

COMMONWEALTH OF PENNSYLVANIA



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February 2, 2015

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 Its Smart Meter  
Technology Procurement and Installation  
Plan  
Docket No. M-2014-2430781

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Reply Brief, in the above-referenced proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Christy M. Appleby".

Christy M. Appleby  
Assistant Consumer Advocate  
PA Attorney I.D. # 85824

Enclosures

cc: Honorable Susan D. Colwell, ALJ  
Certificate of Service

186854

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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REPLY BRIEF  
OF THE OFFICE OF CONSUMER ADVOCATE

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Dated: February 2, 2015

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## I. INTRODUCTION

On January 12, 2015, Main Briefs were filed in this matter by PPL Electric Company (PPL or Company), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), and the PPL Industrial Customers Alliance (PPLICA). The OCA submits this Reply Brief in response to arguments made by PPL. Many of the arguments raised by PPL were addressed in the OCA's Main Brief and will not be repeated here. Nothing contained in PPL's Main Brief changes the OCA's positions as stated in its Main Brief.

PPL argues in its Main Brief that the proposed \$450 million accelerated deployment of its smart meter technology is necessary in order to meet the requirements of Act 129 and to address the nine additional capabilities identified in the Commission's Implementation Order. PPL M.B. at 10-14; 66 Pa. C.S. § 2807(f); Re: Smart Meter Procurement and Installation, Docket No. M-2009-2092655, Implementation Order (June 24, 2009) (Implementation Order). As discussed below and in its Main Brief at pages 14 to 31, the OCA submits that the PPL has not demonstrated that it is necessary under Act 129 or the Commission's Implementation Order to proceed with the proposed accelerated full deployment of a new metering system at this time at a cost of \$450 million. OCA M.B. at 14-31. The OCA submits that the Commission should require PPL to evaluate its options to extend the life of the current AMI system while working towards a more gradual, cost-effective transition to a new metering system by 2025. The record in this case demonstrates that there are no anticipated benefits to the accelerated second generation meter deployment as proposed by PPL and that the accelerated deployment has not been shown to be necessary to meet the requirements or objectives of Act 129. The OCA has demonstrated that the objectives of the Act and the cost-effective capabilities of the

Implementation Order can be met, and are being met, with the existing advanced metering infrastructure. The OSBA has also presented evidence that it may in fact be more costly to deploy the meters on an accelerated basis rather than over the full deployment period.

In its Main Brief, PPL also argues that deploying smart meters on an accelerated basis will address the failure rate of its current advanced meters which is four times the industry standard. PPL M.B. at 16-20. PPL states that a claim against its manufacturer, Aclara PLC AMI (Aclara), is not possible to address these meter failures because the meter failure rate is not the responsibility of the vendor. *Id.* at 18-120. The OCA submits, however, that the significant meter failure rates, which began in 2008 when many of the meters were less than 10 years old, is an issue that should be addressed by the manufacturer. PPL has acknowledged that it has received some credits, but states that it will not pursue any further action with Aclara. Tr. 88-90. Rather, PPL is simply seeking to shift the cost responsibility for these failing meters to ratepayers through its accelerated smart meter deployment plan. As the OCA discusses below and in its Main Brief at pages 25 to 28, PPL has not aggressively pursued this issue but instead has elected to replace the meters and recover the costs from ratepayers through the smart meter surcharge. OCA M.B. at 25-28. Such action does not reasonably support accelerated second generation smart meter deployment.

PPL also argues in its Main Brief that the smart meter savings (if any) should be recovered through base rates and not passed through the smart meter surcharge. PPL M.B. at 28-31. Act 129, however, requires that the Company include any operational or capital cost savings in its smart meter surcharge. 66 Pa. C.S. § 2807(f). The OCA submits that since the Company has elected to recover its costs through the smart meter surcharge, Act 129 requires that any savings that may develop be identified and flowed through the smart meter surcharge as a cost

off-set. In order to establish the savings that may be achieved, the Company should establish a baseline and create a tracking mechanism to quantify any savings associated with the investment in the proposed AMI system.

Finally, PPL's Main Brief addresses the OCA's recommendations regarding the Company's communications plan, data privacy, and its use of remote disconnect, service limiting and prepayment metering technology. PPL M.B. at 37-41. In this proceeding the OCA recommended that the Company be required to file and obtain Commission approval of its communications plan prior to implementing the plan and to develop a stand-alone privacy policy for smart meters. See OCA M.B. at 37-40, 45-48. The OCA also recommended that the Order in this proceeding explicitly state that the Company is not authorized to use remote disconnect for involuntary terminations, or service limiting and prepayment metering technology, and require the Company to engage in a stakeholder process with interested parties to develop any plans to use this technology. The OCA recommended that any plan be approved by the Commission prior to implementation. OCA M.B. at 49-53. PPL argues that the OCA's recommendations are not required by law and not necessary, and thus should be rejected. PPL M.B. at 38, 39, 40. As will be explained below, however, the OCA's recommendations are warranted in this proceeding and should be adopted.

