

November 14, 2019

VIA ELECTRONIC FILING

Hon. Michelle L. Phillips
Acting Secretary to the Commission
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 17-E-0238 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric Service

Case 17-G-0239 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Gas Service

Dear Acting Secretary Phillips:

Multiple Intervenors¹ hereby submits these comments for filing in the above-referenced proceedings in response to the *Notice Soliciting Comments*, issued by the New York State Public Service Commission (“Commission”) on September 30, 2019 (“Notice”). The Notice solicited comments on Niagara Mohawk Power Corporation d/b/a National Grid’s (“Niagara Mohawk”) *Supplement to the Report of Niagara Mohawk Power Corporation d/b/a National Grid on the Proposed Implementation of Advanced Metering Infrastructure* (“Supplement”), filed on September 4, 2019.

Niagara Mohawk’s Supplement claims that the case for Advanced Metering Infrastructure (“AMI”) deployment has become stronger since the initial filing of its *Report of Niagara Mohawk Power Corporation d/b/a National Grid on the Proposed Implementation of Advanced Metering Infrastructure* (“Report”) due to several factors. The Company claims that the dollar figures for

¹ Multiple Intervenors is an unincorporated association of approximately 60 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, including the electric and gas service territories of Niagara Mohawk.

the business case have improved due to vendor pricing decreases and identification of additional benefits of deploying AMI. The modifications to Niagara Mohawk's benefit-cost analysis ("BCA") to incorporate such updates results in ratios of 1.36 for the New York-only opt-out scenario and 1.23 for the opt-in scenario for territory-wide deployment of AMI, which is marginally better than the respective 1.15 and 1.02 BCA values presented in the Report.

The Supplement does not fundamentally alter Niagara Mohawk's proposed AMI implementation plan and business case. While the BCA ratios are modestly improved through the incorporation of additional benefits, Multiple Intervenors continues to assert concerns regarding the quantification of benefits and costs related to the proposed implementation of AMI, as it requires numerous subjective assumptions that may – or may not – turn out to be accurate. As previously noted in response to the Report, the BCA ratios attributed to AMI rely on a host of assumptions that require more than a fair amount of speculation. When the margins between AMI being cost-effective or uneconomic are already very thin, the assumptions underlying the BCA are that much more critical. Multiple Intervenors submits that despite the Supplement, it is still unclear whether the implementation of AMI is in the public interest at this time.

An ancillary issue raised by Niagara Mohawk in its Supplement in support of deployment of AMI is the passage of the Climate Leadership and Community Protection Act ("CLCPA"), and the need for smart meters to implement/achieve State policy mandates (*e.g.*, 70% renewables by 2030 and 100% zero-emission electric generation by 2040). While cognizant of the mandates set forth in the CLCPA, Multiple Intervenors submits that the decision as to whether or not AMI is implemented should turn on the record developed, including the costs to customers, and not references to that statute. For instance, there is no evidence to suggest that New York's compliance with the CLCPA will turn on, or even be effected by, whether or not Niagara Mohawk implements AMI in 2020. Indeed, environmental benefits attributed to AMI, which are highly speculative, already are reflected in the BCA.

In the interest of brevity, Multiple Intervenors will not restate the positions advanced in its initial comments filed on the Report on March 4, 2019, a copy of which are attached hereto for convenience as "Attachment 1."² However, Multiple Intervenors submits that such comments and positions are equally applicable to the arguments included in the Supplement and incorporates them herein by reference.

² Cases 17-E-0238 *et al.*, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric Service*, Comments of Multiple Intervenors on Report Of Niagara Mohawk Power Corporation d/b/a National Grid on the Proposed Implementation of Advanced Metering Infrastructure (filed March 4, 2019).

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Accordingly, Multiple Intervenors respectfully requests that the Commission adopt the positions set forth herein and in its March 4, 2019 comments on the Report.

Respectfully submitted,

COUCH WHITE, LLP

Amanda De Vito Trinsey

Amanda De Vito Trinsey
Counsel to Multiple Intervenors

Attachment

cc: Active Parties (via e-mail w/att.)

ATTACHMENT 1

March 4, 2019

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Cases 17-E-0238 and 17-G-0239 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric and Gas Service

Dear Secretary Burgess:

Pursuant to the Notice of Proposed Rulemaking issued in the January 2, 2019 edition of the *New York State Register* (I.D. No. PSC-01-19-00004-P), Multiple Intervenors hereby submits for filing in the above-referenced proceeding the attached Comments of Multiple Intervenors on Report of Niagara Mohawk Power Corporation d/b/a National Grid on the Proposed Implementation of Advanced Metering Infrastructure. Copies of the attached Comments are being served herewith on the active parties to this proceeding.

