



June 15, 2009

Hon. Jaclyn A. Brillling
Secretary
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350

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ENERGY

Re: Case 09-M-0074 - In the Matter of Advanced Metering Infrastructure

Dear Secretary Brillling:

Central Hudson Gas & Electric Corporation (Central Hudson" or the "Company") welcomes the opportunity to comment on the DPS Staff April 14, 2009 "Proposed Framework for the Benefit-Cost Analysis of Advanced Metering Infrastructure" ("Proposal").

The Staff Proposal

Staff proposes that three "scenarios"¹ be analyzed through the use of three primary "metrics"² and that the analyses be done

¹ Proposal at 3.

² Proposal at 1. The three primary metrics are the TRC test, the TRC test plus carbon and the rate impact test.



separately for electric and gas services.³ Staff also specifies eighty-two common categories of costs⁴ and forty-two common categories of benefits⁵ (with benefits grouped into four "major categories").⁶ Staff proposes to rank the sources of cost inputs using a five-tier scale⁷ and the sources of benefits inputs using a six-tier scale.⁸ Five common "analysis parameters" are proposed.⁹ In addition, utility analyses of "rate choices" are also proposed.¹⁰

Central Hudson Comments

1) The Commission Should Clarify that the Staff Proposal is Not Applicable to Central Hudson's Pending Pilot Proposal.

As directed by the Commission in its February 13, 2009 Order Adopting Minimum Functional Requirements For Advanced Metering Infrastructure Systems And Initiating An Inquiry Into Benefit-Cost Methodologies ("Functional Requirements Order"),

³ Proposal at 1.

⁴ Proposal at 4.

⁵ Proposal at 6-12.

⁶ Proposal at 6.

⁷ Proposal at 6.

⁸ Proposal at 12.

⁹ Proposal at 13.

¹⁰ Proposal at 13-14.



Central Hudson submitted a revised AMI Pilot proposal on April 14, 2009. The Commission's Order (Ordering paragraph 2, at page 22) states that Central Hudson was not required to file revised cost-benefit analyses. Accordingly, the Commission should clarify that its review of Central Hudson's pending AMI Pilot Proposal will not be based on its determinations concerning the present Staff Proposal.

2) The Staff Proposal Should be Temporarily Deferred.

In the very near future, federal cost-benefit analysis requirements referred to in the recent Notice of Intent for the Investment Grant Funding will be specified. In addition, the Funding Opportunity Announcement for Demonstration Grant Funding outlines that there will be a dedicated federal government group that will work with the funding recipient to develop the federal Cost Benefit Analysis methodology. It is anticipated that the official Funding Opportunity Announcements due to be released on June 17, 2009 will include much more detail.

Since it will be advantageous to New York ratepayers for New York utilities to be provided with federal funding for AMI/Smart Grid projects, Central Hudson suggests that Staff temporarily defer its present Proposal and, in the meantime,



work with the utilities to develop proposals for federal funding that meet the federal C/B (and other) requirements. The experience gained in that effort should then inform a revised Staff Proposal.

3) The Staff Proposal's Framework is Incomplete.

The "framework" specified in the Staff Proposal describes data sources, studies, and calculations to be developed by utilities, but does not specify how the information developed will be employed. The absence of descriptions of the fashions in which information called for in the Staff Proposal will be analyzed makes it necessary to draw inferences to fully understand the Staff Proposal.

For example, the Staff Proposal specifically requires the categorization of cost inputs into one of five categories and of benefit inputs into one of six categories,¹¹ but does not describe whether or how the differences among the categories will be employed in the review of information that utilities develop. Will the rankings for the input data be used in the evaluations? And in what fashion? Central Hudson has inferred

¹¹ See notes 7 and 8, supra.



that Staff may intend to employ a scaling system (ranking C1 through C5 and B1 through B6 with a corresponding point score and using a calculated "score" to weight the TRC and other criteria in some as yet unspecified fashion).

Such a ranking system would seemingly be intended to provide an indication of "confidence" in relation to the estimation of the TRC and other criteria. If so, it is not a good indicator because the real issue is the accuracy of the utility estimate compared to the actual, and the inferred ranking system would only provide an indirect and assumed correlation to the accuracy of the utility's estimate.