## **II. PROCEDURAL HISTORY**

The OCA addressed the procedural history on pages 7 to 9 of its Main Brief.

## **III. STATEMENT OF THE QUESTIONS INVOLVED**

The OCA identified the questions involved on pages 9 to 10 of its Main Brief.

#### **IV. BURDEN OF PROOF**

The OCA provided a discussion of the Burden of Proof at pages 10 to 12 of its Main Brief.

#### **V. SUMMARY OF ARGUMENT**

The OCA provided a Summary of Argument at pages 12 to 14 of its Main Brief.

#### **VI. ARGUMENT**

##### **A. Compliance with Act 129 and the Implementation Order**

In its Main Brief, PPL argues that its existing Power Line Communications (PLC) Automated Metering Infrastructure (AMI) does not meet one of the requirements of Act 129 for smart meters and seven of the nine Implementation Order capabilities. PPL thus concludes that the existing PLC AMI should be replaced with a new RF Mesh technology on an accelerated basis at a cost of \$450 million. PPL M.B. at 10-12.

PPL acknowledges that as to the Act 129 requirements, its PLC AMI satisfies five of the six requirements. PPL notes that as to the sixth requirement regarding providing customers with direct access to usage data, the Commission has stated that providing access to hourly usage data within 48 hours was not considered to be providing customers with “direct access to and use of price information” in accordance with Act 129. PPL M.B. at 11, citing Petition of PPL Electric Utilities for Approval of a Smart Meter Technology Procurement and Installation Plan, Docket No. M-2009-2123945, Order (June 24, 2010) (June 24 Order). The Commission advised the Company to “use the Grace Period Pilot programs to fully develop a Plan, to be filed with the Commission, to fully comply with Act 129.” June 24 Order at 24.

While the Commission raised a concern with the 48-hour delay in gaining access to this information, this does not automatically mean that the PLC AMI itself cannot satisfy this

requirement. OCA witness Christina Mudd testified that there are web-based capabilities that could address the 48 hour delay issue and could provide access to the usage information in less than 24 hours. Tr. 146. OCA witness Mudd explained:

I also understand that the primary reason [under the Commission's prior Order] was that the information was not available in a short enough time period from the actual usage, consumption usage, and the pricing availability of the electricity, and through some pilot projects undertaken by PPL, that there were options to sort of speed up that access to information.

So, I'm not sure that the "direct access to information" question was necessarily resolved, because there was a 48-hour window prior to the pilot project, and following the pilot project, the window was under twenty-four hours.

Tr. 147.

In its Main Brief, the Company argues that OCA witness Mudd's web-based solution for providing direct access to price and usage information does not meet the requirements of Act 129 or the Commission's June 24 Order because it is still a web-based solution. PPL M.B. at 13-14. Ms. Mudd also testified, however, that there are software solutions to provide data directly to the customer. Ms. Mudd testified that "Aclara offers a TWACS-based Home Area Network and In-Home Display system that utilizes ZigBee communication systems which may provide additional ZigBee-based In-Home Display alternatives to the PLC AMI system." OCA St. 1 at 19. She also testified that:

There are products from the Apple store, consumption products and what you're using in terms of your –your heating and cooling systems, so I believe it's possible to have direct access of information at this time.

Tr. 147. As can be seen, alternatives short of accelerated deployment of new system exist to meet the direct access requirement.

PPL also argues that in addition to not meeting the Act 129 requirements, the current infrastructure does not meet seven of the nine Implementation Order requirements.<sup>1</sup> PPL M.B. at 12, citing Implementation Order at 30. The Commission's Implementation Order identified nine capabilities including: (1) ability to remotely connect and disconnect; (2) ability to provide 15-minute or shorter interval data; (3) on-board meter storage data that complies with open standards and protocols; (4) use of open standards and protocols; (5) ability to upgrade these capabilities; (6) ability to monitor voltage and report data in a manner that allows an EDC to react to the information; (7) ability to remotely re-program the meter; (8) ability to communicate outages and restorations; and (9) ability to support net-metering of customer generators. Implementation Order at 30. Contrary to the Company's Main Brief arguments, the Company stated at pages 14-16 of its Petition that while not optimal, the PLC system is able to provide for four of the nine capabilities, including: (1) remote connect/disconnect, (2) 15-minute of shorter interval data, (3) monitor voltage, and (4) monitor outages by polling (pinging) the meter to obtain power status. PPL Exh. 2, Petition at 14-16; see also, OCA St. 1 at 10; Implementation Order at 30.

