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**Sara Schoenwetter**  
Assistant General Counsel

June 15, 2009

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

RE: Case 09-M-0074 Proposed Framework for the Benefit-Cost  
Analysis of Advanced Metering Infrastructure

Dear Secretary Brillling:

Enclosed please find an original and one copy of the Comments of Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. on DPS Staff's "Proposed Framework for the Benefit-Cost Analysis of Advanced Metering Infrastructure," which is the subject of the Notice Seeking Comment issued April 14, 2009 in this proceeding.

These comments are being served by email on all active parties in this proceeding and on your office.

Sincerely,

c: Active Parties List

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STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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

COMMENTS OF CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. AND  
ORANGE AND ROCKLAND UTILITIES, INC ON PROPOSED FRAMEWORK FOR  
AMI BENEFIT-COST ANALYSIS

By a Notice Seeking Comment, issued April 14, 2009, in this proceeding, the Public Service Commission noticed for comment DPS Staff's "Proposed Framework for the Benefit-Cost Analysis of Advanced Metering Infrastructure" ("Proposed Framework"). Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. offer their comments on this Proposed Framework.

**There can be no stand-alone electric Total Resource Cost test.**

Staff's proposal would have the Commission direct utilities to conduct four tests of cost-effectiveness on their AMI proposals: Total Resource Cost Test's Benefit-Cost Ratio; Electric Rate Impact; Total Resource Cost Test's Benefit Cost Ratio, with Carbon Externality Added; and Gas Rate Impact. These tests, which were designed to help the Commission evaluate single-service proposals of energy efficiency programs, were among those adopted by the Commission in Case 07-M-0548, Energy Efficiency Portfolio Standard, Order Establishing Energy Efficiency Portfolio Standard and Approving Programs (June 23, 2008), App. 3.

AMI is not a single-service program. Moreover, while an AMI system may provide benefits for society and electric service customers, the costs of the AMI system cannot readily be broken down between those costs providing electric operational savings and gas operational savings or those costs associated with other benefits. For example, for a dual-service utility, the

meter reading function must necessarily encompass the reading of both electric and gas meters. Unless the utility's gas meters are equipped with communications modules and automated gas meter reading is integrated into the automatic electric meter reading functions of an AMI system, the utility will experience few if any operational savings from meter reading and meter reading infrastructure costs. Because meter reading is the bulk of the utility's projected operational savings, the prospect of evaluating the total resource costs for AMI from an electric-only perspective is neither sufficient nor appropriate. Similarly, customer contacts regarding estimated meter readings cannot be disaggregated into calls regarding estimated electric charges and calls regarding estimated gas charges. A dual-service customer will receive estimated charges for each service when the utility cannot read a dual-service customer's meters.

Because gas and electric meter reading activities and meter reading infrastructure are part of a single utility activity, distinguishing which part of AMI system costs should be compared with electric system and related benefits will be extremely problematic. Put another way, AMI system costs and utility operational savings are not well differentiable between gas service and electric service. It would be unreasonable to claim that the only part of AMI system costs that is not related to electric service is the cost of gas communications modules because some indivisible part of the entire meter reading infrastructure serves the needs of the gas system as well. And, in fact, the focus of the non-operational benefits AMI is expected to produce is the impact of additional information and new rate programs facilitated by AMI on customer behavior with respect to electric energy efficiency and electric demand response. For these reasons, the costs and benefits of an AMI system should be considered in two portions: first, for those AMI system costs equal to, and that can be offset by, total operational savings and, second,

for those AMI system costs that exceed operational savings, the justification for which will be attributable only to electric service programs.

Therefore, that portion of the overall AMI system costs that can be offset by overall company operational savings should not be considered in a Total Resource Cost (“TRC”) test. Separate Rate Impact tests may be conducted for the two services but should only take into account any incremental working capital requirements over the analysis period for the portion of the total costs expected to be met by operational savings, each allocated on the same basis as costs are allocated by the utility in its rate cases.

**The Total Resource Cost test should be simplified.**

Careful review of the benefit categories to be included in the TRC test demonstrates that many of the benefit categories will yield no useful information because the benefits are hard to quantify, are subject only to qualitative (and perhaps not reliable) analysis or are illusory or lack historic data for comparison purposes to make them meaningful in the analytic scheme laid out in the Notice. Utilities should not have to consider these benefit categories and justify the calculation of benefits in these categories. The benefits calculated in the other, quantifiable benefit categories will be more credible than the hypothetical or speculative benefits in these categories. In consequence, because the resulting benefit-cost ratio will be conservative, any Commission decision on that basis would be founded on a solid and quantifiable basis. This simplified test should provide adequate results for the Commission’s consideration of a utility’s AMI proposal, whether the TRC benefit-cost ratio merely exceeds 1.0 or is higher.