Respectfully submitted,

COUCH WHITE, LLP

Michael B. Mager

Michael B. Mager

MBM/dap
Attachment

cc: Active Parties (via E-Mail; w/Attachment)
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**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of Niagara
Mohawk Power Corporation d/b/a National Grid for
Electric Service**

Case 17-E-0238

**Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of Niagara
Mohawk Power Corporation d/b/a National Grid for
Gas Service**

Case 17-G-0239

**COMMENTS OF MULTIPLE INTERVENORS ON
REPORT OF NIAGARA MOHAWK POWER
CORPORATION D/B/A NATIONAL GRID
ON THE PROPOSED IMPLEMENTATION OF
ADVANCED METERING INFRASTRUCTURE**

Dated: March 4, 2019

**COUCH WHITE, LLP
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PRELIMINARY STATEMENT

Pursuant to the Notice of Proposed Rulemaking, issued in the January 2, 2019 edition of the *New York State Register* (I.D. No. PSC-01-19-00004-P), Multiple Intervenors hereby submits these Comments to the New York State Public Service Commission (“Commission”) in response to the *Report of Niagara Mohawk Power Corporation d/b/a National Grid on the Proposed Implementation of Advanced Metering Infrastructure* (“Report”), which was filed on November 15, 2018 in Cases 17-E-0238 and 17-G-0239.¹ Multiple Intervenors is an unincorporated association of approximately 60 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, including the electric and gas service territories of Niagara Mohawk Power Corporation d/b/a National Grid (“Niagara Mohawk” or the “Company”). Multiple Intervenors (i) is an active party in Cases 17-E-0238 and 17-G-0239, (ii) was a signatory to the Joint Proposal that was negotiated, filed and subsequently adopted therein by the Commission,² and (iii) has been an active participant in the collaborative process conducted related to Advanced Metering Infrastructure (“AMI”) issues, including whether – and, if so, how – AMI should be implemented by Niagara Mohawk at this time.

Initially, Multiple Intervenors has no objections to AMI, in concept. Depending upon its implementation, and the level of customer response, AMI is capable of providing, or facilitating the realization of, certain benefits. In at least some respects, AMI represents one or

¹ Cases 17-E-0238 and 17-G-0239, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric and Gas Service*.

² See Cases 17-E-0238 and 17-G-0239, *supra*, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans (issued March 15, 2018) (“Rate Plans Order”); see also, *id.*, Joint Proposal (dated and filed January 19, 2018) (“Joint Proposal”).

more technological advancements that, at some point in time, is likely to represent the norm for utility service throughout the United States. That stated, system-wide AMI is a very-expensive undertaking, and would impose substantial costs on customers offsetting some, most, or possibly all, of the anticipated benefits. For this reason, Niagara Mohawk's proposed implementation of AMI across its electric and gas service territories needs to be evaluated carefully and critically by the Commission. Moreover, such evaluation should focus not only on whether AMI truly is cost-effective, but also the extent to which customers can afford it at this time given the numerous other, expensive policy initiatives underway currently and announced recently. As Multiple Intervenors has advocated repeatedly, even if certain individual expense items potentially can be justified in isolation, they still should be examined in the context of all other cost pressures being imposed on customers.

Multiple Intervenors perceives limited benefits for its members as a result of Niagara Mohawk's proposed implementation of AMI. Large non-residential customers already are served by advanced meters, and the vast majority of the improved functionality and the benefits associated with AMI relate to mass market customers, including, but not limited to, their potential responses to more accurate price signals. If, *arguendo*, the Commission authorizes Niagara Mohawk to implement AMI across its electric and gas service territories, it is critically important that the associated costs be allocated equitably, based on cost-of-service principles, to the Company's various service classes. In this regard, Multiple Intervenors supports the cost allocation developed by Niagara Mohawk based, in part, on feedback from other parties in the collaborative process. In Multiple Intervenors' opinion, given the magnitude of costs at stake here, the allocation of costs associated with AMI should be considered part-and-parcel of any decision as to whether AMI should be implemented.

Finally, if AMI is implemented, cost recovery within individual service classes – or at least the large non-residential classes – also should be in accord with cost-of-service principles. Multiple Intervenors contends that while the Report does a commendable job addressing many of the issues related to the proposed implementation of AMI, including cost allocation, it does not address intraclass cost recovery with adequate specificity.³

Following a summary of the relevant facts, Multiple Intervenors' Comments are organized into three points. Point I addresses the issue of whether AMI should be implemented at this time, including Multiple Intervenors' concerns with respect thereto. Point II addresses Multiple Intervenors' support for the proposed allocation of costs associated with AMI. Point III addresses how AMI-related costs, if incurred, should be recovered post-allocation from individual large non-residential customers.

RELEVANT FACTS

A. The Joint Proposal

Niagara Mohawk's proposal to implement AMI throughout its electric and gas service territories was contested in its most recent rate proceeding. As a product of extensive settlement negotiations, the Company agreed to update its AMI business plan and conduct a collaborative process on AMI issues.⁴ Importantly, the collective decision to collaborate further on such issues (*i.e.*, beyond that which occurred during the negotiations) was not based on an

³ Multiple Intervenors' positions advanced herein with respect to cost recovery are limited to large non-residential service classes. Multiple Intervenors advocates no position herein with respect to how AMI-related costs, if incurred and allocated equitably, should be recovered within residential and small non-residential service classes.