With respect to the five remaining capabilities, the OCA submits that there has been no demonstration that it is cost-effective to replace the existing AMI system on an accelerated basis to meet these additional five capabilities. A key aspect of the Implementation Order is to examine the cost-effectiveness of each of the nine additional capabilities. The Implementation Order directs each of the EDCs to examine the incremental costs for the deployment and

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<sup>1</sup> The OCA notes that PPL states in its Main Brief that the existing meters "do not meet 7 of the 15 additional Implementation Order requirements." PPL M.B. at 12. The OCA submits that this is in error. The Implementation Order identifies nine additional capabilities and Act 129 contains 6 requirements for a total of 15 combined Act 129 requirements and nine Implementation Order capabilities.

operation of each of the additional nine capabilities and whether the costs of such capabilities exceed the benefits. Implementation Order at 17. The Implementation Order states:

While the Commission believes that all of the above-listed capabilities will further facilitate the consumer's ability to intelligently control their electric use and costs, we are cognizant that the costs of some of these added capabilities may exceed any benefit they may provide. Therefore the Commission reserves the authority to waive the requirement for any of the Commission imposed requirements.

Implementation Order at 17. The Company has presented no evidence of the benefits to be achieved through accelerated smart meter deployment to meet these additional capabilities.

For all the reasons stated above and at pages 14-20 of the OCA's Main Brief, the OCA submits that the Company should continue evaluate its options over the next two to five years to extend the life of the current AMI system while working toward a more gradual, cost-effective transition to its second generation AMI system by 2025.

B. Technology Issues- RF Mesh Versus PLC

PPL argues that the current PLC system would need to be substantially upgraded even to provide more limited functionality. PPL M.B. at 14-16. The Company states that the OCA's argument is that the RF Mesh solution is not necessarily the optimal alternative. PPL M.B. at 16. The OCA submits that the Company misstates the OCA's argument. OCA witness Mudd discussed in her testimony the pros and cons of both the RF Mesh and the PLC technologies. OCA St. 1 at 15-20. The issue, however, is not only about the functionality or long-term benefits provided by the RF Mesh technology, but whether the proposed \$450 million expenditure for accelerated deployment is justified at this time and provides benefits as compared to the costs.

The Commission's June 24 Order directed the Company to provide a cost-benefit analysis of the 15-minute interval data for small business and commercial customers and to evaluate the ability to use In-Home Displays. June 24 Order at 27-29. As discussed in the

OCA's Main Brief, OCA witness Mudd examined the related pilot program results. OCA M.B. at 14-19. After review of the pilot program results, OCA witness Mudd concluded that the potential long-term benefits of the RF Mesh technology do not support the proposal for accelerated deployment. Even if the Company adopted the RF Mesh technology, the Company does not plan to build out the necessary information technology to support the functionality for 15-minute data for all customers. OCA St. 1 at 17. Citing the Company's response to discovery, OCA witness Mudd concluded:

There is no business case for investing in systems to provide the 15-minute functionality since neither Electric Generation Suppliers ("EGS") nor the PJM Market Settlement Subcommittee currently make use of the interval data. (PPL Interrogatory Response to OSBA Set 1, Q. 6-B).

OCA St. 1 at 17. The Company would be expending \$450 million for a technology for which there is no business case and for which the Company does not plan to build out the necessary platform to support.

Regarding the concerns about the ability to use In-Home Displays, as noted above, Ms. Mudd testified "Aclara offers a TWACS-based Home Area Network and In-Home Display system that utilizes ZigBee communication systems which may provide additional ZigBee-based In-Home Display alternatives to the PLC AMI system." OCA St. 1 at 19. OCA witness Mudd concluded:

PPL demonstrates that given the statutory and regulatory requirements established by Act 129 and the Commission's *Implementation Order*, the RF Mesh System is more likely to serve PPL's needs in the long-term, in particular as it relates to addressing bandwidth and customer portal limitations with the current system. However, PPL should not rush to replace the PLC system on the basis of the limitations for meeting the 15-minute interval data requirements and the problems identified in the In-Home Display pilot evaluation. Given the uncertainty of how and when the 15-minute interval data functionality would be utilized with the new system, and considering the continued potential for ZigBee-enabled devices to be used for In-Home Display, these provide weak arguments for replacing the

current PLC AMI System at this time with a new RF Mesh System at a cost of nearly \$450 million.

OCA St. 1 at 19-20.

The conclusion reached by OCA witness Mudd is that neither the 15-minute interval data nor the In-Home Display technological issues provide a basis for replacing the existing PLC AMI system on an accelerated basis at this time.

C. Meter Failures

The second reason that the Company proposes to replace its existing advanced meter infrastructure is to address the meter failures experienced with the existing PLC AMI. PPL M.B. at 16-20; PPL St. 4-R at 2. The meter failure rate experienced by PPL is four times the industry standard. Plan at 10-11; OCA St. 1 at 20; Tr. 40. The Company argues in its Main Brief that this is simply a function of the age of the meters. The OCA submits that these meters were installed in the 2002-2004 timeframe, and the Company began to experience meter failures at higher than expected rates, and receive credits from Aclara for these meter failures, beginning in 2008, less than 10 years after installation. The OCA recommends that the Company direct its efforts to address the failing meters with Aclara. PPL's proposal here shifts the risk of premature meter failure to ratepayers through an accelerated second generation smart meter deployment and dollar for dollar recovery through an automatic surcharge mechanism.

