

Hearing on HB 2186 and 2188
Before the House Consumer Affairs Committee
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Statement of Doug Krall
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Chairman Godshall, Chairman Preston and Committee Members,

- My name is Doug Krall. I am Manager – Regulatory Strategy for PPL Electric Utilities; an Electric Distribution Company serving 1.4 million customers in central and eastern Pennsylvania. Thank you for the opportunity to participate today in this important discussion on the deployment of advanced meter infrastructure to Pennsylvania's retail electric consumers.
- Although Act 129 of 2008 mandated that electric utilities file plans with the Commission describing their deployment of the advanced meter functionality described in the Act, PPL Electric had actually begun installing advanced meters in 2002. By 2004, every PPL Electric customer had a meter that was recording hourly usage, and those meters were connected through a communications system to home office systems that could use that information for billing and for outage restoration. Manual meter reading became a thing of the past and customer bills reflected both the cost of the infrastructure and the saving associated with less costly meter reading and operations.
- By 2005, the Company had begun work on data storage, data management, billing, and operational systems which, when installed on

the metering and communication infrastructure already in place, allowed the Company to gain additional operational efficiencies and reduce costs that would otherwise be passed on to customers, further enhance the development of competitive markets, and make possible new services for customers.

- Accordingly, PPL Electric believes that its advanced meter infrastructure already meets most of the objectives of Act 129. Its plan, filed with the Commission and updated annually, is to continue to seek additional cost effective opportunities to further enhance the system's functionality relative to the requirements of the Act and of the PUC's implementing regulations.
- HB 2186 and 2188 seek to provide consumers with protection from the effects of what might be interpreted to be overzealous governmental mandates. In considering whether such protections are necessary, PPL Electric believes that it is important to view smart meters, not as an end in and of themselves, but as tools intended to achieve public policy objectives. It is, therefore, appropriate to consider those public policy objectives and their reliance on all customers having smart meters. PPL Electric considers there to be three public policy objectives.
- The first public policy objective served by smart meters is efficient utility operations. Utilities use the ability to remotely read meters to eliminate the costs associated with manual meter reading. If opting-out means that the utility must again employ meter readers, then costs are incurred that

need to be reflected in rates. Customers who opt-out will receive more estimated bills than they would otherwise and their concerns regarding those bills will be more costly to address. Utilities use the two-way communications capability of smart meters to better understand the extent of outages and to restore customers faster and at lower cost than would otherwise be possible. Smart meters can provide information on power quality that allows utilities to identify electric system problems earlier and address them at lower cost and less customer impact. The ability to remotely connect or disconnect customers can reduce costs associated with those activities. A handful of customers opting-out of having smart meters will result in those customers disadvantaging themselves, but will not have a deleterious effect on overall EDC operations. The individuals opting-out also may, as has been approved in California, see increased costs for meter replacement and manual reading. A widespread opt-out could, potentially, result in the loss of enough information systemwide that restoration and power quality related benefits would be lost. A widespread opt-out would also render connect/disconnect related benefits unavailable.

- The second public policy objective served by smart meters is the development of competitive retail electricity markets. Meters that can be read hourly and can be used in settlement of actual hourly usage provide more accurate information on the cost to serve any individual customers and permit more accurate pricing. Such an environment will reveal more economic opportunities and reduce risk which will tend to bring in more

suppliers (EGSs) and more buyers (retail customers). A handful of customers opting-out of having smart meters will result in those customers disadvantaging themselves, but will not have a deleterious effect on overall market development. A widespread opt-out could, potentially, slow the process of achieving a competitive market that is truly driven by economic forces.

- The third public policy objective served by smart meters is the development of new products and services for customers. The hourly usage available from smart meters permits EGSs to create products (typically, pricing options) that can better serve customers' needs. The hourly data also permits customers to make wiser decisions regarding investment in energy efficiency, conservation, and demand management which, thereby, supports the development of products in those markets. Websites and applications that are part of smart meter infrastructure are likely (through efforts like the Federal "Green Button" initiative) to support additional products and services. A handful of customers opting-out of having smart meters will result in those customers disadvantaging themselves, but will not have a deleterious effect on overall development of new products and services. A widespread opt-out could, potentially, slow or thwart the process of developing new products and services.
- It is the belief of PPL Electric, that it and other utilities already protect customer data in ways that make the additional protection proposed in HB 2186 unnecessary.

- With regard to HB 2188, the Company believes it may be important to understand the reasons customers may want to opt-out. If it is a concern regarding the availability of private information, I believe, as I stated earlier, that utilities do a more than adequate job of protecting individuals' information. If it is a health concern regarding radio frequency communications with smart meters, that really is not an issue with PPL Electric's system which uses the power lines themselves for communication to residential meters. Finally, if it is a concern regarding extra costs, PPL Electric's deployment to date is expected, over its life, to actually save customers more than it will cost them so that, all other things being equal, rates will actually be lower than they would otherwise be. As to future enhancements and their affect on rates, the Company's Commission-approved plan is committed to assessing the cost effectiveness of each enhancement under consideration. Accordingly, the Company believes that the protections offered by HB 2188 are unnecessary for its customers and could, in fact, be detrimental to achieving the public policy objectives I discussed earlier.
- Thank you again for this opportunity and for your attention. I look forward to responding to any questions you may have at the appropriate time.