

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

FAX (717) 783-7152
consumer@paoca.org

IRWINA. POPOWSKY
Consumer Advocate

September 25, 2009

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Petition of PPL Electric Utilities
Corporation for Approval of a Smart Meter
Technology Procurement and Installation Plan
Docket No. M-2009-2123945

Dear Secretary McNulty:

Enclosed for filing are the Comments of the Office of Consumer Advocate, in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "James A. Mullins".

James A. Mullins
Assistant Consumer Advocate
PA Attorney I.D. # 77066

Enclosures

cc: Honorable Wayne L. Weismandel
Office of Special Assistants

00118057.docx

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
for Approval of a Smart Meter Technology : Docket No. M-2009-2123945
Procurement and Installation Plan :

COMMENTS
OF THE
OFFICE OF CONSUMER ADVOCATE

James A. Mullins
Assistant Consumer Advocate
PA Attorney I.D. # 77066
E-Mail: JMullins@paoca.org
Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: September 25, 2009

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	Background.....	1
B.	Summary of the PPL Plan	3
II.	COMMENTS ON THE PLAN AND SPECIFIC PILOT PROGRAMS	6
A.	Introduction	6
B.	Proposed Pilot Programs	8
1.	Introduction	8
2.	Bidirectional Data Communications Capability And Open Standards And Protocols (Sections 6B(1) And 6C(4), Respectively Of The Plan)	9
3.	Provide Customers With Direct Access To Price And Consumption Information (Section 6B(3) Of The Plan).....	10
4.	Supporting The Automatic Control Of The Customer’s Electric Consumption (Section 6B(6) Of The Plan	11
5.	Remote Disconnection And Re-Connection (Section 6C(1) Of The Plan).....	12
6.	Ability To Upgrade These Minimum Capabilities As Technology Advances And Becomes Economically Feasible (Section 6C(5) Of The Plan)	13
III.	COMMENTS ON COST RECOVERY	14
A.	Introduction	14
B.	OCA Issues Regarding The Cost Recovery Mechanism.....	15
1.	Act 129 Compliance Rider	15
2.	Capital Structure and Cost of Capital	16
3.	Additional Or Incremental Benefits	17
IV.	COST ALLOCATION AND RATE DESIGN	17

A.	Direct Assignment	17
B.	Cost Recovery.....	18
V.	CONCLUSION	19

I. INTRODUCTION

The Pennsylvania Office of Consumer Advocate (OCA) is filing these Comments in accordance with the Implementation Order published July 11, 2009 in the Pennsylvania Bulletin. These Comments are in response to the Petition of PPL Electric Utilities Corporation (PPL or Company) for Approval of its Smart Meter Technology Procurement and Installation Plan (SM Plan or Plan). These initial Comments will also be supplemented by the expert testimony that the OCA will file in this proceeding as well as the OCA's Briefs. The OCA requests that the Commission review these Comments in conjunction with the OCA's testimony and Briefs.

A. Background

Act 129 (Act) was signed into law by Governor Rendell on October 15, 2008 and became effective on November 14, 2008. The Act provides for Energy Efficiency and Conservation Programs; Amending the Duties of Electric Distribution Companies' (EDCs) Obligation to Serve; Providing for Smart Meter Technology and Time of Use Rates; Providing Additional Market Power Remediation for Market Misconduct; Providing Additional Alternative Energy Sources; and Providing a Carbon Dioxide Sequestration Network. The Act makes a number of significant amendments to the Pennsylvania Public Utility Code, many of which will have a direct impact on the rates and service of customers of Pennsylvania's EDCs.