PPL argues that its existing meters are nearing the end of their useful life and no compensation can be provided based on the age of the meters. PPL M.B. at 17. PPL witness Ogozaly presented in her testimony and the Company repeats in its Main Brief, a Bathtub or Weibull Curve, which shows the expected failure rate of meters at the end of their useful life. PPL St. 4-R at 3-4; PPL M.B. at 17-18. PPL's meter failure rate, however, has been steadily increasing since 2007 and is four times higher than the industry standard. Plan at 10-11; OCA

St. 1 at 20; Tr. 40. A meter failure rate of four times higher than the industry standard does not reflect a typical meter failure rate and is not accounted for by the useful life. Even the useful life of the meters remains uncertain though. OCA witness Mudd explained:

Ms. Ogozaly indicates that what was initially characterized as “higher than the industry standard” meter failure rates is really “business as usual” according to the Weibull probability distribution curve. However, even with this explanation, there is still some discrepancy as to the expected life of the current PLC Meter population. Ms. Ogozaly states that “no party has disputed that the current PLC meters have a 15-year useful life.” (PPL Electric Statement 4-R, Page 13.) However, in the analysis conducted by Aclara in 2011 and provided with responses to Interrogatory OCA Set 4, Question 5, the useful life of the meters with the IMT communications module was found to be 18.2 years (PPL Electric Statement 4-R, Page 4.) Furthermore, page 13 of Ms. Ogozaly’s Rebuttal Testimony indicates that the estimated life of the Company’s existing PLC meters was 15 years when they were installed. However, PPL’s responses to OCA Interrogatory Set 1, Question 2, also prepared by Ms. Ogozaly, states that the useful life of meters and associated communication equipment at the time of installation was 28 years. According to the information provided in Interrogatory Set 1, Question 2, the useful life expectation was changed in 2005, only after investment in and installation of the Aclara PLC AMI system. Thus, the useful meter life and acceptable meter failure rates appear to be a moving target.

OCA St. 1-S at 5-6. As discussed at pages 26 to 27 of the OCA’s Proprietary Version Main Brief, the high meter failure rate comes at a cost for ratepayers. OCA M.B. at 26-27 (Proprietary version). The OCA submits that these high meter failure rates should not be considered business as usual.

PPL argues that Aclara cannot be held responsible at this time for the meter failure rates because the meters are near the end of their useful life. PPL M.B. at 18-20. The OCA submits that the Company began to experience meter failures in 2008 when the meters were less than ten years old and received only approximately \$1.5 million (or \$10 per meter credit) between 2008 and 2013. Tr. 88-90. The expected useful life of the meters has also changed dramatically since the installation of these meters and continues to change to this day. The existing meters, however, have fallen short of even the 15-year useful life that PPL now uses. Shifting the cost

responsibility to ratepayers through an accelerated smart meter deployment plan because of this meter failure rate is not reasonable.

As stated above and on pages 25 to 28 of its Main Brief, the OCA continues to recommend that PPL should more fully explore its options to address the costs of the meter failures with Aclara.

D. Implementation Timeline

In its Plan, PPL proposes that the Company deploy its second generation smart meters on an accelerated deployment schedule from 2017 through 2019 with a Final Stabilization Period in 2021. PPL St. 1 at 33; PPL M.B. at 21. The OCA recommends that the Company evaluate the costs associated with maintaining and enhancing the current system for an additional two to five years before expending \$450 million for a new RF Mesh System. OCA St. 1 at 25.

PPL argues that the Commission has authorized more accelerated deployment schedules for other EDCs and cites to the Commission's decision in the FirstEnergy Smart Meter proceeding in support of its position to accelerate its smart meter deployment. 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, at 14 (June 9, 2010) (2010 FirstEnergy Order). In the 2010 FirstEnergy Order, the Commission advised FirstEnergy to deploy smart meters "as soon as safe and reliable operations allow." 2010 FirstEnergy Order at 14. The OCA submits that PPL is in a very different position from FirstEnergy because PPL has had advanced metering infrastructure since the 2002-2004 time period. In the Company's discussion of savings to be achieved, PPL acknowledges that FirstEnergy is in a different technological place than PPL with vastly different benefits to be provided by the deployment of smart meters. PPL M.B. at 28-31. PPL

has not shown any benefits to accelerating the deployment of the second generation of smart meters in advance of the 2025 deadline established in the Commission's Implementation Order. OCA St. 1 at 24-25.

