filed by August 14, 2009 and a set of Additional Questions for stakeholder consideration and response. The Energy Association of Pennsylvania (“EAPA” or “Association”) filed comments in this docket on April 20, 2009 and hereby submits its Reply Comments on behalf of its Pennsylvania electric distribution company (“EDC”) members subject to Act 129.¹

Association Reply Comments are limited to four (4) general areas discussed in a number of the filings on April 20: (1) timing of the Plan Approval Process and the Network Development and Installation Grace Period; (2) access to data/information as compared to access to the meter and the concomitant need to address security, reliability and customer

¹ The Pennsylvania EDCs subject to Act 129 and members of the Association include Allegheny Power, Duquesne Light Co., Metropolitan Edison Co., A *FirstEnergy Company*, PECO Energy Co., Pennsylvania Electric Co., A *FirstEnergy Company*, Pennsylvania Power Co., A *FirstEnergy Company* and PPL Electric Utilities Corp.

confidentiality in the context of access under Act 129; (3) identifying smart meter capabilities aligned with the purpose of and language in Act 129 which are cost-effective; and (4) recovery of costs as permitted by the statute pursuant to standard cost recovery methodologies, including recovery of accelerated depreciation of assets retired early in the course of implementing SMPI Plans.

1. Timing of the Plan Approval Process and the Network Development Grace Period.

It is axiomatic that Act 129 creates a number of mandates with specific filing and implementation time frames for Pennsylvania EDCs having more than 100,000 customers. Pennsylvania EDCs, statutory advocates, Commission staff, stakeholders and other interested parties such as electric generation suppliers, conservation service providers and curtailment service providers are all participating in the development of energy efficiency and conservation plans which are due on July 1, 2009. That same group of participants is certain to be involved in the planning, development, review and eventual approval of SMPI Plans addressed at the instant docket and due on August 14, 2009.

As stated by the Consumer Advocate, the draft staff Implementation Order “calls for very short time frames for the review of the EDC Smart Meter Plans by the stakeholders and the Administrative Law Judges (ALJs).”² Comments of the Office of Consumer Advocate at p. 1. Moreover, as further noted, the statute does not establish a set time frame for review of SMPI

² The Association notes that the draft staff Implementation Order states that the SMPI Plans will be referred to the Office of Administrative Law Judge “for such proceedings as may be deemed necessary” . Order at p. 3. The Association urges the Commission to encourage a collaborative process, such as the proposed technical conference, in lieu of an adversarial proceeding. Opportunities for collaboration and settlement, rather than extensive evidentiary hearings on technical issues, at a time in the SMPI Process where many EDCs will not have completed a needs assessment or decided upon a meter technology, will conserve administrative time and avoid unnecessary procedural delay.

Plans. Id. at p. 3. It is certain that during the late summer when comments would be due and technical conferences held pursuant to the draft staff Implementation Order, “all of the EDCs, the OCA and other statutory advocates, many of the interested stakeholders and the ALJs will be engaged in the review, comments, hearing and briefing process for the EE/DSM Plans.” Id.

For these reasons, the Association supports the suggested schedule adjustment set forth at p. 4 of the Comments of the Office of Consumer Advocate. The schedule provides additional time for thoughtful comment and collaboration by stakeholders while still contemplating a first quarter 2010 time frame for PUC consideration. The Association understands and supports the legislative purpose set forth in Act 129 that smart meter technology as installed should support energy efficiency and conservation measures as well as demand response programs to enable consumers to voluntarily reduce energy consumption to the benefit of the economy and the environment. The Association, along with various commentators in this docket, further recognizes that implementation of this legislative mandate will impact customer rates over an extended period of time and urges the Commission to allow for adequate time for plan approval as well as network development.

With regard to network development and installation, staff proposed that SMPI Plans include “dates for key milestones and measurable goals” and provided “a network development and installation grace period of up to 18 months following plan approvals.” Draft staff Implementation Order at pp. 3 and 4. As noted by EDCs in their comments, the eighteen month grace period is not sufficient even for those companies who have already deployed AMI.

At a minimum, EAPA asks that the 18-month grace period begin after approval of a vendor contract, thus allowing for a needs assessment; possible issuance of Requests for Information and Requests for Proposal; and selection and evaluation of vendor and equipment – all necessary prior to Commission consideration. Each individual EDC SMPI Plan will necessarily set forth a time frame at the time of filing, including a target date for approval of a vendor contract and start of the proposed grace period. EDCs seek the opportunity to propose a reasonable time frame tailored to their unique set of circumstances rather than be subject to a “one size fits all” approach.