Of particular relevance here, Act 129 requires Electric Distribution Companies with at least 100,000 customers to present a Smart Meter Technology Procurement and Installation Plan (Plan) to the Pennsylvania Public Utility Commission (Commission) for approval. 66 Pa.C.S. § 2807(f). Each Plan must describe the smart meter technologies that the EDC plans to install upon customer request or in new building construction and in accordance

with a depreciation schedule not to exceed fifteen (15) years. Id. Act 129 also requires that, with customer consent, the EDCs make available direct meter access and electronic access to customer meter data to third parties including electric generation suppliers (EGSs) and providers of conservation and load management services. Id. The Act further defines the requirements for acceptable smart meter technology. 66 Pa.C.S. § 2807(g). Finally, the Act established acceptable cost recovery methods. 66 Pa.C.S. § 2807(7).

On March 30, 2009, the Commission issued a Secretarial Letter seeking comments on a draft staff proposal and additional questions regarding EDC smart meter procurement and installation. Comments were due by April 15, 2009, with reply comments due April 27, 2009. On April 9, 2009, the Commission, at the request of several interested parties, issued a Secretarial Letter extending the comment period to April 20, 2009 and the reply comment period to April 29, 2009. The OCA filed comments on April 20, 2009.

On June 24, 2009, the Commission entered an order detailing the standards and guidelines for implementing the smart meter requirements of Act 129. See Smart Meter Procurement and Installation, Docket No. M-2009-2092655 (Order entered June 24, 2009) (Implementation Order). In that Order, the Commission granted a network development and installation grace period of up to thirty (30) months following plan approval and clarified that the fifteen-year depreciation period for smart meters should commence upon plan approval (with the thirty month grace period to be treated as part of that timeframe). Id. at 7, 15. The Commission specifically removed support for service-limiting and prepaid service as a capability requirement due to policy implications and determined to resolve these issues in another proceeding prior to requiring such capability in smart meters. Implementation Order at 18.

As to cost recovery, the Commission allowed each EDC to develop a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307. Implementation Order at 31. However, the Commission also stated that loss of decreased revenues by an EDC due to reduced electricity consumptions or shifting energy demand cannot be considered a cost of the smart meter technology recoverable under a reconcilable automatic adjustment clause. Id. at 28. As to allocation of costs to customer classes, the Commission required that all measures associated with an EDC's smart metering plan be financed by the customer class that receives the benefits of such measures. Id. at 32.

In the Implementation Order, the Commission called for the publication of the Plans in the *Pennsylvania Bulletin* and allowed for the filing of Comments on the Plan by September 25, 2009. Implementation Order at 4. The Commission also directed that at least one technical conference be scheduled for each EDC which shall be transcribed with the transcript becoming part of the record. Id. The technical conference for this docket has been scheduled for October 6, 2009 and evidentiary hearings are tentatively scheduled for November 3-4.

The OCA has retained a team of expert witnesses to review the Company's Plan. After review, the OCA's expert witnesses will provide testimony on behalf of the OCA in this proceeding. The OCA will also participate in the technical conference(s) and evidentiary hearings expected to be held in this proceeding.

The OCA provides the following preliminary Comments on PPL's Plan in accordance with the Commission's Implementation Order.

B. Summary of the PPL Plan

On August 14, 2009, PPL Electric Utilities Corporation (PPL or Company) filed its Petition with the Pennsylvania Public Utility Commission (Commission) pursuant to Section

2807(f)(1) of the Public Utility Code and pursuant to the Implementation Order entered by the Commission at Docket No. M-2009-2092655. In 2002, PPL began the full-scale deployment of an advanced meter infrastructure (AMI) system for all of its customers. Petition at 4. By 2004, the deployment was complete and the Company had installed smart meters for all of its metered customers. Id. The Company's AMI system consists of meters, communications, infrastructure, computer services and applications that allow PPL to remotely read the meters for all of its customers. Petition at 4.