PPL also argues that its accelerated deployment timeline is consistent with the schedules proposed by other EDCs in Pennsylvania. PPL M.B. at 22. As OSBA witness Knecht testified:

The other Pennsylvania EDCs currently have no little [sic] or no smart metering capabilities for residential and commercial customers. In contrast (as I noted, to its credit), PPL Electric has had smart meters in place for over a decade, and some smart metering infrastructure in place for several years. Moreover, PPL Electric is already substantially compliant with the requirements of Act 129, whereas other Pennsylvania EDCs are not. Thus, the benefits for ratepayers of accelerating the implementation of smart meters at other EDCs are substantially greater than the benefits associated with PPL Electric's proposal in this proceeding.

OSBA St. 1 at 5. While other EDCs have operated under shorter deployment timelines, the facts of this case support utilizing a longer deployment period as recommended by OCA witness Mudd and OSBA witness Knecht. OCA St. 1 at 24-25; OSBA St. 1 at 3,5; see also, OCA M.B. at 14-30.

The Company also argues that accelerated deployment will allow EGSs to offer similar services and rate plans across the Commonwealth such as time of use programs that use an In-Home Display. PPL M.B. at 23. The OCA submits that no evidence has been admitted into the record that demonstrates the current system has presented any impediments to the Company's ability to meet the objectives of Act 129 and the Implementation Order or otherwise impedes EGSs' ability to offer Time-of-Use (TOU) rates or support customer switching. OCA witness Mudd testified:

It is difficult to know with any degree of certainty whether customer switching or participation in TOU rate programs would be any different with a more advanced AMI system. Approximately 46 percent of PPL's customers have switched to a competitive supplier, which is among the highest switching rates in the rate. Participation in TOU rates has been relatively low, but this is more likely related

to the rate design which does not provide the right incentives to encourage participation in competitive retail electricity markets.

OCA St. 1 at 11.

PPL states that the accelerated deployment schedule will avoid unnecessary investment in the Company's existing PLC system and avoid an increase in meter failure rates. PPL M.B. at 23. PPL argues that the only two options available are either repair or replacement of the existing meters due to the high meter failure rates. PPL M.B. at 23; PPL St. 4-R at 6. As discussed in Section C above and in the Surrebuttal Testimony of OCA witness Mudd, the alternative option is to address the high meter failure rates with the manufacturer. OCA St. 1-S at 4-6. OCA witness Mudd testified:

According to Ms. Ogozaly, the meter failure rate is a significant driving factor for the accelerated deployment of the proposed RF Mesh system. Additionally, the useful life of the AMI meters and the expectations with respect to acceptable levels of meter failures are important because they set a precedent for how the Company will work with future meter vendors going forward. The AMI surcharge should not be used as the cost recovery mechanism to replace current or advanced metering systems that did not live up to expectations. One hundred percent of the costs associated with a metering system that underperformed should not sit with ratepayers.

OCA St. 1-S at 6.

Finally, the Company argues that the accelerated deployment schedule will allow the Company to continue to provide reasonable and continuous service as required under Section 1501. PPL M.B. at 23-24, citing 66 Pa. C.S. § 1501. The Company argues that the meter failures lead to an increased number of customer complaints and decrease overall customer satisfaction. PPL M.B. at 23-24. PPL should be looking to the source of the customer dissatisfaction, the overall level of meter failures that are four times the industry standard. As discussed in Section C above, the Company should look to Aclara to address why the meters have operated at a level much above the industry standard for meter failures.

For the reasons set forth above and at pages 14-30 of the OCA's Main Brief, the OCA submits that the timeline for deployment should be further extended. The OCA submits that PPL should be directed to evaluate the costs associated with maintaining and enhancing the current system for an additional two to five years before engaging in a costly, second generation smart meter deployment. OCA M.B. at 14-30; OCA St. 1 at 25.

E. Cost Savings/Quantification of Benefits

PPL proposes to use its SMR to recover the costs for RF Mesh smart meter deployment, without incorporating into the calculation any cost savings or quantification of benefits that might result. In its Main Brief, PPL argues that the Company should be permitted to reflect any savings or benefits from the deployment of its second generation smart meters in its base rates. PPL M.B. at 28-31; PPL St. 2-R at 20. The Company argues that the first generation smart meter savings such as the elimination of the meter reading workforce, the reduction of call center costs, the reduction in special meter read costs, and the elimination of the costs for manual review of data quality have already been reflected in base rates and will not be experienced again with the deployment of its second generation smart meters. PPL M.B. at 28-29. PPL acknowledges that additional savings may eventually be achieved for such areas as improvement in its outage management system, power quality including cost recovery for unaccounted-for energy, reduced meter services support, and customer service including decreased call center volumes, but the Company states that these areas may be more difficult to quantify. *Id.* at 29; PPL St. 2 at 15-20. The Company argues that because the savings are more difficult to quantify, it is reasonable to continue its prior methodology for the recovery of costs because the majority of savings have already been recovered and the additional savings are difficult to quantify. PPL M.B. at 29-30.

