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94-E-0952  
Comments

CHADR,  
OGC,  
OEE,  
GW. OCS

July 16, 2007

**VIA HAND DELIVERY**

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

Re: Case No. 94-E-0952 – In the Matter of Competitive Opportunities Regarding Electric Service

Case No. 00-E-0165 – In the Matter of Competitive Metering

Case No. 02-M-0514 – Proceeding on Motion of the Commission to Investigate Metering for Natural Gas Service

I.D. No. PSC-22-07-00016-P

Dear Secretary Brillling:

Pursuant to the Notice of Proposed Rulemaking (I.D. No. PSC-22-07-00016-P) issued in the May 30, 2007 edition of the New York State Register, Multiple Intervenors, an

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original and 15 copies of this letter in response to the Advanced Metering Infrastructure Update (“Updated Plan”), filed jointly by RG&E and NYSEG with the New York Public Service Commission (“Commission”) on May 4, 2007 in the above-referenced proceedings.

On March 9, 2007, Multiple Intervenors filed Comments in these proceedings in response to the plan of NYSEG and RG&E, among other parties, for the development and deployment of electric and gas advanced metering infrastructure (“AMI”) systems and analysis of costs and benefits related thereto (“Plan”) filed on February 1, 2007 (“March 2007 Comments”). A copy of the March 2007 Comments are attached hereto. In its March 2007 Comments, Multiple Intervenors demonstrated that the Plan did not satisfy the Commission’s criteria for cost-effectiveness, as it would impose additional costs on consumers without providing a discernable benefit. Significantly, as demonstrated by Multiple Intervenors’, the utilities’ own estimates establish that implementation of the Plan is neither cost-effective nor feasible. For example, in their Plan, NYSEG/RGE estimated that the capital cost of implementing advanced metering in their service territories, assuming a 2008 commencement date, would be \$243 million for NYSEG and \$127 million for RGE. (Plan at 6.) However, NYSEG/RGE reported a 20-year net present value of savings from such programs to be approximately \$210 million for NYSEG and \$101 million for RGE – a

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metering upgrades set forth in the Plan. If, *arguendo*, the Commission approved the Plan, Multiple Intervenors established that the costs of implementing advanced metering services should be borne solely by customers seeking the potential benefit of installing such equipment.<sup>1</sup> As Multiple Intervenors stated, “it would be wholly inequitable to require customers that do not participate in competitive metering and/or have already upgraded their metering equipment to bear any of these costs through system-wide surcharges or subsidies.” (March 2007 Comments at 7.)

Multiple Intervenors’ March 2007 Comments remain applicable to the Updated Plan. In the Updated Plan, the utilities have amended their cost estimates for implementing advanced metering systems. Specifically, the utilities now estimate that the capital costs for RG&E and NYSEG are \$91 million and \$177 million, respectively. (Updated Plan at 9.) The utilities, however, report a 20-year value of savings from such programs to be approximately \$67 million for RG&E and \$158 million for NYSEG. Thus, it appears that the Updated Plan continues to produce a loss of \$19-\$24 million dollars for each utility. As such, the Updated Plan continues to fail to meet the Commission’s criteria for cost-effectiveness.

Moreover, in the Updated Plan, the utilities propose to create a surcharge to

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savings resulting from the program. (*See, e.g.*, NYSEG, P.S.C. No. 87 – Gas, proposed Leaf No. 11.3.) The proposed calculation for the surcharge is: AMI Surcharge = (Revenue Requirement + Reconciliation)/ Meters. (*Id.*) The utilities appear to appropriately attempt to allocate the resulting costs in proportion to those classes imposing the greatest cost, thus attempting to prevent subsidies from one class of customers to another class.<sup>2</sup> However, because “meters” equals the number of meters *per service classification*, all customers would potentially be subject to the surcharge, even if they previously had install AMI technology at their own expense. (*See id.*) As set forth in Multiple Intervenors March 2007 Comments, Commission precedent requires the customers that have already paid for meter upgrades to be exempt from such a surcharge.