⁴ Cases 17-E-0238 and 17-G-0239, *supra*, Joint Proposal at § 15.4.

agreement or any shared assumption that AMI implementation, as proposed by Niagara Mohawk, would be approved by the Commission, either now or at some specific time in the future. Rather, the Signatory Parties provided explicitly in the Joint Proposal that: “Interested parties may ... challenge any recommendation to proceed with AMI ... [and] the Commission will make a final determination on whether and how to implement AMI in the Company’s service territory.”⁵

The possible implementation of AMI by Niagara Mohawk raises numerous issues. Obviously, a threshold issue is whether Niagara Mohawk’s proposal to implement AMI should be adopted, modified, or rejected. From Multiple Intervenors’ perspective, if, *arguendo*, the Commission were to approve the Company’s proposal in whole or part, two additional issues requiring resolution are: (a) how the resulting AMI costs should be allocated amongst the various service classes; and (b) how said costs should be recovered from individual customers, or at least those in the large non-residential classes.⁶ In anticipation and/or furtherance of all AMI issues being resolved contemporaneously, the Joint Proposal specifies that the Report include, *inter alia*, proposals “for cost recovery of AMI and any associated activities associated with the implementation of AMI” and “to allocate AMI costs among customer service classifications.”⁷

B. The Commission’s Order

In its Rate Plans Order, the Commission noted that “[p]ublic comments overwhelmingly opposed implementation of AMI in the Company’s service territory,” and the

⁵ *Id.* at § 15.4(g). The Signatory Parties are identified on pages 1-2 of the Joint Proposal.

⁶ With respect to post-allocation cost recovery issues, Multiple Intervenors’ focus here is on large non-residential customer rate design; as indicated, *supra*, it advocates no positions with respect to residential and/or small non-residential rate design issues.

⁷ *Id.* at § 15.4(f).

Joint Proposal essentially called for Niagara Mohawk to “revise and complete development of its AMI Business Plan with input from all interested stakeholders”⁸ Based on the then-existing record, the Commission concluded that:

Given the uncertainties raised by the parties and public, we agree that the [Company’s AMI] proposal is not ready for Commission consideration at this time. Instead, we welcome the further development of this proposal through the parties’ collaborative efforts, as proposed by the JP.⁹

C. The Collaborative Process

The collaborative process was conducted as specified in the Joint Proposal. (See Report at 10-13 [summarizing the collaborative process].) Multiple Intervenors has no procedural concerns regarding the collaborative process. In its opinion, the discussions engaged therein were productive and informative, and Niagara Mohawk strived to be responsive to the interests and the concerns of other active participants therein, for which the Company should be commended.

D. The Projected Costs of AMI

Without question, the widespread implementation of AMI, as proposed by Niagara Mohawk, would result in certain improvements and increased functionality. Indeed, one can advance a compelling argument that a transition to AMI by electric and gas utilities nationwide, at some point in time, is inevitable. Multiple Intervenors possesses no theoretical objections to AMI, and is not seeking to delay unduly the implementation of technological improvements that would provide meaningful benefits to customers and the system in general. Rather, from Multiple Intervenors’ perspective, the issues before the Commission are more

⁸ Cases 17-E-0238 and 17-G-0239, *supra*, Rate Plans Order at 62.

⁹ *Id.*

nuanced, and can be summarized as follows: (a) whether the implementation of AMI across Niagara Mohawk's service territory in the near-term is in the public interest (*i.e.*, beneficial to customers); and (b) if answered in the affirmative, how AMI should best be implemented.

Whether a substantial investment in AMI at customer expense is in the public interest at this time necessitates an examination of the costs of the proposal, and a comparison of said costs to the projected benefits. Moreover, the costs of AMI should not be evaluated in a vacuum. For instance, the Joint Proposal, as approved by the Commission, provided for material electric and gas delivery rate increases and the AMI-related costs under consideration here would be incremental to those increases.¹⁰ Even more concerning to Multiple Intervenors, there also are numerous programs and initiatives being implemented – and a number of new or expanded initiatives were announced very recently – that already do, or would, impose material financial obligations on customers outside of base delivery rates in the coming years.¹¹

Niagara Mohawk indicates that its proposed implementation of AMI would cost \$657.4 million over 20 years on a net present value (“NPV”) basis. (Report at 15, and Ex. A at 47.) In terms of revenue requirement, the Company's AMI proposal would cost customers \$984.868 million over 20 years on a nominal basis (\$756.310 million electric and \$228.558

¹⁰ For example, pursuant to the approved Joint Proposal: (a) Niagara Mohawk's electric revenue requirement was increased by \$159.974 million, \$31.014 million, and \$49.801 million for the first, second, and third rate years, respectively; and (b) Niagara Mohawk's gas revenue requirement was increased by \$45.524 million, \$5.344 million, and \$9.951 million for the first, second, and third rate years, respectively. Cases 17-E-0238 and 17-G-0239, *supra*, Joint Proposal at § 2.1.