If this inference is correct, Central Hudson is concerned that utilities that have already been permitted funding by the Commission for AMR or AMI activities will have apparent advantages in comparisons across utilities, and that those apparent advantages will not necessarily be reflective of the true merits of the individual utility proposals. For example, it is feasible for Central Hudson to utilize data developed by Grid or ConEd (for example) to estimate a particular benefit parameter for the Central Hudson system and for that estimate to be just as accurate as an estimate derived from a Central Hudson-specific study on its own system. Utilities that have



not received Commission funding to develop territory-specific inputs should not be prejudiced.

4) The Fashion In Which Combination Company AMI Programs Are to Be Developed and Evaluated Should Be Clarified.

The Staff Proposal does not expressly state how AMI programs by electric and gas combination companies will be analyzed, and this absence leads to the inference that Staff's Proposal would treat the electric-related and the gas-related aspects separately. Separate evaluation is also implied by the separate electric and gas rate tests incorporated into the Proposal.

Analytically, it is not necessarily incorrect to treat the electric and gas aspects separately, but Central Hudson suggests that there are two factors requiring consideration. First, it will be necessary to apportion jointly incurred meter reading and related costs into electric and gas related components. This is not necessarily an impediment, but utilities may well have different rate allocation practices that may affect the results. Since the costs recognized for AMI benefit/cost analysis purposes should correspond to those recognized for ratemaking purposes, these differences may produce differences



in indicated B/C results and this potential for differences should be recognized. The alternative of performing TRC and TRCplusC tests on a company basis, and the rate impact tests on a separate service basis, warrants consideration. Second, the absence of any guidance on how the separate electric and gas treatment should occur makes it unlikely that the basic objective of "greater consistency"¹² will be achieved. To achieve a more consistent approach across utility submissions, if separate line of service analyses are required, Central Hudson suggests that combination company full-scale AMI deployments assume electric deployment as the "baseline" and gas deployment as an incremental analysis to the electric deployment.

5) The Commission Must Recognize Central Hudson's Unique Two-Month Billing Cycle.

The Staff Proposal requires the development of sufficient reliable information to quantify a "full scale AMI scenario" and a "full scale AMR plus" scenario,¹³ which, presumably, will compete against the "business as usual" scenario and against each other. An evaluation of these three scenarios for Central

¹² Functional Requirements Order at 21; Proposal at 1.

¹³ Proposal at 3.



Hudson (on a stand-alone basis as Central Hudson) does not require any specific caveat (since Central Hudson will employ consistent assumptions in its analyses), but any comparisons across utilities does require a specific caveat to recognize the fact that Central Hudson's calculations will necessarily be based upon its bi-monthly meter reading and billing practices. Therefore, the TRC and other criteria values calculated by Central Hudson will not necessarily be comparable to criteria values calculated by utilities with monthly meter reading and billing practices.

6) Staff's Proposal to Alter EEPS Working Group III's Consensus on Dynamic Pricing.

In Section 5 of its Proposal, Staff seeks to alter (without any stated reason) a consensus position achieved in RPS Working group III that "[i]f an ESCO customer's electric usage is measured by hourly meters, then the ESCO needs to be billed on their customer's actual load shape instead of a class average load shape."

Central Hudson does not agree with Staff's description of this statement as a mere "suggestion"¹⁴ and Staff has not

¹⁴ Proposal at 14.



presented any reason to justify its rejection of the consensus proposition.

The position taken in Staff's Proposal shifts to other parties the onus to refute a proposition Staff never justified in the first instance - the rejection of the WG III consensus. The responsibility to refute Staff's position should not be shifted to other parties until such time as Staff presents adequate reasons for its proposal and it has not presented any reasons in its Proposal. Therefore, this portion of Staff's Proposal is premature. Moreover, the concept advanced by Staff is inconsistent with a foundational premise of AMI, namely that providing actual time-differentiated usage information will induce customers to make proper time and price sensitive usage decisions.