Act 129 and the Commission's Implementation Order require that any savings that result from the smart meter deployment be incorporated as a cost-offset. 66 Pa. C.S. § 2807(f)(7); Implementation Order at 16-30. The Company argues while the Act does require the incorporation of savings, Act 129 does not require that savings be flowed through the rider. PPL M.B. at 29; 66 Pa. C.S. § 2807(f)(7). The OCA submits that the plain language of Act 129 does require that the incorporation of savings into the SMR. Act 129 states:

An electric distribution company may recover reasonable and prudent costs of providing smart meter technology under paragraph 2(ii) and (iii), as determined by the commission. This paragraph includes the annual depreciation and capital costs over the life of the smart meter technology and the cost of any system upgrades that the electric distribution company may require to enable the use of the smart meter technology which are incurred after the effective date of this paragraph, less operating and capital cost savings realized by the electric distribution company from the installation and use of smart meter technology. Smart meter technology shall be deemed to be a new service offered for the first time under section 2804(4)(vi). An electric distribution company may recover smart meter technology costs:

- (i) through base rates, including a deferral for future base rate recovery on a current basis with the carrying charge as determined by the commission; or
- (ii) on a full and current basis through a reconcilable automatic adjustment clause under section 1307.

66 Pa. C.S. § 2807(f)(7) (emphasis added). Act 129 creates a formula for the calculation of the annual costs less the operating and capital cost savings. Then, Act 129 allows the Company to recover those costs minus the savings in either a base rate proceeding *or* through a surcharge such as the SMR. Id. Since the Company is allowed to flow through the costs as they are incurred on a “full and current basis,” then savings must likewise be reflected on a “full and current basis” as they are incurred to properly recover only the net costs.

While there are few savings or benefits anticipated from this smart meter deployment, it is still not proper to simply ignore the issue to defer it to a base rate case as PPL proposes. The OCA has proposed that PPL create a baseline and track the same eight categories of savings that

FirstEnergy will be tracking. See, Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval or Their Smart Meter Deployment Plan, Docket Nos. M-2013-2341990, M-2013-2341991, M-2013-2341993, M-2013-2341994, Order at 45-46 (March 6, 2014) (FirstEnergy Order). These areas include: (1) meter reading; (2) meter services; (3) back-office; (4) contact center; (5) theft reduction; (6) revenue enhancement; (7) avoided capital costs; and (8) distribution operations. OCA St. 1 at 12; OCA St. 1-S at 8. The OCA also recommends that the Commission require the Company to retain an independent consultant with experience in identifying savings from the deployment of the RF Mesh system to prepare a report assessing the potential for the Company to achieve additional savings. OCA St. 1 at 13.

The Company argues that it is differently situated than the FirstEnergy Companies because the FirstEnergy Companies have not yet deployed smart meters and still have potential savings for such things as meter readers. PPL M.B. at 30. The Company acknowledges that savings may be achieved in some of these areas such as contact center, revenue enhancement such as reduced lost and unaccounted-for energy, and some distribution operations such as outage management. PPL St. 2 at 15-20. Although the remaining savings areas may be more difficult to quantify and not as great as those experienced by FirstEnergy, the OCA submits that the areas should still be tracked and measured. OCA witness Mudd testified:

Despite the low expectation with respect to the anticipated cost savings associated with the deployment of the RF Mesh system, PPL should be required to provide the same level of analysis and tracking as needed to appropriately pass through savings to the Smart Meter Surcharge.

OCA St. 1-St at 8.<sup>2</sup>

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<sup>2</sup> PPL also argues that to credit avoided capital costs to customers would prevent the Company from fully recovering its smart meter costs and prevent the Company from the opportunity to earn a fair rate of return on its investment in violation of the United States and Pennsylvania Constitutions. PPL M.B. at 31, citing U.S.

For the reasons set forth above and at pages 31 to 35 of the OCA's Main Brief, the OCA submits that the Commission should require the Company to reflect any savings in its Smart Meter Surcharge as they are identified. The OCA submits that the Commission should require the Company to retain an independent consultant with experience in identifying savings from the deployment of the RF Mesh System to prepare a report assessing the potential for the Company to achieve additional savings. The OCA submits that the Company should be directed to create a baseline from which to measure the savings and a tracking mechanism to analyze and track the level of savings.

F. Smart Meter Charge Issues

1. Calculation of the Smart Meter Charge

The OCA provided a full summary of its position on this issue at pages 35 to 36 of its Main Brief. No further Reply is necessary.

2. Proposed Modifications to the Small C&I Smart Meter Charge

The OCA does not take a position on this issue.