¹¹ Such programs and initiatives are discussed, *infra*, in Point I hereto.

million gas). (Report at 16.) Such amounts do not include additional performance-related incentives desired by Niagara Mohawk related to AMI implementation.¹²

E. The Projected Benefits of AMI

Niagara Mohawk has identified four broad, quantifiable, AMI benefit categories: (a) avoided meter costs; (b) avoided operation and maintenance (“O&M”) costs; (c) customer benefits; and (d) societal benefits. (Report at 21.)¹³ According to the Company, if TVP is implemented for mass market customers on an opt-out basis, AMI would produce \$752.87 million in benefits, over 20 years and on an NPV basis, producing a 1.15 benefit/cost (“B/C”) ratio under the Societal Cost Test (“SCT”). (Report at 21-22, Ex. A at 47.) If, on the other hand, TVP is implemented for mass market customers on an opt-in basis, the projected costs and benefits of Niagara Mohawk’s AMI proposal, on a 20-year NPV basis, would decline to \$637.69 million and \$650.62 million, respectively, producing a B/C ratio of 1.02 under the SCT. (Report at 22, Ex. A at 47.)

¹² In the Report, the Company discusses, *inter alia*, (i) that AMI would facilitate its efforts to recover rewards available under existing Earnings Adjustment Mechanisms (“EAMs”) that are funded by customers, (ii) its proposal to retain 20% of any AMI-related capital cost savings (versus the “full sanction estimate”) in excess of \$10 million, (iii) potential AMI-related platform service revenues that would be shared between Niagara Mohawk and customers, and (iv) performance incentives, other than EAMs (that presumably also would be funded by customers). (*Id.* at 18-20.)

¹³ Examples of customer benefits attributed to AMI implementation include: (a) reduced energy load from volt-VAR optimization; (b) customer behavior response to Company insights and alerts; (c) shifting customer consumption in response to time-varying pricing (“TVP”); and (d) avoided demand costs of customers charging electric vehicles during off-peak periods. *Id.*, Ex. A at 33. Societal benefits attributed to AMI implementation are reduced greenhouse gas emissions due to AMI-enabled (i) energy conservation, and (ii) reduced vehicle trips to read meters, connect and disconnect service, and investigate service anomalies. *Id.*, Ex. A at 34.

F. Cross-Jurisdictional Synergies

Niagara Mohawk's affiliates in Massachusetts and Rhode Island concurrently are seeking regulatory approvals to implement AMI in their respective jurisdictions. Upon information and belief, those approvals have not been granted to date. To the extent they are granted in the future, in New York and elsewhere, Niagara Mohawk and its affiliates propose to share AMI-related infrastructure and O&M costs across implementing companies. (Report at 27-28.) There should be no dispute that if, *arguendo*, AMI is implemented in multiple jurisdictions by Niagara Mohawk and its affiliates, certain cross-jurisdictional synergies would be realized, resulting in lower costs, and improved economics, for the Company's customers as compared to requiring them to fund 100% of all associated costs. Given the current absence of any regulatory approvals to implement AMI, however, Multiple Intervenors understands that the cost estimates for which Niagara Mohawk seeks approval to implement AMI do not reflect such potential synergy savings at this time.

G. Cost Allocation

Cost allocation was an integral issue addressed in the collaborative process. Given the magnitude of the proposed expenditures and related revenue requirement impacts, it was imperative that the Report address, with adequate specificity, not only how AMI-related costs would be allocated to Niagara Mohawk's respective businesses, but also to its various electric and gas service classes.

Generally speaking, Niagara Mohawk is proposing to allocate AMI-related costs consistent with its traditional cost-of-service allocation methodologies. (Report at 20.) For instance, meters associated with the proposed project would be allocated to electric and gas classes in a manner similar to how they are allocated in the Company's allocated cost-of-service

study (“ACOSS”). Consistent with the Joint Proposal, Niagara Mohawk also developed specific, granular allocators in a few areas, such as telecommunications, potential transformers (“PTs”), current transformers (“CTs”), and information systems (“IS”). (*Id.* at 20-21.) Importantly, where more refined allocators were developed, they are based on cost-causation principles.

The Report contains detailed information on the proposed cost allocation. (*Id.* at Ex. G.) Notably, as recognized by Niagara Mohawk, the cost allocation “is intended to provide certainty for customers regarding cost allocations associated with [the Company’s] proposal.” (*Id.* at 21.) As detailed, *infra*, Multiple Intervenors considers it essential that if, *arguendo*, the Commission approves Niagara Mohawk’s proposal to implement AMI throughout its electric and gas service territories, either whole or in part, that the specific cost allocation developed in the collaborative process be utilized for such purpose.