Beginning in 2005, the Company upgraded its AMI System through installation of a Meter Data Management System. Petition at 5. This system provides for multiple advanced metering applications including: (1) a customer interface that allows customers to analyze their specific usage; (2) a data storage base that provides storage for two years of hourly reads from all customers; (3) a billing system that allows hourly billing; (4) an energy settlement system that allows electric generation supplies to serve customers based on actual hourly usage; and (5) advanced load analysis capabilities. Id. PPL's AMI system is able to currently perform the 6 minimum capabilities set forth in the Commission's Implementation Order. Since all of PPL's metered customers currently have advanced meters installed at their service locations, the Company proposes to study, test and pilot applications which enhance and expand upon the capabilities of its current advanced meter infrastructure. Further, PPL proposes to recover its Smart Meter Plan costs through its Act 129 Compliance Rider that was filed with PPL Electric's Energy Efficiency and Conservation Plan on July 1, 2009, as modified to recover smart meter technology costs.

In its Plan, PPL proposes to use the 30-month grace period set forth in the Commission's Implementation Order to conduct a series of pilot programs and technology evaluations. Petition at 7. In order to demonstrate compliance with the 6 minimum capabilities set forth in the Commission's Implementation Order and further evaluate the 9 additional capabilities identified in the Implementation Order, PPL has proposed 15 pilot programs. The objectives of these efforts are to extend the capabilities of the current AMI deployment to meet the capabilities set forth in the Implementation Order and to further enhance the AMI system so that customers are better able to use the system to conserve energy and to enhance the system for providing better reliability. Id. The Company estimates that the cost of these studies will be approximately \$16.4 million. If justified by the results of the pilot programs and the technology evaluations, PPL intends to deploy the additional capabilities and alternative technologies. The incremental cost of this deployment will be approximately \$45.6 million, for a total cost over the five year period of approximately \$62 million. Petition at 7.

In general, the OCA finds the Company's approach of conducting further pilot programs to be reasonable. PPL is to be commended for its early deployment of AMI and capturing the benefits of AMI for its customers. PPL is now well-positioned to meet the Act 129 requirements. The use of pilot programs to assess the costs and benefits of additional capabilities will provide the necessary information for the next steps. The OCA will be developing specific recommendations in its testimony regarding the details of the Company's proposed pilot programs to ensure that they are properly designed and that necessary information is gathered. The OCA will also identify pilot programs that may not be appropriate for consideration in this proceeding.

II. COMMENTS ON THE PLAN AND SPECIFIC PILOT PROGRAMS

A. Introduction

Act 129 made several critical changes to the Public Utility Code in an effort to bring reliable, affordable, efficient and environmentally sustainable electric service to Pennsylvania consumers at the least cost over time. In this proceeding, the Commission will consider the provisions of Act 129 that call for the deployment of smart meter technology as one tool to achieve the overall goals of Act 129.

Based on its preliminary review of the Plans filed by Pennsylvania EDCs, the OCA submits that most of the Pennsylvania EDCs have proposed a generally reasonable approach. PPL, by virtue of its current Advanced Meter Infrastructure (AMI) system, has already undertaken significant steps towards full deployment of smart meter technology with the capabilities envisioned by Act 129 throughout its service territory. The Company has proposed a Plan that will allow it to utilize the 30-month grace period provided in the Commission's Implementation Order to operate pilot programs in an effort to enhance and extend PPL's current AMI system capabilities. The OCA generally agrees with an approach that will allow PPL to take the time to develop detailed pilot programs that fully consider the goals of the smart metering program, the costs and benefits of the system, as well as the need to integrate technological changes, customer research regarding the potential use and acceptance of the systems and the evaluation of lessons learned.

As the Company engages in its pilot programs, the OCA anticipates that other consumer protection issues are likely to be presented. For example, the Commission has required in its Implementation Order that each EDC evaluate the capability to remotely disconnect and reconnect service. Implementation Order at 18, 30-31. While the Commission

cautions that the EDC will have to follow all applicable provisions of the Public Utility Code, it will also be important for the Commission to consider additional procedures to ensure that if the capability is included and utilized that the health and safety of the public is not put in jeopardy. One situation that could arise if the capability is to be used in situations where tenants often move in and out of multi-family buildings will be the need for procedures to assure that the property is indeed vacant and that the property will not be damaged if electric service is turned off. Disconnecting a property from electric service, sight unseen, is a different proposition than the current procedures typically followed when a customer is terminated or moves out of a residence.