Providing for scheduling flexibility with identified future goals will also address a concern expressed by OCA that the SMPI Plans must contain “all necessary studies, cost/benefit evaluations, cost information and data...to facilitate review and comment.” Comments of the Office of Consumer Advocate at p. 4. Given the statutory time frame for filing the SMPI Plans, which runs concurrently with the development and filing of energy efficiency and conservation plans, it is inconceivable that EDCs will have completed a technical assessment, chosen metering technology and negotiated with a vendor, let alone obtained Commission approval, by August 14. The Association believes that the information necessary for review and comment on technology choice will be developed and available after SMPI Plan approval in the context of selecting a vendor and seeking Commission approval. Beginning the proposed Network Development and Installation Grace Period following completion of that first major milestone, i.e., approval of a vendor contract, will provide all stakeholders with adequate time for review, comment and collaboration during these critical first steps.

2. Access to Data/Information Versus Meter Access Considering the Need for Security, Reliability and Confidentiality.

Every commentator agrees that access to information by the customer, and with customer consent, by third parties is key to accomplishing the legislative policy and mandates embodied in Act 129. How and whether to provide access to the meter is clearly a more complicated issue, raising concerns of security and system reliability on behalf of EDCs and customer confidentiality on behalf of OCA and the industrial consumer ad hoc groups. Additionally, underlying the directive to provide access is resolution of issues surrounding the standards and formats for electronic data communications with customers and third parties. Just as the draft staff Implementation Order directs participation in EDEWG and establishes a deadline of January 1, 2010 to create EDI capabilities for implementation, the Association supports formation of a separate working group to define and address meter access, security, reliability and confidentiality issues raised by commentators in this docket. As advanced by PECO, these two groups could work together to ensure compatible and workable solutions for PUC consideration.

3. Smart Meter Capabilities.

Many of the commentators, including the Association, urged the Commission to avoid prescriptive and specific smart meter capabilities at this juncture. Flexibility was requested. Providing a range of possible capabilities in the Order along with sufficient time to evaluate market availability and effectiveness of a particular capability as it relates to a customer or class of customers and to complete cost/benefit analysis is an alternative to prescriptive language. The Association believes that an Order which reflects the statute's language and focuses on proven

technologies to achieve the legislative goal³ while allowing for inclusion of future, additional cost-effective capabilities at customer request is sufficient at this stage of implementation. Again, choosing a technology and a vendor is the natural first step of implementation and establishing prescriptive requirements at this point could hamper technology choice and increase costs without providing customer benefits.

4. Cost Recovery Mechanism and Class Allocation.

Initially, the Association contends that the statutory language provides the EDC with flexibility regarding the process in which it will recover the "...reasonable and prudent costs of providing smart meter technology..." by allowing recovery through base rates or on a full and current basis through a reconcilable automatic adjustment clause under Section 1307. See 66 Pa.C.S.A. § 2807(f)(7). The Commission should refrain from stating a preference for a particular recovery method where the legislature has provided options to the distribution companies. The Association believes that whichever option (or combination of options) is used by an EDC, standard cost recovery methodologies apply. This would allow for accelerated depreciation in the event existing metering equipment or contracts for metering equipment are retired or terminated early.

Additionally, the Association strongly objects to the revised language proposed by the industrial customer groups. The Commission has correctly recognized that "a fully functional smart meter involves more than just the meter hardware attached to the customer's premises. A

³ Act 129 defines "smart meter technology" at 66 Pa.C.S. §2807(g) to include bidirectional communication which records usage on at least an hourly basis while providing customers with direct access to and use of price and consumption information. The technology must also enable time-of-use rates and real-time price programs and support automatic control of the customer's electricity consumption.

fully functional smart meter...involves an entire network, to include the meter, two-way communication, computer hardware and software and trained support personnel.” Draft staff Implementation Order at p. 4. The industrial customer group seeks to exclude industrial customers from paying any costs associated with the “smart meter program”, arguing that its members will have already installed smart meters. These comments ignore the cost of upgrading or installing the systems and networks which support smart meters and enable energy efficiency and demand response measures. To include language which eliminates an entire class from paying its share of reasonable and prudent costs before the submission of a single SMPI Plan is premature, ignores the policy underlying Act 129, and undercuts the role of the Commission in reviewing and approving proposed cost recovery mechanisms.

Finally, the Association believes that incentives to accelerate deployment of smart meter technology would be appropriate. At the same time, development of a particular incentive should be first proposed in an individual EDC plan rather than initiated through an Implementation Order.

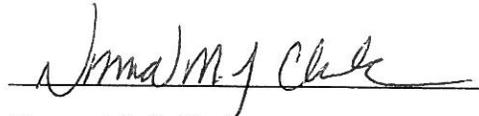
In conclusion, the Association appreciates the efforts of the staff to draft and seek comments on an Implementation Order which highlights the crucial issues of timing, smart meter capabilities, access to data and meters, and cost recovery. Procurement and installation of smart meters will impact customers for a substantial period of time into the future in terms of the availability of energy efficiency/conservation and demand response measures, as well as in terms of the rates paid for utility services. Sufficient time must be included in the process to allow for a measured and collaborative approach to plan approval, choice of technology and implementation. Cost recovery remains a key component to the success of the legislation. The

Association has been an active participant in all aspects of Act 129 Implementation and looks forward to working with the Commission and other stakeholders on this and related proceedings.

Respectfully Submitted,



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