ARGUMENT

POINT I

IT IS UNCLEAR WHETHER THE IMPLEMENTATION OF AMI IS IN THE PUBLIC INTEREST AT THIS TIME

The decision whether the Commission should accept, modify or reject Niagara Mohawk’s proposal to implement AMI throughout its electric and gas service territories is difficult. On the one hand, Multiple Intervenors recognizes that AMI is a superior technology, and its implementation can produce, or facilitate the achievement of, certain benefits for customers. Multiple Intervenors also recognizes that the Company’s existing automated meter reading (“AMR”) technology may be nearing end-of-life conditions. (See Report at 5.) Importantly, however, it is not clear that Niagara Mohawk’s proposal truly is cost-effective, especially given present uncertainty as to the extent to which AMI capabilities – such as the

widespread implementation of TVP for mass market customers – would be utilized. Moreover, AMI would be an expensive undertaking, and Multiple Intervenors is very concerned about the cost of electricity and gas service in New York, especially given current and recently-announced initiatives that would be funded by captive customers, the costs of which are and will be enormous. Accordingly, it is not at all clear that the implementation of AMI would be in the public interest at this time.

The relative cost-effectiveness of AMI, at least in the Niagara Mohawk service territory, appears marginal. According to the Company's calculations, if TVP is implemented on an opt-out basis, AMI has a B/C ratio of 1.15 under the SCT utilizing an assumed six-year deployment and 20-year NPV term. (Report at 22 and Ex. A at 37.) If a 15-year NPV term is utilized, that B/C ratio falls to 1.03. (*Id.*, Ex. A at 37.)

It is not clear whether Niagara Mohawk would be authorized to implement TVP on an opt-out basis. Such authorization seemingly would represent a change in approach by the Commission, and most likely would be a controversial issue when decided. If Niagara Mohawk installs AMI as proposed, but only is authorized to implement TVP on an opt-in basis, the B/C ratio under the SCT is reduced down to 1.02, and would be under 1.0 (*i.e.*, 0.94) under a 15-year NPV term. Thus, the Commission should not rely on Niagara Mohawk's B/C ratio of 1.15 unless it is prepared to implement TVP on an opt-out basis.¹⁴

Additionally, the quantification of benefits and costs related to the proposed implementation of AMI requires numerous subjective assumptions that may – or may not – turn

¹⁴ To be clear, Multiple Intervenors advocates no position herein as to whether TVP should be implemented on an opt-out or opt-in basis for mass market customers if, *arguendo*, AMI is installed by Niagara Mohawk. Multiple Intervenors has no direct interest in the rate designs employed for mass market customers, except insofar as the approach that would be utilized impacts the B/C ratios most relevant to the evaluation of AMI.

out to be accurate. If, hypothetically, Niagara Mohawk's AMI proposal had a B/C ratio of 1.5 or higher, then a potential failure to realize all projected benefits likely would not place the relative cost-effectiveness of the undertaking in jeopardy. In this case, however, the margins between AMI being cost-effective or uneconomic are very thin, rendering the assumptions underlying the B/C ratios that much more critical.

Here, the B/C ratios attributed to AMI rely on a host of assumptions that require more than a fair amount of speculation. For instance, Niagara Mohawk estimates that as a result of installing AMI, customer behavior in response to energy insights and high-usage alerts would lead to \$122.94 million in benefits. (Report, Ex. A at 33.) Additionally, the Company estimates that AMI-enabled TVP rate structures would lead to customer responses producing \$137.54 million in benefits. (*Id.*) Niagara Mohawk also is claiming \$61.94 million in benefits from reduced greenhouse gas emissions due to the implementation of AMI. (*Id.* at 34.) Some or all of these estimates – or other estimates embodied in the B/C analyses – could turn out to be overstated, causing the B/C ratio to fall below 1.0 and rendering AMI uneconomic. Although several New York utilities, including Niagara Mohawk, have undertaken pilot projects to measure, *inter alia*, customer response to more accurate price signals, it is not clear whether such projects are sufficiently mature to lend greater certainty to the Company's assumptions.¹⁵

¹⁵ Multiple Intervenors has participated actively in the collaborative process and has familiarized itself with Niagara Mohawk's B/C analyses. The Company also has been forthcoming about how such analyses were undertaken and responded to numerous inquiries regarding same by Multiple Intervenors and other parties. That stated, Multiple Intervenors does not have the resources to verify, or contest, the multitude of individual assumptions and calculations that underlie such analyses. To a large extent, Multiple Intervenors, and presumably other parties, are relying upon Staff to conduct a thorough evaluation of Niagara Mohawk's B/C analyses and opine definitively as to whether AMI will or will not be cost-effective for customers. If Staff is unable to so opine definitively, that would argue against implementing AMI at this time.

There also is uncertainty regarding the ultimate cost of AMI to customers. In the Report, Niagara Mohawk proposes to limit its capital costs related to AMI deployment to \$446.35 million through its 2025 fiscal year. (Report at 17.) Multiple Intervenors notes, however, that even the existence of such a cap does not eliminate customer cost uncertainty. For instance, Niagara Mohawk also proposes that: “In future rate proceedings, the Company may seek recovery of costs in excess of this cap that are associated with incremental investments in AMI beyond those described in this Report, as long as the incremental costs are prudently incurred to address unforeseen circumstances or conditions associated with the AMI deployment or the incremental costs are justified by measurable benefits.” (*Id.* at 17-18.) While Multiple Intervenors understands Niagara Mohawk’s desire for such exceptions to any type of “hard” cost cap associated with AMI implementation, the potential for cost increases is significant here because, as proposed, such implementation only marginally is cost-effective, if that, and, therefore, unanticipated cost increases of a modest magnitude easily could render AMI uneconomic even if the projected benefits largely are realized.