G. Communications Strategy

PPL's Main Brief states that the Company does not challenge the OCA's recommendation that PPL should be required to engage in a stakeholder process in developing its communications plan and be required to file the plan with the Commission upon its completion. PPL M.B. at 37. As PPL points out in its Main Brief, the contested issue is whether PPL should obtain Commission approval prior to implementing its communications plan. PPL M.B. at 38.

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Constitution, Fifth and Fourteenth Amendments; Pennsylvania Constitution, Article, Section 10; Bluefield Waterworks and Imp. Co. v. P.S.C. of West Virginia, 262 U.S. 679, 690 (1923); Riverton Consolidated Water Co. v. Pa. P.U.C., 186 Pa. Super. 1, 140 A.2d 114 (1958). PPL states that customers would benefit by getting a credit to SMR for costs that are not incurred by the Company. It is not the intention to track costs that are not incurred but to track costs that are reflected in base rates that may no longer be necessary. The recovery of avoided capital cost savings also were approved by the Commission in the FirstEnergy Smart Meter proceeding. FirstEnergy Order at 45-46.

PPL states that it should not be required to obtain Commission approval because it does not believe that Commission approval is required. PPL M.B. at 38.

PPL's Smart Meter Plan states that "a critical component of the Smart Meter Plan will be a series of communications activities related to the deployment project, education of customers for smart meter technology, and other communications..." Plan at 60. The OCA agrees with the Company that its communications plan is a critical component of the overall Smart Meter Plan. PPL's Smart Meter Plan, however, did not include a comprehensive communications plan, but merely a two and a half page "communications strategy," which stated that a comprehensive communications plan would be developed later. See Plan at 60-62. As such, the parties in this proceeding did not have the opportunity to review or make recommendations regarding PPL's communications plan. OCA witness Nancy Brockway testified that the only topic that the Company provided any details as to communications was the deployment of the new meters. OCA St. 3 at 5. Ms. Brockway also testified that after reviewing information provided by PPL regarding its communications strategy, that she questions whether PPL's customer education component will be effective in educating customers about the smart meter technology. See OCA St. 3 at 5-7. As critical as customer communications is to the successful deployment of new smart meter technology, the OCA submits that PPL should be directed to file and obtain Commission approval of its completed communications plan prior to deployment of the new smart meters so that the Commission has the opportunity to consider the plan and direct modifications if necessary.

H. Cybersecurity

As noted in the OCA's Main Brief, the Company has addressed the OCA's cybersecurity concerns. See OCA M.B. at 43-45.

## I. Data Privacy Issues

PPL states that the OCA's recommendation to require PPL to develop a stand-alone privacy policy relating to the deployment of smart meter technology using customer service employees as part of its smart meter team and with the input of stakeholders who are able to communicate various customers' desires for privacy is an "inappropriate attempt to manage the operations of the Company and it should be denied." PPL M.B. at 40. The OCA submits that such a recommendation is in no way an attempt to manage the operations of the Company, and in fact, the Commission has ordered other EDCs to work with stakeholders to develop stand-alone customer privacy policies specifically related to the protection of smart meter information before deployment of their smart meters. See, 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, M-2013-2341991, M-2013-2341993, M-2013-2341994, Order at 47 (March 6, 2014). The OCA submits that the same directive is appropriate here.

As described more fully in the OCA's Main Brief, during this proceeding Ms. Brockway testified, and PPL witness Kent Simendinger acknowledged in Rejoinder Testimony, that PPL does not have a privacy policy that specifically addresses how the Company will handle smart meter data. OCA M.B. at 47; OCA St. 3-R at 9; PPL St. 5-RJ at 2-3. In PPL's Main Brief, PPL quotes its witness Mr. Simendinger testifying that "PPL Electric does not agree that a revision is necessary to the privacy components of its smart meter plan." PPL M.B. at 40. Mr. Simendinger clarified in Rejoinder Testimony, however, that the Company does intend to address the lack of privacy policies relating to smart meters, testifying that:

The existing Privacy Policy is aimed at the use of the website, but my rebuttal testimony (pages 3-4) was intended to convey how such a policy **can and will be**

**extrapolated and enhanced to address data privacy and cybersecurity protections beyond just the website, such as for use of smart meters.** Such an enhanced, or potentially new separate policy must await fundamental decisions on the ultimate smart meter technology and design, to determine what customer data can (e.g. technical limitations) and will be collected beyond that already described in the website Privacy Policy, and how such data will be handled and protected via cybersecurity and business process data privacy measures given the nature of the technology and supporting business processes.

PPL St. 5-RJ at 3. (Emphasis added).