For these reasons, the OCA submits that, for each pilot, the Commission should ensure that PPL designs appropriate procedures, collects the necessary information and conducts the necessary evaluations to inform decisions about the costs and benefits of the enhanced capabilities. As detailed more in Section II.B.1, the OCA submits that the Company should work with interested stakeholders in the design of the pilots and then present these details for review and approval before proceeding to implement the pilot. When the pilots are completed, if the Company wishes to fully deploy the additional capabilities, it should make a filing with the Commission. In this way, the Commission can ensure that the decisions are fully supported, that the tasks for the next step are properly established and that the necessary policy issues have been addressed.

In the remainder of these Comments, the OCA will briefly address some issues presented by the proposed Plan of PPL and some preliminary issues identified regarding the proposed cost recovery mechanism. The OCA anticipates that as discovery continues, its expert witnesses continue their review, and the technical conferences are held, additional issues will be

identified and addressed through the OCA Testimony and Briefs. The OCA only seeks to highlight in these comments some preliminary issues identified through its initial review.

B. Proposed Pilot Programs

1. Introduction

Company witness Krall testifies that PPL's existing AMI system is able to support the minimum requirements of Act 129 and many of the additional capabilities set forth in the Commission's Implementation Order. PPL St. 1 at 5-6. Mr. Krall then describes the objectives of the Company's Plan:

I note that in many cases where the Company's existing AMI system supports the minimum capabilities and the additional capabilities set forth in the Commission's Implementation Order, the Company is proposing to further evaluate and enhance its ability to support them. These evaluations are necessary to test certain capabilities of the Company's AMI system and, also, to assure that such enhancements and expansions will provide a net benefit to customers.

Id.

The Company's Plan proposes a series of 15 pilot programs to enhance and extend PPL's current AMI system capabilities. The OCA is continuing to evaluate PPL's proposed pilots. In general, the OCA submits that PPL should further detail the pilots it intends to conduct and ensure that the necessary information is being collected. Of particular concern, some of the pilot projects proposed by the Company are not adequately defined with respect to: 1) the benefits to be generated from a full deployment, 2) which classes of customers would benefit, 3) what information will be gathered, 4) what procedures will be used, or 5) how the information from the pilot project would be used. The OCA submits that all of the pilots require further development before they can be approved and implemented.

Additionally, the OCA submits that components of the proposed pilots that extend beyond the Commission's Implementation Order or beyond necessary reliability improvements may not be appropriate at this time. Of particular concern, the service limiting and pre-payment pilots should not be approved for the reasons set forth below.

On a going-forward basis, the OCA proposes that, for each pilot, PPL should: 1) consult and collaborate with interest parties via a stakeholder process regarding the details of the pilot, 2) when the details of the pilot are collaboratively developed, the Company should provide them to the Commission for review and approval before engaging in this pilot, and 3) upon conclusion of the pilot, provide results and recommendations to the parties and the Commission. The results and recommendations would then be subject to Commission review and approval before full deployment of the additional capabilities.

2. Bidirectional Data Communications Capability And Open Standards And Protocols (Sections 6B(1) And 6C(4), Respectively Of The Plan).¹

In its Implementation Order, the Commission directs that smart meter technology must support bidirectional data communications capability and open standards and protocols that comply with nationally-recognized non-proprietary standards, such as IEEE 802.15.4. Order at 16. Regarding bidirectional data communications, PPL's current AMI deployment employs two different bidirectional approaches to communicating with meters. Plan at 6. A signal is sent to the meter and the meter responds by either taking an action or by transmitting information back to the Company. The Company employs this bidirectional network communication infrastructure to communicate with customers and third-parties. However, PPL does not currently make use of the relevant standard, but, at present, equipment is "being made available in the market to

¹ The estimated cost of the bidirectional data communications pilot is embedded in the open standards and protocols pilot program.

incorporate into the Company's metering infrastructure" to allow the exercise of the standard (Plan at 9-10). Deployment would facilitate customers being able to avail themselves of special rates (e.g., critical peak pricing).