Importantly, even if, *arguendo*, AMI is determined by the Commission to be modestly cost-effective, notwithstanding reliance on numerous assumptions that arguably are speculative in nature and the possibility of cost overruns that would be funded by customers, the overall cost of the undertaking needs to be evaluated carefully, particularly in light of all of the other programs and initiatives that customers are being – or will be – required to fund through higher delivery rates, surcharges and/or commodity prices. Multiple Intervenors is very concerned about the economic costs of such initiatives, and it would be inappropriate to evaluate AMI in a vacuum, or assume that customers can afford to fund every possible undertaking for which a 1.0 or higher B/C ratio can be generated.

Electric and gas customers of Niagara Mohawk, and all other New York utilities, currently are – or soon will be – funding the following policy initiatives:

- Customer collections related to the Clean Energy Fund
- Increased wholesale commodity prices due to the Regional Greenhouse Gas Initiative
- Customer collections related to Renewable Portfolio Standard contracts still in effect
- Existing and growing obligations on load-serving entities (“LSEs”) to procure Renewable Energy Credits (“RECs”), at customer expense, pursuant to the Clean Energy Standard (“CES”) and recently-announced plans to massively increase the CES’s renewable penetration objective
- Existing obligations on LSEs to procure Zero-Emission Credits, at customer expense, pursuant to the CES
- Planned future obligations on LSEs to procure Off-Shore Wind RECs, or O-RECs, at customer expense, pursuant to recently-enacted policies and recently-announced plans to massively supplement those policies
- Increasing goals, and presumably costs, associated with expanded utility energy efficiency programs, which now are subject to recently-enacted increased requirements
- Increasing goals, and out-of-market payments, to incentivize energy storage projects
- Customer-funded EAMs and Reforming the Energy Vision pilot programs of various expense

- Out-of-market compensation and/or incentives paid by customers pursuant to utility Value of Distributed Energy Resources (“DER”) tariffs to incentivize the development of certain types of favored DER projects

The purpose of identifying many – but not all – of the policy-related programs and initiatives that customers have been funding and/or will be required to fund is not to question or challenge them here, but, rather, to place Niagara Mohawk’s AMI proposal in the appropriate context. In the past eight months alone, the State has: (a) announced plans to increase its renewable penetration goals or mandates from 50% by 2030 to 70% by 2030; (b) adopted OSW goals or mandates of 2,400 MW by 2030 and announced plans to supplement same with a new goal or mandate of 9,000 MW by 2035; (c) adopted new and heightened energy efficiency goals and requirements; and (d) adopted new energy storage goals and requirements.¹⁶ The customer cost impacts of these policies are not yet known, either individually or collectively, but Multiple Intervenors expects them to be quite substantial. Against this rapidly-changing backdrop, Multiple Intervenors has concerns whether now is the right or optimal time for Niagara Mohawk customers to assume responsibility for widespread AMI implementation at a projected cost of

¹⁶ See, e.g., Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Order Adopting a Clean Energy Standard (issued August 1, 2016); Case 18-E-0071, *In the Matter of Offshore Wind Energy*, Order Establishing Offshore Wind Standard and Framework for Phase 1 Procurement (issued July 12, 2018); Case 18-M-0084, *In the Matter of a Comprehensive Energy Efficiency Initiative*, Order Adopting Accelerated Energy Efficiency Targets (issued December 13, 2018); Case 18-E-0130, *In the Matter of Energy Storage Deployment Program*, Order Establishing Energy Storage Goal and Deployment Policy (issued December 13, 2018); Press Release, *Governor Cuomo Announces Green New Deal Included in 2019 Executive Budget* (issued January 17, 2019) (proposing, *inter alia*, to statutorily mandate that New York’s electric power be 100% carbon free by 2040, increasing the CES renewable penetration objective from 50% by 2030 to 70% by 2030, roughly quadrupling the OSW objective from 2,400 MW by 2030 to 9,000 MW by 2035, increasing solar deployment from 3,000 MW by 2023 to 6,000 MW by 2025, increasing storage deployment from 1,500 MW by 2025 to 3,000 MW by 2030).

\$657.4 million (on a 20-year NPV basis) and a projected revenue requirement impact of \$984.868 million (on a nominal basis). (Report at 14, 16.)