As stated in the OCA's Main Brief, it does not appear that the Company's witness Mr. Simendinger disagrees with Ms. Brockway's assessment that PPL needs to address data privacy as it relates to smart meters, or with her opinion that that the Company should use input from its own customer service personnel in developing those privacy policies. See OCA M.B. at 48; PPL St. 5-RJ at 3. It appears that the disputes are merely with whether the Order approving the Plan should require PPL to develop a privacy policy specific to smart meters, and direct PPL to use input from its customer service personnel and stakeholder in developing the privacy policy. See OCA M.B. at 47-48; PPL St. 5-RJ at 3. The OCA questions why the Company objects to the OCA's recommendation that the order in this proceeding require PPL to develop a stand-alone privacy policy when PPL's own witness testified that PPL's existing privacy policies do not apply to data collected via smart meters, and that PPL already intends to address data privacy for smart meters once the design and technology of the smart meter are finalized.

The OCA submits that any Order approving the Plan should explicitly state what the Company is required to do in relation to data privacy protection, as the ability to protect customer information is an essential responsibility of any EDC deploying smart meters. Again, the OCA notes that the Commission has required other EDCs to develop stand-alone customer privacy policies specifically related to the protection of smart meter information before deployment of the smart meters, and has ordered EDCs to work with stakeholders in developing

those privacy policies. As such, the OCA submits that the Company should be directed to develop a stand-alone customer privacy policy relating to the deployment of smart meter technology using customer service employees as part of its smart meter team and with the input of stakeholders who are able to communicate various customers' desires for privacy.

J. Remote Disconnect, Service Limiting and Prepay Metering Issues

In this proceeding, the OCA recommended that the Order stemming from this proceeding should explicitly state that PPL is not authorized to use remote disconnect for involuntary terminations, or service limiting and prepayment metering technology, and that PPL should be required to file and obtain Commission approval prior to implementing any programs or plans utilizing such technology. See OCA M.B. at 51-53. In PPL's Main Brief, PPL stated, "the company disagrees with the OCA that Commission approval is required for these programs, if they can be implemented and follow the Commission's regulations." PPL M.B. at 41. In regard to service limiting and prepayment technology, contrary to PPL's assertion, the Commission has already determined that Commission approval is required before an EDC can utilize these technologies. In addressing these technologies in the Implementation Order, the Commission provided as follows:

[T]he Commission agrees that the significant policy implications of service limiting and prepaid service should be addressed in another proceeding prior to requiring such capability in smart meters. Therefore, we have removed support for service-limiting, and prepaid service as a minimum capability requirement. This does not preclude EDCs from including these capabilities, however, **an EDC cannot employ these capabilities unless it is approved by the Commission** and consistent with regulations governing such programs, such as 52 Pa. Code § 56.17

Implementation Order at 18.

PPL's Plan does not seek approval of any specific plan or program that utilizes service limiting or prepayment technology, but the Plan does indicate that PPL has explored these

technologies and may move forward with utilizing these technologies at some point in the future. In this proceeding, PPL has made clear that its position is that if it decides to utilize this technology, that it can do so without obtaining Commission approval so long as the programs do not violate Commission regulations. PPL has taken a position that is contrary to Commission Order, and the OCA submits that it is necessary for the order in this proceeding to explicitly state that PPL is not authorized to proceed with implementing programs utilizing service limiting and prepayment metering technology, and that before PPL can implement such programs if it chooses to do so, it must obtain Commission approval before implementing any plans that utilize these technologies.

The OCA submits that PPL should also be required to obtain Commission approval of any plans to utilize remote disconnect for involuntary terminations, such as for non-payment of bills, prior to PPL implementing any such plans. In this proceeding, OCA witness Nancy Brockway testified that termination of electric service puts serious risks on customers, households and communities. OCA St. 3 at 15-16. As such, any plans to use remote disconnect as a tool for terminating service for involuntary terminations should be reviewed to ensure that the protections contained within Chapter 14 and Chapter 56 are preserved. The OCA submits that it is not enough for an EDC to assert that its plan to use remote disconnect in this manner complies with all applicable consumer protections because reasonable minds may disagree as to what consumer protections are applicable and what EDCs must do in regard to using remote disconnect to comply with these protections. Any such disagreements should be resolved prior to the Company using this technology to terminate a customer's service.

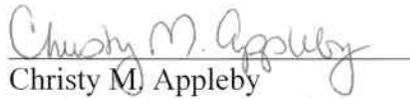
K. Miscellaneous Issues

The OCA does not have any Miscellaneous Issues.

## VII. CONCLUSION

For the reasons set forth in this Reply Brief, and those contained in the Office of Consumer Advocate's Main Brief, the Office of Consumer Advocate respectfully submits that PPL has not shown that its proposed accelerated deployment Plan is reasonable. If the Plan moves forward, the OCA submits that the modifications and recommendations identified herein and in the OCA's Main Brief should be adopted.

Respectfully Submitted,

  
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CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities Corporation :  
for Approval of Its Smart Meter Technology : Docket No. M-2014-2430781  
Procurement and Installation Plan :  
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I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Reply Brief, 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:

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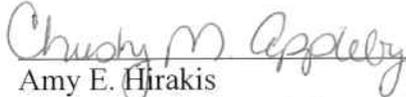
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