Regarding open standards and protocols, PPL's current AMI deployment can support the open standards and protocols that are nationally recognized. Plan at 9. Although the Company has not exercised the use of the IEEE 802.15.4 standard, as with bidirectional data communications, equipment is "being made available in the market to incorporate into the Company's metering infrastructure". *Id.* at 9-10.

The OCA agrees that the pilot programs proposed by PPL in this area should be considered for possible future deployment. The OCA does note, however, that both the pilot and the implementation costs are relatively high (\$410,000 and \$6,000,000, respectively). Consequently, the OCA submits that a thorough cost/benefit assessment must be conducted as part of the pilot programs. Currently, there is no indication that such an assessment is included as part of the pilot evaluations. The OCA submits that, when reporting the testing results of these pilots, the results of a cost/benefit assessment should also be reported.

3. Provide Customers With Direct Access To Price And Consumption Information (Section 6B(3) Of The Plan)

In its Implementation Order, the Commission directs that smart meter technology must provide customers direct access to consumption and pricing information. Order at 17. According to the Company's Plan, its current AMI deployment provides customers with access to price information in several ways: 1) fixed-rate and time-of-use information in the Company's tariff, 2) specialized websites for participants in the Company's time-of-use programs that provide pricing, and 3) the Company's web-based Energy Analyzer which

provides customers with pricing information as an integral part of its analytical capabilities. Plan at 7. Further, as part of its consumer education efforts, the Company has developed (and made available to customers) a website that posts both day-ahead and real-time hourly prices. Id. Historical day-ahead and real-time hourly prices are also archived and available for customers who wish to understand trends or perform analysis. PPL intends to deploy a specialized version of this website specifically aimed at the needs of customers who will be taking default service under the Company's real-time price option in 2010. Plan at 7. The Company's current AMI deployment also provides customers with access to consumption information in several ways. This pilot program would evaluate the costs and benefits associated with price and consumption alerts and rate comparisons. See, Section 6B(3). Alternative communication platforms (e.g., email, text messages) would also be evaluated. Id.

The OCA is concerned that the benefits of increased understanding and awareness of energy usage from these pilot programs may be difficult to capture or meaningfully quantify. Before engaging in this pilot, the Company should further research prior studies that have sought to determine the energy efficiency impact of customer awareness of energy usage. While the estimated cost is modest (\$160,000), the OCA is concerned about the design of this pilot. Consequently, the Company should undertake the research studies identified above and report its findings to the Commission. The Company should then work with interested parties in designing this pilot before implementation.

4. Supporting The Automatic Control Of The Customer's Electric Consumption (Section 6B(6) Of The Plan.

According to the Company's Plan, PPL's current AMI deployment supports automatic control of electricity consumption by the customer, the Company or a third-party at

the customer's request. Plan at 8. Further, PPL's EE&C Plan includes both direct load control and load curtailment programs that are likely to involve third parties automatically controlling electricity consumption via network communications infrastructure. Id. The Company's current AMI deployment is also capable of communicating through a meter to control the consumption of end-use equipment with upgrades that will be part of the proposed pilot studies.

The Company's proposed pilot program is designed to demonstrate how the current AMI system can meet this requirement. PPL will install load control devices on customer equipment (HVAC, water heaters, and other appliances). This is a relatively high-cost pilot (approximately \$436,000 for 500 customers), but has the potential under full implementation to provide significant benefits. The cost per customer of full implementation, however, is also high (\$4.2 million for 5,000 customers, or \$840 per customer). Therefore, the OCA submits that the Company will need to demonstrate a cost-effective benefit of this plan component over and above the analogous EE&C Plan component before receiving approval. If the pilot is authorized, the Commission should require that the monetary benefits be calculated as the benefits incremental to those achieved through the EE&C plan.

