

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In the Matter of Smart Meter  
Procurement and Installation Plans**

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**Docket No. M-2009-2092655**

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**REPLY COMMENTS OF METROPOLITAN EDISON COMPANY,  
PENNSYLVANIA ELECTRIC COMPANY AND  
PENNSYLVANIA POWER COMPANY**

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**Kathy J. Kolich**

Attorney ID No. 92203

Senior Attorney

FirstEnergy Service Company

76 South Main Street

Akron, OH 44308

330-384-4580 – Telephone

330-384-3875 – Fax

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**Counsel for:**

**Metropolitan Edison Company,  
Pennsylvania Electric Company and  
Pennsylvania Power Company**

## **I. INTRODUCTION**

Pursuant to the Commission's April 9, 2009 Secretarial Letter, Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company (collectively, "FE Companies") submit their reply comments to the responding parties' comments on the Commission's technical smart metering questions and its proposed Implementation Order.

## **II. COMMENTS**

As more fully discussed below, the FE Companies agree with many of the comments submitted by the responding parties, including OCA's suggestion to extend the Plan approval procedural schedule, the overall cost concerns raised by several of the parties, and the need for a planning phase that should be substituted for the proposed 18 month grace period suggested in the Implementation Order.<sup>1</sup> While each of these issues are briefly addressed below, these comments focus on several of OCA's comments dealing with (i) incremental meter cost recovery; (ii) the elimination of the new construction grace period; (iii) the proposed disclosure requirements; and (iv) the recovery of costs through base rates, as well as certain technical issues related to (i) data acquisition; and (ii) meter functionality parameters.

### **A. The FE Companies Believe That the Plan Approval Process Should be Extended and that Program Costs be a Significant Factor in the Commission's Decision Making Process.**

As the OCA noted, the proposed plan approval process is unnecessarily aggressive and will put a strain on resources at a time when they are needed to achieve compliance with statutorily mandated time frames. (OCA Comments, p.1.) As OCA correctly points out in its comments, unlike energy efficiency and demand response, there is no statutory deadline by which the smart metering plans of Pennsylvania's electric distribution companies ("EDCs") must

be approved. The proposed review process, if not modified, will coincide with the statutorily mandated 120-day approval process for both energy efficiency and demand response. Inasmuch as no such mandatory deadline exists for the smart meter plan review process, the FE Companies join OCA in its request to extend the procedural schedule as proposed by OCA on page 3 of its comments.

The FE Companies also join OCA in its cautions surrounding the costs associated with rolling out a broader than statutorily mandated plan in a shorter than statutorily mandated period. Simply because we can do it, does not necessarily mean that we should do it – especially in these harsh economic times – and, therefore, the FE Companies join OCA and others in their concerns surrounding any acceleration of the roll out schedule and the mandated meter functionality set forth in the proposed Implementation Order. The FE Companies urge the Commission to err on the side of caution until actual costs of achieving certain goals can be ascertained.

**B. Recovery of the Incremental Costs for Early Deployment of Smart Meters Should be Addressed with the EDC's Smart Meter Plan.**

OCA suggests that customers seeking smart meters prior to the EDC's standard roll out plan be permitted to pay the incremental costs of such meters over time through a customer charge. (OCA Comments, pp. 5-6.) While the FE Companies do not oppose the concept of installment payments per se, the FE Companies do not agree with the OCA's definition of "incremental costs" and submit that the method of recovering such costs should be left to the discretion of the EDC, albeit with Commission approval.

OCA defines "incremental cost" of a smart meter as "the difference between the cost of the existing meter (which [allegedly] is reflected in the current monthly customer charge) and the cost of the smart meter (which would [allegedly] be reflected in a new customer charge)." (Id at

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<sup>1</sup> The FE Companies also join in the reply comments of the Energy Association of Pennsylvania.