For the foregoing reasons, it is unclear whether the implementation of AMI is in the public interest at this time. Niagara Mohawk's B/C analyses, which by necessity rely on numerous assumptions that may or may not be accurate, indicate that AMI only is marginally cost-effective, depending on whether, *inter alia*, (i) TVP is authorized on an opt-in or opt-out basis, (ii) the term of the NPV calculation utilized, (iii) numerous anticipated benefits actually occurring and to the magnitude assumed, and (iv) there are no cost overruns of a material magnitude. Even if, *arguendo*, AMI is determined by the Commission to be cost-effective, it is imperative that the costs of the proposal not be evaluated in a vacuum but, rather, in the context of other considerations, including the numerous policy programs and initiatives for which customers are and/or will be responsible for funding. The Commission must ensure that electricity and natural gas service remains affordable for customers of all types, and that greater prioritization is needed and may mean that not every program or initiative that passes a B/C test should be implemented at customer expense.

POINT II

IF NIAGARA MOHAWK'S AMI PROPOSAL IS APPROVED IN WHOLE OR PART, THE PROPOSED COST ALLOCATION ALSO SHOULD BE APPROVED

For the reasons set forth in Point I, *supra*, it is unclear to Multiple Intervenors whether the implementation of AMI is in the public interest at this time. Importantly, if, *arguendo*, the Commission approves AMI implementation in whole or part, it also should approve the methodology set forth in the Report by Niagara Mohawk for allocating AMI-related

costs. (See Report, Ex. G.) Multiple Intervenors contends that it is critical any decision approving the implementation of AMI be accompanied by a ruling providing clarity as to how the associated costs are to be allocated to, and recovered from, the Company's various electric and gas service classes.¹⁷ Additionally, Niagara Mohawk's proposed cost allocation should be approved because it: (a) generally is consistent with the Company's existing ACOSS methodology; and (b) relies appropriately, and equitably, on cost-causation principles.

Multiple Intervenors contends that AMI implementation should not be approved without addressing the critical issues of cost allocation and cost recovery. Indeed, Multiple Intervenors' position on AMI is influenced, in material part, on Niagara Mohawk's proposed cost allocation methodology. In Point I, *supra*, Multiple Intervenors refrained from opposing AMI, but did raise several concerns regarding whether its implementation at this time would be in the public interest. Had the Company proposed an inequitable and unacceptable cost allocation, for example, Multiple Intervenors would have opposed AMI implementation – now and in the future – unreservedly. Given the magnitude of customer funding required for AMI, it is imperative that such costs, if incurred, be allocated appropriately to the Company's various service classes, consistent with cost-of-service principles.

Pursuant to the proposed cost allocation, the majority of costs related to AMI implementation would be allocated in a manner consistent with Niagara Mohawk's ACOSS from its most recent electric and gas rate proceeding. (See Report, Ex. G at 1-2.) In the limited instances where a change from the ACOSS is advanced, such change is based on the development of specific, cost-based allocators. As the Company explained in the Report:

¹⁷ Multiple Intervenors' positions on cost recovery issues affecting large non-residential customers are set forth, *infra*, in Point III.

In general, the allocators applied to the costs are the same as the allocators filed in the most recent rate case. However, in a few areas, such as costs of telecommunications, potential transformers (“PTs”), current transformers (“CTs”), and IS [information systems], it is appropriate to have a more specific allocation. The development of more granular cost allocators in such instances is consistent with the terms of the Joint Proposal, where the Company committed to considering specific allocators for IS projects equal to or greater than \$1 million. In this instance, the Company allocated costs associated with AMI based on allocators filed in the most recent rate case, or, where more refined cost allocators were developed, the Company allocated the costs to the service classes based on cost-causation principles.

(Report at 20-21; citation omitted.)

For AMI, a major cost of implementation relates to the meters themselves. Consistent with its ACOSS and longstanding cost-of-service principles, meters are allocated to the responsible service classes based on each class’s actual meter costs. (Report, Ex. G at 1-2.) For instance, assume that a utility has two service classes: residential and non-residential. Now assume that there are (i) 1,000 residential customers and their meters cost \$500 each, and (ii) 200 non-residential customers and their meters cost \$1,000 each. If new AMI meters were procured for all of the hypothetical utility’s customers, the costs would – and should – be allocated as follows:

Service Class	Number of Meters	Cost of Meters	Costs Allocated
Residential	1,000	\$500	\$500,000
Non-Residential	200	\$1,000	\$200,000

This approach to allocation appropriately assigns meter costs based on the actual costs to serve each service class. It takes into account the number of meters procured to serve a group of customers, as well as the cost of the meters themselves. There is no adequate justification for allocating meter costs differently, such as by using demand- or energy-based allocators.

