

1 cost-influencing factors related to AMI are based upon these broader capabilities
2 of an AMI system. Because an AMI system goes far beyond the basic functionality
3 of a legacy meter, the costs and benefits will no longer be as strongly correlated
4 with the number of customers or accounts.

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6 Q. You mentioned that you reviewed Commission decisions pertaining to AMI cost
7 allocation in another state. Can you discuss your findings?

8 A. The Maryland Public Service Commission approved a “hybrid” AMI cost
9 allocation approach back in 2016.¹²⁶ The hybrid approach allocation percentages
10 proposed have varied depending on the facts presented in the utility rate case. In
11 one utility rate case, Case 9418, the Maryland Public Service Commission
12 adopted a hybrid approach which allocates 75% of the AMI meter cost on the
13 basis of energy and demand allocators (37.5% energy, 37.5% demand) and the
14 remaining costs as customer-related.¹²⁷ This approach was recommended by
15 Maryland Public Service Commission Staff witness Dr. Norman.¹²⁸ The
16 Commission adopted Dr. Norman’s approach, noting “(w)e believe Ms.
17 Norman’s hybrid approach most fairly spreads the costs and related benefits of

¹²⁶ Pub. Serv. Comm’n of Md., Case 9418, In the Matter of the Application of Potomac Electric Power Company for Adjustments to its Retail Rates for the Distribution of Electric Energy, Order No. 87884, at 106 (Nov. 15, 2016) (Order No. 87884). Maryland Public Service Commission declined to revisit the hybrid allocation methodology in a subsequent rate case for the same utility, in Case 9443, In the Matter of the Application of Potomac Electric Power Company for Adjustments to its Retail Rates for the Distribution of Electric Energy, Errata Order No. 88432, at 116–17 (Oct. 27, 2017) (rehearing denied, Order No. 89124, May 10, 2019) (Md. Order No. 88432)).

¹²⁷ Order No. 87884 at 105-106; see also Case No. 9418, In the Matter of the Application of Potomac Electric Power Company for Adjustments to its Retail Adjustments to its Retail Rates for Distribution of Electric Energy, *Direct Testimony and Exhibits of C. Shelley Norman, Ph.D. on behalf of the Staff of the Public Service Commission of Maryland*, at 23 (July 6, 2016) (Norman Direct Testimony).

¹²⁸ Norman Direct Testimony, at 21-23.

1 AMI throughout the Pepco service territory.”¹²⁹ In direct testimony, the expert
2 noted that if AMI meters are used for load shaping and conservation programs,
3 these costs should be classified as such:

4 The NARUC cost allocation manual offers an
5 analogous argument in the context of customer service
6 and informational expenses, noting that “these
7 programs should be classified according to program
8 goals. For example, a load management program...is
9 designed to save generation during peak hours. **This**
10 **program could be classified as generation-related**
11 **and allocated on the basis of peak demand....** The
12 goal of other conservation programs may be to save
13 electricity on an annual basis. **These costs could be**
14 **classified as generation-related and allocated on**
15 **the basis of energy usage.”** Similarly, to the extent
16 that the incremental costs of AMI meters are incurred
17 to support load shaping and conservation programs
18 and goals they could be classified and allocated
19 accordingly. (citations omitted) (emphasis added).¹³⁰
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21 In case 9443, a subsequent rate case for the same utility, a party challenged the
22 Commission’s decision to apply the hybrid methodology to the AMI meter costs
23 and the Commission issued an Order denying this petition for rehearing.¹³¹ This
24 example is instructive. The Maryland example shows that it is possible to adopt
25 and implement a methodology that is more narrowly tailored to customer benefits
26 and thus more equitably distributes costs. This concept should be reviewed and
27 considered in these rate proceedings.
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¹²⁹Md. Order No. 87884, at 106.

¹³⁰ Norman Direct Testimony, at 20.

¹³¹ in Case 9443, In the Matter of the Application of Potomac Electric Power Company for Adjustments to its Retail Rates for the Distribution of Electric Energy, Errata Order No. 88432, at 116–17 (Oct. 27, 2017) (rehearing denied, Order No. 89124, May 10, 2019 at 6 (“Accordingly, the Commission denies AOBA’s Petition for Rehearing on the issue of AMI meter cost allocation.”)).