5. Remote Disconnection And Re-Connection (Section 6C(1) Of The Plan)

PPL's current AMI deployment permits remote disconnection and reconnection through the use of a meter with a service disconnect integrated into the meter or a disconnect collar installed at the customer's premise. Plan at 8. However, the Company chose not to install the devices with every meter during initial deployment. Id. The Company has conducted a pilot of the disconnect collar option, but the pilot only included accounts where payment was current and did not address remote disconnect associated with non-payment. Plan at 8-9.

Under this pilot program, the Company would conduct remote disconnections and reconnections in premises where frequent in-and-out moves occur. The OCA submits, however, that in assessing the benefits, the calculations need to be conducted on an incremental basis and should recognize that the Company does not physically disconnect all customers who stop receiving service. Because for some customer premises it is less costly to supply a small amount of power than to dispatch personnel, avoided costs (i.e., benefits) need to be computed on the basis of the costs that would actually be avoided rather than the maximum cost for disconnection/reconnection (i.e., the cost to dispatch personnel for disconnection and reconnection).

The OCA submits that PPL must gather actual data based on its current practices to properly assess this pilot. In addition, PPL needs to detail the procedures that it will follow to determine when it is safe to disconnect or reconnect electric service. As noted above, disconnecting service, even upon request, can raise safety issues. When the details of this pilot are developed, the Company should provide them to the Commission and the parties for review and approval before engaging in this pilot.

6. Ability To Upgrade These Minimum Capabilities As Technology Advances And Becomes Economically Feasible (Section 6C(5) Of The Plan)

This pilot program, to be conducted over five years, is designed to facilitate technical and economic evaluations to consider obsolescence of the infrastructure equipment, replacement with new technology to allow extension of the minimum requirements and support additional capabilities. Two components of the pilot program--the service limiting and pre-pay metering components--raise significant policy implications. The Commission has determined that these types of functionalities should be addressed in a separate proceeding. The OCA

supports the Commission's decision given the substantial issues presented by service limitation and pre-payment. Implementation Order at 18. These issues warrant full consideration in a separate and focused proceeding where all issues can be addressed. In that proceeding, if it is decided that pilot programs should go forward, the details of the pilots can then be worked out and informed by the full proceeding. As such, the service limiting and pre-pay metering components of this pilot should not be approved at this time.

III. COMMENTS ON COST RECOVERY

A. Introduction

PPL is proposing to recover its smart meter technology costs through the Act 129 Compliance Rider ("ACR") that the Company submitted in its EE&C Plan with the Commission at Docket No. M-2009-2093216. Costs recovered through the ACR will include all costs incurred by the Company to implement its Smart Meter Plan. These costs will include both expense items and capital items. Expense items will be taken directly from PPL Electric's books and records. However, with regard to capital items, only the annual cost of those items (i.e., depreciation and return) will be included in the clause. Plan at 33.

The Company proposes that this clause not appear as a separate line item on customer bills. Instead, it will be applied as an adjustment to the distribution base rates of participating customers. The clause would be adjusted annually to reflect the Company's estimates of future costs to provide smart meter technology to its customers. The annual adjustment also would include a reconciliation of costs incurred to deploy smart meter technology and revenue collected under the automatic adjustment mechanism during the previous application year. Further, rates under the proposed mechanism would be calculated separately for the three major customer classes served by PPL Electric - residential, small

commercial and industrial, and large commercial and industrial. The rates for the residential and small C&I customer classes would be stated in cents per kWh. The rate for the large C&I customer class would be stated in dollars per kW. As to allocation, company witness Mr. Kleha states:

The Company will directly assign all costs to the extent possible. Any common costs or administrative costs that cannot be directly assigned will be allocated among the three customer classes that I described previously. To accomplish that allocation, the Company will use a ratio of direct costs assigned to that class divided by direct costs for the entire system. As a result, costs will be properly recovered from the customer class realizing the benefits of the smart meter technology.