Meters also are used, again appropriately, to allocate related costs, as well as savings. For instance, communications costs incurred to support AMI would be allocated to the service classes based on meter count – *i.e.*, the extent to which each class relies upon and would utilize those investments. (*Id.*) Similarly, to the extent AMI results in reductions in meter reading expense – as it should – those savings would be allocated to the service classes in the same proportion as meters costs, recognizing that to the extent certain classes are responsible for the bulk of the meter costs, those classes also should realize the bulk of savings in meter reading expense. (*Id.*)

As detailed, *supra*, consistent with Joint Proposal, Niagara Mohawk developed more refined allocators for certain categories of AMI-related expenses, such as individual IS projects costing in excess of \$1 million. While the types of expenses and individual allocators developed may differ depending on the attendant circumstances, all of them are based on cost-causation principles. For instance: (a) CTs and PTs would have their net book value allocated directly to the service classes utilizing them; (b) new mesh communication equipment and IS projects, such as cybersecurity, would be allocated consistently with meter count, reflecting the extent to which the various service classes will use and rely upon such equipment and projects; and (c) reduced connect/disconnect expenses would be allocated based on a special study focusing on newly-installed AMI customers. (*Id.*)

For all the foregoing reasons, Multiple Intervenors urges that if, *arguendo*, Niagara Mohawk's proposal to implement AMI across its electric and gas service territories is adopted in whole or part, the proposed cost allocation should be approved. Given the magnitude of expense involved if AMI moves forward at this time, under no circumstances should it do so without concurrent resolution of critical cost allocation and cost recovery issues. Multiple

Intervenors supports the cost allocation developed by Niagara Mohawk as an integrated package, and considers the allocation equitable because it: (a) is based on cost-of-service principles and, for most expenses, mirrors the methodology employed in the Company's ACOS; (b) includes more-refined allocators for certain categories of AMI-related expenses, consistent with the Joint Proposal; and (c) where more-refined allocators would be utilized, they are based on cost-causation, thereby recognizing appropriately the extent to which various service classes are responsible for cost incurrence, and cost savings or avoidance, related to AMI.

POINT III

IF NIAGARA MOHAWK'S AMI PROPOSAL IS APPROVED IN WHOLE OR PART, MULTIPLE INTERVENORS' PROPOSED LARGE NON-RESIDENTIAL RATE DESIGN SHOULD BE ADOPTED

Just as it is essential that utility costs – including costs associated with proposed AMI implementation – be allocated equitably among service classes, Multiple Intervenors contends that it similarly is important that costs be recovered equitably, consistent with cost-causation principles, within individual classes. In its Report, Niagara Mohawk does not address cost recovery or rate design issues, other than certain mass market rate design matters unrelated to the recovery of AMI costs. (See Report at 22-27.) For the reasons set forth below, Multiple Intervenors' proposed large non-residential rate design should be adopted if, *arguendo*, Niagara Mohawk's proposal to implement AMI throughout its electric and gas service territories is adopted in whole or part.

The electric rate design applicable to large non-residential electric customers – such as those customers served under S.C. 3 and S.C. 3A – generally is limited to a customer charge and a demand charge based on the customer's maximum monthly demand. Similarly, the

gas rate design applicable to large non-residential gas customers – such as those transportation customers served under S.C. 5 and S.C. 8 – generally is limited to a minimum monthly charge and a volumetric charge based on quantity of deliveries.

To the extent AMI costs are incurred by Niagara Mohawk and allocated in part to large non-residential electric and gas customers, such costs should be recovered in a manner consistent with cost-causation principles. For instance, all AMI costs related to metering should be recovered via the customer charge (electric) and the minimum monthly charge (gas). Such costs are being incurred by the utility on a per customer, or per account, basis. Upon information and belief, this is consistent with how similar costs are classified today.

Similarly, IS and all or most of the other costs associated with AMI should be recovered via the customer charge and the minimum monthly charge. Most services related to AMI are provided on a per-customer or per-account basis. Expenses such as customer support and cybersecurity are incurred to serve customers of all types, exclusively or predominantly based on the number of customers, or meters. Upon information and belief, such expenses do not vary based on the size of a customer's monthly electric demand or how much gas may be transported in a given month. Accordingly, it would be inappropriate – and, Multiple Intervenors contends, inequitable – to recover such costs via electric demand charges or gas volumetric charges.¹⁸

Recovering AMI costs through the appropriate rate design is very important for large non-residential customers. Multiple Intervenors' proposed rate design, described here at a

¹⁸ If a subset of AMI expense types do vary based on a customer's electric demand and/or gas usage, then such expenses should be recovered via volumetric charges. Thus, Multiple Intervenors' position is not that all AMI costs must be recovered through customer charges and minimum monthly charges but, rather, that AMI costs should be recovered, at least from large non-residential customers, in a manner that is consistent with cost causation.

high level, should be adopted by the Commission because it: (a) is consistent with cost-causation; (b) promotes efficiency by providing accurate price signals to customers; (c) promotes revenue certainty by linking recovery of AMI costs with how the Company incurs such costs; and (d) avoids intraclass subsidies, which could occur if customer-related costs are recovered volumetrically (or volumetric costs are recovered on a per customer basis).

CONCLUSION

For all the foregoing reasons: (a) it is unclear whether the implementation of AMI is in the public interest at this time; (b) if Niagara Mohawk's AMI proposal is approved in whole or part, the Company's proposed cost allocation also should be approved; and (c) if Niagara Mohawk's AMI proposal is approved in whole or part, Multiple Intervenors' proposed large non-residential rate design should be adopted in concept.

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Respectfully submitted,

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