5.) OCA's definition, however, ignores several other cost components that must also be factored into the incremental cost calculation, including without limitation, any costs associated with the field visit to remove the existing meter and install the smart meter, any incremental costs associated with network connectivity, and perhaps a stranded cost component for meters prematurely retired. Further, OCA's assumption that the cost of the meter is fully being recovered through the customer charge is not necessarily correct. Thus, before a customer charge could be used as a component in the calculation of incremental costs, an analysis of the customer charge then currently in place would have to be performed and perhaps adjusted so as to ensure that all applicable costs were properly captured in the charge. And finally, resolution of this issue is premature at this time. As the Implementation Order provides, EDCs are to "include an itemization of the estimated incremental costs" in their August 14<sup>th</sup> filing. Failure to provide for such recovery within the prescribed timeframe places the cost burden on the EDC. (Implementation Order, p. 28.) Because the risk of recovery lies with the EDC, it is for that EDC to determine its incremental cost formula, as well as its proposed recovery mechanism. Only after this has been done should the Commission evaluate the same. OCA's suggestions are premature and are better left for another day.

**C. The Grace Period for New Construction Should Not be Eliminated.**

On page 7 of its comments, OCA submits that:

the Commission should not delay the installation of smart meters in new construction without good cause. ... Unless the EDC can demonstrate that the smart meter cannot be used for *any* purpose or cannot be *used to support standard monthly billing* until network deployment is complete, there should be no grace period on the installation of smart meters in new construction after the Smart Meter Plan is approved. [Italics added.]

As the FE Companies noted in their initial comments at page 15, they too believe that under certain conditions early deployment of smart meters may be warranted for new

construction.<sup>2</sup> However, the FE Companies do not agree with the OCA's criteria for determining "good cause." Smart meters can be installed without activating the "smart" technology. Thus, even if not made "smart", smart meters would, at a minimum, have capabilities similar to those of a standard kWh meter, which obviously could be used for *some* purpose and could support standard billing. As a result, if OCA's position is adopted, OCA's conditions would always be met, and the EDC could never demonstrate "good cause." As a result, EDCs would be required to deploy smart metering for new construction once their plan was approved, regardless of whether their needs and technology assessments are complete.

As the FE Companies pointed out at page 11 of their initial comments, the FE Companies intend to complete their needs and technology assessments during the first 18 months *after their plan is approved*. If the OCA's position is adopted and the FE Companies are required to deploy smart meters before they ultimately decide on their preferred technology, OCA may create the scenario that they are attempting to avoid – the premature retirement of meters that are no longer useful.

Instead of equating the approval of the plan with the completion of the needs and technology assessments as OCA has apparently done, the FE Companies suggest that the Commission keep the two events separate and not require deployment of smart meters -- even for new construction -- until the EDC has entered into an approved contract with its selected vendor.<sup>3</sup>

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<sup>2</sup> The FE Companies do not object to the issuance of smart meters for new construction provided that (i) the EDC is not required to make the meter "smart" within this period of time; (ii) the Commission allows a delay for events beyond the EDC's control; and (iii) the customer, as proposed in the guidelines, is required to pay the incremental cost for such installation. (FE Cos. Initial Comments, p. 14.)

<sup>3</sup> If such a mandate is made, the FE Companies further urge the Commission to provide an exception should delivery of the meters be beyond the control of the EDCs.

**D. The Commission Should Not Modify the Discovery Process Through this Proceeding.**

On page 7 of its comments, OCA suggests that the EDC's Smart Meter Plan "include all necessary information, analyses, and data necessary for the stakeholder to review the proposal." The FE Companies urge the Commission to reject this suggestion for several reasons. First, the request is vague. What specific information does OCA contemplate being included? Second, some of the information contemplated by OCA may be confidential or subject to intellectual property protections and other requirements. Rather than create a blanket disclosure requirement, the Commission should allow parties the opportunity to protect their information through non-disclosure or other confidentiality agreements. This is especially important should information be provided to a state agency that is subject to a public records request. Third, the contemplated process is in its infancy. Given this, no one can define today the exact nature of the information that may be needed for a stakeholder to review a proposal. Rather than create a blanket disclosure requirement, the Commission should proceed and allow the process to work, correcting problems if and when they arise. Fourth, all parties may not be interested in the same information. Therefore, if OCA's suggestion is adopted, it will force the EDC to guess as to what may be relevant to any specific party. And finally, the EDC has the burden to demonstrate the reasonableness of its plan. Therefore, it is for the EDC to determine the documentation necessary to support its position. Moreover, as part of the evidentiary process, the discovery rules were put into place so that a party could challenge a request if it deems it to be objectionable. Circumvention of such rules and related protections should be a last resort that is implemented only if and when it is determined that another less obtrusive option is not available.