PPL St. 3 at 9. The OCA's preliminary comments regarding the Company's proposed cost recovery are set forth below.

B. OCA Issues Regarding The Cost Recovery Mechanism

1. Act 129 Compliance Rider

PPL proposes to recover its smart meter technology costs through the ACR that the Company proposed in its Energy Efficiency and Conservation Plan (EE&C Plan). PPL St. 3 at 6. PPL further clarified that it is the Company's intent to develop separate smart meter and EE&C charges under its proposed ACR. However, the charges will be combined for billing purposes. See, PPL Response to OCA I-7. The OCA is concerned with the use of the same ACR tariff Rider to recover both EE&C Plan costs and smart meter costs. Even if the charges are independently developed, issues of tracking the charges and the proper identification of the charges in the tariff may arise. The OCA submits that the Company should have two separate riders—one for smart meter cost recovery and one for its EE&C Plan cost recovery.

Further, the OCA submits that PPL should roll the recovery of smart meter costs into base rates within twelve months after meeting the Act 129 requirements. While it would be

possible to roll the smart meter surcharge into base rates on an interim basis if a utility files a rate case before full implementation, there is no clear advantage from doing so.

Consequently, the OCA submits the Company should implement a tariff and recovery rider for smart meter costs which is separate and apart from its EE&C tariff and recovery rider. In other words, two separately stated tariff riders must be implemented. The OCA agrees, however, that these riders should not be identified separately on the customers' bills. These rider costs should be collected in overall distribution rates.

2. Capital Structure and Cost of Capital

The Company proposes that the ACR recoverable costs should include both expense items and capital items. PPL St. No. 3 at 7. Expense items will be taken directly from PPL Electric's books and records. With regard to capital items, only the annual cost of those items (i.e., depreciation and return) will be included in the clause. Id. The annual depreciation expense will be based on the applicable asset lives contained in the Company's most recent life study. Further, the Company proposes that annual return expense will be based on the capital structure and cost of capital allowed in the Company's most recent fully litigated distribution rate case. PPL St. No. 3 at 7. The OCA has concerns regarding utilization of the capital structure and cost of capital allowed in a base rate proceeding if that proceeding is more than a few years old.

Specifically, PPL does not identify the returns that would apply under this proposal. It is the OCA's position that the allowed return for these smart meter riders should be based on the utilities' most recent Commission-approved capital structure and capital cost rates if that proceeding was within the last few years. PPL's last litigated Commission proceeding at Docket No. R-00049255 was ruled upon in 2004 and resulted in a ROE of 10.7%, while the most

recent litigated cases for other Pennsylvania electric utilities were in 2006 and resulted in ROEs of 10.1%. Pa.P.U.C. v. Met-Ed Co., Docket No. R-00061366 and Pa.P.U.C. v. Penelec, Docket No. R-00061367 (Orders entered January 11, 2007).² In the absence of a litigated rate case from a relevant time period, it is the OCA's view that the EDC's current capital structure and senior capital cost rates, if reasonable, could be utilized along with a properly updated ROE. One method to reflect any necessary change to the ROE would be to utilize the most recent Bureau of Fixed Utilities Report on Quarterly Earnings to establish the necessary adjustment.

3. Additional Or Incremental Benefits

At page 6 of its Plan, PPL identifies the two goals associated with its initial AMI deployment: 1) to establish an infrastructure that would provide customers the benefits associated with being able to read meters remotely and automatically, and 2) to cost-effectively develop the information gathering and communications functionality of the basic infrastructure to provide customers with the benefits generally associated with smart meters. Plan at 6. PPL further asserts that many of the associated benefits of these goals have already been realized and that additional benefits will be attained through the completion of the Plan after review by the Commission. Id. However, the OCA submits that PPL should be required to net out incremental benefits in determining the costs eligible for cost recovery should such benefits be identified during the pilot and implementation process.