In its Order Providing for Competitive Metering issued in this proceeding on February 26, 2001 (“February Order”), the Commission stated that the costs to provide AMI service should be recovered from those customers which caused the costs, (February Order, *supra*, at 28) and not all customers, as the utilities suggest. Specifically, in the February Order, the Commission stated that, “[i]n general, incremental operational costs incurred by a utility should be recovered from the party(s) that cause the costs.” (*Id.*)

Moreover, in the Commission’s May 29, 2001 Order in these proceedings

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costs and/or obtains the benefit(s) of the competitive metering market.” (May Order, *supra*, at 30.) In addition, the Commission stated that “incremental infrastructure costs incurred by a utility should be addressed in individual rate proceedings as necessary.” (*Id.*; *see also* February Order, *supra*, at 28.)

This principle of fair, cost-based recovery of AMI costs also was recognized and reiterated by Staff in 2005. In its 2005 Report in these proceedings, Staff stated that the cost of procuring metering equipment, data and/or data services must be “recovered *solely* from the buyers of these services.” (Cases 02-M-0514 *et al.*, *supra*, Competitive Metering Proceedings Staff Report (September 7, 2005) at 12 (emphasis added).)

As established by Multiple Intervenors in its March 2007 Comments, ideally, if, *arguendo*, the Updated Plan is approved, which it should not, the costs should be imposed directly, on a per-customer basis to those customers imposing additional metering costs. However, to the extent that the Commission decides to allocate these costs more broadly for the smaller customer classes, it should do so in a manner that restricts the collection costs from those classes or individual member of a class that benefit from the meter upgrades.<sup>3</sup> Any other method would inequitably result in subsidization of some customers by others.

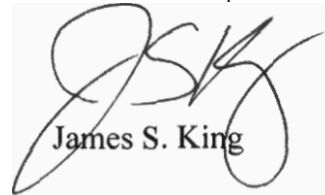
July 16, 2007

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For the foregoing reasons, Multiple Intervenors urges the Commission to issue a ruling in these proceedings consistent with the positions set forth in this letter and Multiple Intervenors' March 2007 Comments.

Very truly yours,

COUCH WHITE, LLP



James S. King

JSK/sem

Attachment

cc: All Active Parties (via email or U.S. Mail)

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March 9, 2007

**VIA HAND DELIVERY**

Hon. Jaclyn Brilling  
Secretary  
State of New York Public  
Service Commission  
Three Empire State Plaza, 14<sup>th</sup> Floor  
Albany, New York 12223-1350

Re: Case 02-M-0514 – Proceeding on Motion to the Commission to Investigate  
Competitive Metering for Natural Gas Service

Case 00-E-0165 – In the Matter of Competitive Metering

Case 94-E-0952 – In the Matter of Competitive Opportunities Regarding  
Electric Service

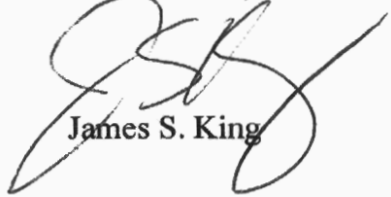
Dear Secretary Brilling:

Multiple Intervenors, an unincorporated association of approximately 55 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, hereby submits the original and 5 copies of its Comments of Multiple Intervenors in response to the filing of National Grid on January 31, 2007 and the February 1, 2007 filings of National Fuel Gas Distribution Corporation, KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island, Central Hudson Gas & Electric Corporation, and New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation in the above-referenced proceedings.



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Please date-stamp the enclosed additional copy of this letter as proof of filing.

