

COMMONWEALTH OF PENNSYLVANIA



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William R. Lloyd, Jr.
Small Business Advocate

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July 16, 2010

HAND DELIVERED

Rosemary Chiavetta, 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 Chiavetta:

I am delivering for filing today the original plus three copies of the Answer to the Petition for Reconsideration, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding.

Two copies have been served today on all known parties in this proceeding. A Certificate of Service to that effect is enclosed.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon E. Webb".

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

Enclosures

cc: Parties of Record

Robert D. Knecht

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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 :

ANSWER OF THE
OFFICE OF SMALL BUSINESS ADVOCATE TO
PETITION FOR RECONSIDERATION

Pursuant to 52 Pa. Code § 5.572 (e), the Office of Small Business Advocate (“OSBA”) submits this Answer to the Office of Consumer Advocate’s (“OCA”) Petition for Reconsideration of the Pennsylvania Public Utility Commission’s (“Commission”) June 24, 2010, Order in the above captioned proceeding. The OCA filed the Petition on July 9, 2010. In answering the OCA’s Petition, the OSBA responds as follows:

1. Procedural Background

By August 14, 2009, all electric distribution companies (“EDCs”) with at least 100,000 customers were required to file smart meter technology procurement and installation plans (“SMIP”) with the Commission pursuant to Act 129 of 2008. PPL Electric Utilities Corporation (“PPL” or “Company”) filed its SMIP on August 14, 2009.

The OSBA filed a Notice of Intervention and Public Statement in the above-captioned proceeding on September 25, 2009. However, the OSBA filed no testimony, briefs, or exceptions in the PPL case.

The Initial Decision of Administrative Law Judge (“ALJ”) Robert Meehan was issued on January 28, 2010.

The Commission entered its Order on June 24, 2010.

On July 9, 2010, the OCA filed its Petition, seeking reconsideration of the allocation of common costs.

In response to the OCA's Petition, the Commission granted reconsideration, pending review on the merits, at the Public Meeting on July 15, 2010.

2. Response to OCA's Petition

a. Precedent

The OCA is correct that no party challenged PPL's proposal to allocate common costs to classes in the same proportion as meters costs are directly assigned to those classes. OCA Petition, at 2 and 4.

As previously mentioned, the OSBA filed no testimony, briefs, or exceptions in the PPL case. *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) ("PPL Order"), at 3-4.

However, in the other SMIP cases, OSBA supported the EDC's proposal to allocate the common costs to classes on the basis of the number of customers (or customer connections) in each class. However, as an alternative if the Commission rejected the EDC's proposal, OSBA proposed (in most of those other cases) that the common costs be allocated to classes in proportion to the meters costs directly assigned to each class.

In the Duquesne SMIP case, the ALJ recommended the OSBA alternative for allocating common costs, *i.e.*, allocate common costs in proportion to the directly assigned meters costs. *Petition of Duquesne Light Company for Approval of Smart Meter Technology Procurement and Installation Plan*, Docket No. M-2009-2123948 (Order entered May 11, 2010) ("Duquesne

Order”), at 8-9. However, the Commission rejected the OSBA alternative and decided instead that common costs should be allocated on the basis of the number of meters in each class. Duquesne Order, at 11-12.

In the above-captioned PPL SMIP case, the Commission rejected PPL’s proposal for allocating the common costs and ordered that those costs be allocated in the same way they will be allocated by Duquesne (and by the other EDCs for which a final SMIP order has been entered), *i.e.*, on the basis of the number of meters in each class. PPL Order, at 31.

b. Failure of OCA’s Purported Distinction

In its Petition, the OCA argues that the common cost allocation rule adopted for other EDCs should not apply to the PPL case because “PPL’s non-direct common costs are related to certain pilot programs, not to deployment of smart meters or smart meter infrastructure.” OCA Petition, at 2. In short, the OCA argues that the rule adopted for other EDCs applies only to the allocation of “common *meter* costs.” OCA Petition, at 3 (emphasis in original).

The distinction advocated by OCA ignores the law. If (as OCA argues) PPL’s costs are not “common meter costs,” those costs are not “costs of providing smart meter technology” or “cost[s] of any system upgrades” and, therefore, do not qualify for recovery through the surcharge authorized by Section 2807(f)(7)(ii) of the Public Utility Code, 66 Pa. C.S. §2807(f)(7)(ii).

The distinction advocated by OCA also ignores the facts. The OCA implies that PPL’s “pilots” are an end in themselves. However, the purpose of the pilots is to determine how to enhance PPL’s current smart meter system. If a pilot demonstrates that a particular enhancement would be cost-effective, PPL plans to implement that enhancement. *See* PPL Order, at 6 (PPL proposes to “conduct a series of evaluations and pilot programs to test and enhance its existing

AMI System” with an objective of “extend[ing] the capabilities of the current AMI deployment.”); PPL Order, at 8-9 (“PPL will use the thirty-month grace period to study, test and pilot techniques and applications that extend the capabilities of its current AMI system in a cost effective manner.”); PPL Order, at 9 (“PPL then describes its pilot program initiatives and provides installation timelines for installation from 2011 through 2014, if the programs achieve a positive evaluation.”).

Although PPL has already deployed smart meters and Duquesne has not, the common costs to be incurred by Duquesne involve studying the most cost-effective way to upgrade the EDC’s existing billing and metering systems and analyzing and testing smart meter and smart meter infrastructure alternatives. Duquesne Order, at 4-6. In short, the purpose of both PPL’s common costs and Duquesne’s common costs will be the same, *i.e.*, to enhance the EDC’s existing meters and supporting infrastructure in a cost-effective way. Where the EDC is located on the technology implementation timeline and whether or not the EDC’s evaluation and testing is labeled as “pilots” should not alter how the common costs are allocated.

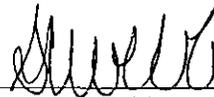
c. Judicial Economy

The OCA’s position virtually guarantees perpetual litigation over whether a particular EDC’s common costs are of the type to be allocated on the basis of customer connections or of the type to be allocated in proportion to directly assigned meters costs. In the interest of judicial economy, the Commission should minimize future litigation by rejecting the OCA Petition and adhering to the rule enunciated in the PPL proceeding.

Conclusion

Therefore, the Office of Small Business Advocate respectfully requests that the Commission reject the Petition on the merits.

Respectfully submitted,



Sharon E. Webb
Attorney I.D. No. 73995
Assistant Small Business Advocate

For:

William R. Lloyd, Jr.
Attorney I.D. No. 16452
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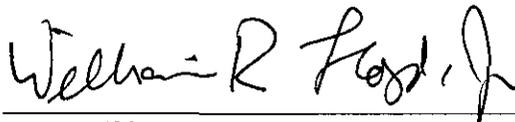
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Dated: July 16, 2010

VERIFICATION

I, William R. Lloyd, Jr., hereby state that the facts set forth herein above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Date: July 16, 2010

A handwritten signature in black ink, reading "William R. Lloyd, Jr.", written over a horizontal line.

(Signature)

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SECRETARY'S BUREAU

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

CERTIFICATE OF SERVICE

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

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