IV. COST ALLOCATION AND RATE DESIGN

A. Direct Assignment

PPL has proposed to directly assign meter related costs to customer classes and to allocate other non-meter investment related costs and administrative cost to customer classes based on this direct investment in meters. PPL St. 3 at 9. The OCA agrees that the costs of the

² PPL's 2007 base rate proceeding was settled with no specified return component.

meters should be directly assigned to customer classes. The OCA submits, however, that it may not be appropriate to allocate all other smart meter systems costs and administrative expenses, such as the infrastructure and software upgrades, based on this direct meter investment. As indicated in the Commission's Implementation Order at page 32, smart meter plan costs are appropriately allocated to those customer classes that derive benefit from such costs. Direct meter investment is not a measure of either the benefits derived from the smart meter system or the causation of non-meter system costs. The Commission should consider that a more appropriate basis on which to allocate smart meter systems costs (other than the meters) is on a kWh basis. Electricity usage recognizes that larger customers (in terms their usage) will derive greater benefits from the smart meter system and its technological capabilities.

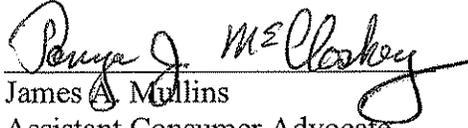
B. Cost Recovery

PPL has proposed to recover the costs allocated to each customer class on a charge per kWh or per KW for large customers with demand charges. PPL St. 3 at 9. The OCA does not object to this proposed recovery for PPL.

V. CONCLUSION

The OCA appreciates this opportunity to provide Comments on this important topic. The OCA intends to fully participate in these proceedings and further develop its positions and recommendations.

Respectfully Submitted,



James A. Mullins
Assistant Consumer Advocate
PA Attorney I.D. # 77066
E-Mail: JMullins@paoca.org
Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: September 25, 2009

00117723

CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities Corporation :
for Approval of a Smart Meter Technology : Docket No. M-2009-2123945
Procurement and Installation Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Comments of the Office of Consumer Advocate, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 25th day of September 2009.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Allison C. Kaster, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
Counsel for: *Office of Trial Staff*

SERVICE BY E-MAIL and FIRST CLASS MAIL

Paul E. Russell, Esquire
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101-1179
Counsel for: *PPL Electric Utilities Corporation*

David B. MacGregor, Esquire
Andrew S. Tubbs, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Counsel for: *PPL Electric Utilities Corporation*

Sharon E. Webb
Assistant Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
Counsel for: *Office of Small Business Advocate*

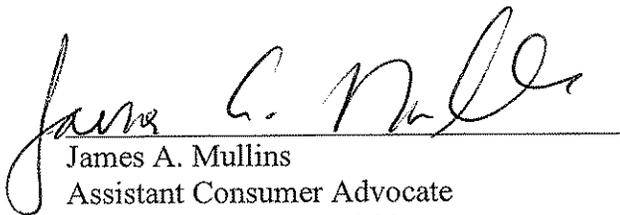
George Jugovic, Assistant Counsel
Commonwealth of Pennsylvania
Department of Environmental Protection
400 Waterfront Drive
Pittsburgh, PA 15222-4745
Counsel for: *Department of Environmental Protection*

Pamela C. Polacek, Esquire
Shelby A. Linton-Keddie, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108
Counsel for: *PP&L Industrial Customer Alliance*

Scott Perry, Assistant Counsel
Aspassia V. Staevska, Assistant Counsel
Commonwealth of Pennsylvania
Department of Environmental Protection
400 Market Street
Harrisburg, PA 17101
Counsel for: *Department of Environmental Protection*

Harry S. Geller, Esquire
John C. Gerhard, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
Counsel for: *Pennsylvania Association of Community Organizations for Reform Now*

Eric Joseph Epstein, *Pro Se*
4100 Hillsdale Road
Harrisburg, PA 17112



James A. Mullins
Assistant Consumer Advocate
PA Attorney I.D. # 77066
E-Mail: JMullins@paoca.org
Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org
Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

00116949.doc