In sum, due to the vague description of the information that OCA contemplates being included in the filing, as well as the fact that there has never before been such a filing made at

the Commission, the FE Companies urge the Commission to be cautious before eliminating protections afforded all parties through the discovery process, especially when there is no clear indication that the process is broken and in need of a fix. While OCA expresses concerns as to the timing of discovery (OCA Comments, p. 4), there are options less intrusive than circumventing the rules of discovery. For example, a party could request an expedited discovery schedule. Or alternatively, as the OCA pointed out in its comments, because there is no statutorily mandated time period by which Smart Meter plans must be approved, perhaps the procedural schedule proposed by OCA could be extended. The OCA's data request is vague, premature and unfounded and should therefore be rejected.

**E. The OCA's Cost Recovery Recommendation is Contrary to Law.**

The FE Companies also take issue with OCA's suggestion that recovery of costs associated with smart meter technology be recovered only through base rates because "it will likely be more efficient and cost effective to utilize the traditional base rate process." (OCA Comments, p. 14.) As a preliminary matter, the OCA's suggestion is premature. EDCs are to submit their proposed recovery mechanism as part of their August 14<sup>th</sup> filings. Before the efficiency and complexity of the recovery mechanism can be evaluated, it must first be designed! Until the proposal is made and analyzed, OCA's blanket rejection of an automatic adjustment clause is sheer conjecture and misplaced in this proceeding. Further, as OCA acknowledges in its comments at page 13, Act 129 allows for recovery through such an adjustment clause. Thus, any mandated preclusion of such a recovery mechanism is contrary to the law.

**F. The FE Companies Share the Concerns Surrounding Access to Meters and Related Data.**

Virtually all responding parties noted concerns surrounding access to meters and the related data. The FE Companies share these concerns and urge the Commission to be explicit in

its rules, making a distinction between access to the meter itself and access to the meter data. The FE Companies believe that in order to protect the integrity of the data, as well as the programming and other operating conditions, access to the meter should be strictly prohibited. Access to the meter data, on the other hand, should be permitted, provided that (1) a customer's privacy is adequately protected, as urged by the Industrial Customer representative (Ind. Comments, p. 4); (2) a distinction is made between validated and un-validated data, with the release of the latter being much faster than the former; and (3) access is secure under the circumstances.

**G. Constellation's Recommendations Surrounding Interval and Voltage Data Should Be Rejected Absent a Showing of Good Cause.**

In its comments, Constellation suggests that each meter "be programmable so that a 1-, 5-, 15-, 30-, or 60-minute interval could be set...." (Constellation comments, Attach. B, p. 3.) Constellation also suggests that "each [smart] meter should also provide data with respect to Voltage Events." *Id.* The FE Companies have several concerns with Constellation's position. First, it is unclear as to whether such programming capabilities create an incremental cost. If indeed this is the case, then absent a cost benefit analysis that justifies such programming capabilities, Constellation's suggestion should be rejected and the interval should be set at one hour to be consistent with basic industry pricing standards. Second, assuming that Constellation's recommended functionality passes the cost-benefit test, the EDC should not be required to capture such data on intervals less than one hour absent a showing of good cause. It is unlikely that all customers will need data at Constellation's suggested intervals and a blanket requirement to capture such data for *all* customers may cause data storage problems.

Similarly, as PPL noted in its comments at page 6 with regard to voltage data, "the collection of real time voltage data would have to presume the existence of an operations

management system and remotely controllable equipment which could actually make use of that data.”<sup>4</sup> Absent such a showing, along with a demonstration of the value of capturing such data, Constellation’s recommendations related to voltage data collection should also be rejected.

### III. CONCLUSION

The FE Companies appreciate the opportunity to submit their reply comments on these important issues. For the reasons set forth above, the FE Companies respectfully request that their comments be considered and incorporated into the final implementation order.

Respectfully submitted,

*Kathy J. Kolich (mg)*

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**Kathy J. Kolich**  
Attorney ID No. 92203  
Senior Attorney  
FirstEnergy Service Company  
76 South Main Street  
Akron, OH 44308  
330-384-4580 – Telephone  
330-384-3875 – Fax  
kjkolich@firstenergycorp.com

**Counsel for:**  
**Metropolitan Edison Company,**  
**Pennsylvania Electric Company and**  
**Pennsylvania Power Company**

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<sup>4</sup> The FE Companies are not aware of any system at this time.