Examples of benefit categories that should be dropped from the exercise because they are subject only to qualitative analysis are, but are not limited to, 18 Customized billing data, 19 Energy information, 20 Enhanced billing, 22 Online bill presentment, and 24 Value to customers

of more timely and accurate bills. Examples of benefit categories for which no historic data exists are 3 with respect to the identification of broken meters and wrong multipliers, and 4 Identification of energy theft. Examples of benefit categories where the benefits will be hard to quantify are 5, 12 and 15 with respect to billing accuracy.

The list of benefits mentions outage management (7) but does not mention Smart Grid functions, including power quality monitoring and VAR measurement, that may be facilitated by the enhanced communications system and other system components installed in connection with the AMI system. However, any attempt to quantify these benefits would be speculative.

Other benefits require further investment to be realized or would require the utility or customer to incur additional costs or reduce utility revenue. For instance, benefit category 9 Remote service connect would require the utility to install a service switch in the AMI meter at an incremental cost to the cost of the meter. The description of benefit category 19 Energy information would have the customer's energy savings deducted from the device cost with the net used in the TRC test. Although not to be included in the TRC test, benefit category 23 describes the classic "free-rider" who switches to an optional rate thereby lowering his or her bills without changing energy usage in any way, thus merely reducing the utility's revenues and resulting in lost revenue.

**The Total Resource Cost test should address only costs in excess of those met by operational savings.**

The Commission's December 2007 order on Con Edison's and Orange and Rockland's AMI Plan did not express concern about the Companies' analysis of their projected costs or operational savings, only about the societal benefits that were difficult to establish. If the Companies are permitted to conduct their pilot projects, they expect to develop some of the data necessary to quantify the societal benefits of AMI. The Companies propose to test only those

costs in excess of their projected operational savings because of the difficulty of assigning AMI system costs to electric or gas operations with sufficient accuracy to make a comparison of benefits related to electric service meaningful. At its most simplistic, the utility would subtract its operational benefits from its total costs and perform the TRC test only on the remaining costs and non-operational benefits in aggregate.

### **Rate choices**

The Commission should reject Staff's recommendation that ESCOs be allowed to choose whether the TO reports hourly data to the NYISO for any of the ESCO's customers based on hourly data collected by an AMI meter or applies a load shape to determine hourly usage. If hourly data are available for a customer, the TO should report hourly data to the NYISO. First, requiring the TO to aggregate the data and then apply a load shape is an unnecessary administrative step if the TO has hourly data, which the AMI meter will provide, whether or not the customer is billed on an hourly basis. Second, such an ESCO choice could be used to game the information provided to the NYISO, with customers having more metered usage in higher priced hours than the load profile reported on the basis of load shapes and customers with less metered usage in higher priced hours than the load profile reported on an hourly basis.

### **Other comments**

In benefit category 19 Energy Information, the description of the benefit avers that a TRC test would net the cost of energy saved against the cost of an in-home device that displays energy information. Such a computation would defeat the purpose of the TRC test to develop a benefit-cost ratio.

Many of the benefits projected for AMI are not directly derived from the AMI system but from the information produced by that system and the actions taken by customers or the utility to

control the customer's electricity use. Attributing the resulting benefits to AMI ignores the fact that the same information can be made available to the customer in other ways.

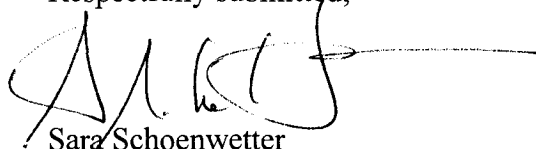
When AMI meters with service switches are installed, the time will have come when the Commission should reconsider the requirements of HEFPA with respect to the use of that service switch to disconnect service and in prepayment arrangements.

**Conclusion**

The Companies respectfully request that the Commission reflect their comments in the benefit-cost analysis framework adopted for use in reviewing their advanced metering infrastructure proposals.

Dated: June 15, 2009  
New York, NY

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Sara Schoenwetter', with a long horizontal line extending to the right.

Sara Schoenwetter

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