It seems likely that any customer (or ESCO) with a load shape having higher on peak usage than the system or class average would select the average and any customer with usage less than the average would select its individual shape. This means a significant potential for a non-cost based shift in the number of billing units that will be disruptive to rate making and utility collections alike.



Finally, it is unclear whether the Staff Proposal has assumed that the utility has already developed individual ESCO customer load shapes, whether the Staff proposal assumes that the utility will develop them upon request of the customer (or ESCO) and who will pay for the incremental work. It is noted that a recent Commission Order related to the competitive markets seems to imply that such competitive costs should be borne by ESCOs.

7) Comments on Proposed Benefit Categories.

a) Categories 18, 20 and 24 Overlap or Are Duplicative.

The descriptions of benefit categories 18, 20 and 24 overlap or are duplicative as set forth in the Staff Proposal. If these are believed to represent truly separate and distinct "benefits," additional criteria are required to define each and to avoid duplication.

b) Category 19.

As set forth, it is unclear whether the intent is that there be a separate TRC test for "energy information," or that the benefits and costs of "energy information" be included in the overall TRC analysis.

c) Categories 3, 4 and 13.



It is not clear why the costs and benefits of the reduction in broken meters/thefts/meter failures due to supplanting electro-mechanical meters with solid state replacements incrementally above "business as usual" as a result of a full-scale AMI or AMR deployment would not be included in the TRC test. Some criteria to guide the apportionment between categories 13 and 4 would be useful.

d) Category 14.

This category apparently refers to the one-time on-site visit to install the new meter. While it is accurate to state that this occasion presents an opportunity to view the meter installation and associated conditions, and this "benefit" is a result of being at the meter site to install an AMI/AMR meter, the one-time benefit is offset by the future reduction in visits to meter installations expected by AMI/AMR. Therefore, it is unclear that it is proper to count this as a "benefit."

e) Category 23.

The implementation of "dynamic rates" will require consideration in utility rate cases to assure proper matching of forecasts to expected usage and revenues, and new rate true-up mechanisms may be required.



f) Category 25.

Any significant scale effects of AMI on consumption reductions will need to be incorporated into utility rate case forecasts, so it is not clear that cost savings from a system-wide basis will be produced that would be appropriate to recognize in a rate impact test. Total distribution utility costs to serve may not be reduced, but shifted from one customer to another as usage patterns change.

g) Category 28.

The Statement in the Proposal at 10 ("the increased load management participation and associated peak load reduction will generally help to defer T&D work over the long run") is not necessarily correct. It is more accurate to state that increased load management participation that reduces peak loads may be sufficient to help defer T&D expansions or replacements for some period of time.

h) Category 39.

A decrease in generating unit emission of pollutants is not achieved by a reduction in peak load unless that on-peak reduction does not reappear as increased load in a different time period. In other words, the distinction between displacing



load from one time period to another one and the permanent avoidance of load must be recognized.

i) Categories 40-43.

The Staff proposal is not correct in stating that the three benefits described are "only achievable if all utilities adopt an AMI system." The adoption of AMI by NY utilities is a necessary but not sufficient condition. That adoption by all NY utilities and institutional changes by the NYISO are both required and it is not realistic to assume the benefits identified absent institutional changes by the NYISO to achieve more prompt settlements.

8) Public Data Networks

Benefits of AMI derive from the integration of enhanced capabilities into the utility's systems for operation, billing, etc. The potential use of public data networks to communicate AMI data to the utility was raised in a question during the June 1, 2009 technical Conference. Central Hudson has explored the idea of public data networks, however, the utility's chosen network technology while having the ability to utilize existing infrastructure such as "dark fiber" or digital cellular communication, does not require it. The communication platform has the ability to travel wirelessly via radio frequency, thus



eliminating a data conversion and infrastructure link, and avoiding the public data transmission costs and any associated risk with using non-utility owned infrastructure.

Conclusion

Central Hudson appreciates this opportunity to share its views and suggestions for consideration by Staff and the Commission. Please contact Eric Kiszkiel should there be any questions concerning these comments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Denise Doring VanBuren". The signature is fluid and cursive.

Denise Doring VanBuren

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