Very truly yours,  
COUCH WHITE, LLP  
  
James S. King

JSK/sem  
Enclosures

cc: **Active Parties in Cases 02-M-0514, 00-E-0165, 94-E-0952 (via email w/enc.)**  
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**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**



**Proceeding on Motion to the  
Commission to Investigate  
Competitive Metering for Natural  
Gas Service**

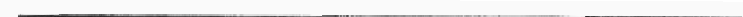
**Case 02-M-0514**

**In the Matter of Competitive  
Metering**

**Case 00-E-0165**

**In the Matter of Competitive  
Opportunities Regarding Electric  
Service**

**Case 94-E-0952**



**COMMENTS OF MULTIPLE INTERVENORS**

**Dated: March 9, 2007**

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## **PRELIMINARY STATEMENT**

Multiple Intervenors, an unincorporated association of approximately 55 industrial, large commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, hereby submits its Comments in response to filings made by National Fuel Gas Distribution Corporation (“National Fuel”), National Grid, KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island (“KeySpan”), Central Hudson Gas & Electric Corporation (“Central Hudson”), and New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation (“NYSEG/RG&E”), with the New York Public Service Commission (“Commission”) in Cases 02-M-0514 *et al.*, *Proceeding on the Motion of the Commission to Investigate Competitive Metering for Natural Gas Service*.<sup>1</sup>

On August 1, 2006, the Commission issued its Order Relating to Electric and Gas Metering Services (“August Order”) in this proceeding, “endorses[ing] electric and gas utility investment in advance metering infrastructure [“AMI”], where feasible and cost effective, and encourage[ing] pilot programs to test a variety of proposals for development of advanced metering systems.”<sup>2</sup> In its August Order, the Commission directed the electric and gas utilities to file, by February 1, 2007, plans for the development and deployment of

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<sup>1</sup> On January 19, 2007, the Commission granted the request for an extension of time

electric and gas advanced metering systems and provide an analysis of the costs and benefits related thereto (“Plans”).<sup>3</sup> National Grid filed its Plan on January 31, 2007, NYSEG/RGE, National Fuel, Central Hudson and KeySpan filed their Plans on February 1, 2007.

Multiple Intervenors’ Comments respond to the Plans of Central Hudson, National Grid, NYSEG/RGE, National Fuel, and KeySpan. Although Multiple Intervenors is not opposed in principle to advanced metering upgrades, such upgrade should be cost-justified and inter-class subsidies should not be tolerated. Accordingly, for the reasons discussed below, Multiple Intervenors respectfully requests that: (i) given that the Plans do not satisfy the Commission’s criteria for demonstrated cost-effectiveness, the Commission should refrain from requiring the implementation of the electric and/or gas advanced metering upgrades set forth in the Plans; and (ii) if, *arguendo*, the Commission approves the Plans, the costs of implementing advanced metering services should be borne solely by customers seeking the potential benefit of installing such equipment.<sup>4</sup>

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<sup>3</sup> *Id.* at 37.

## POINT I

### **THE PLANS DO NOT DEMONSTRATE THAT THE IMPLEMENTATION OF ELECTRIC OR GAS ADVANCED METERING IS COST-EFFECTIVE OR FEASIBLE**

In its August Order, the Commission held that the Plans filed by the electric and gas utilities for AMI should be “feasible and cost effective...for the benefit of all customers.”<sup>5</sup> However, as discussed more fully below, the Plans of National Fuel, NYSEG/RGE and National Grid demonstrate that the implementation of AMI would impose additional costs on consumers without providing any discernible benefit. Accordingly, the Commission should reject the Plans or return them with a requirement that the utilities amend their Plans to provide a clear demonstration of their cost-effectiveness and feasibility. In addition, if, *arguendo*, any of the pending Plans are approved, which they should not be, such approval should be given in the context of utility rate proceedings, so that the impacts, both economic and structural, and the scope of such a dramatic restructuring can be fully examined.<sup>6</sup>

Significantly, the utilities’ own estimates establish that implementation of the Plans are neither cost-effective nor feasible. For example, in their Plan, NYSEG/RGE estimate that the capital cost of implementing advanced metering in their service territories,

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<sup>5</sup> *Id.* at 13.

assuming a 2008 commencement date, would be \$243 million for NYSEG and \$127 million for RGE.<sup>7</sup> However, NYSEG/RGE reported a 20-year net present value of savings from such programs to be approximately \$210 million for NYSEG and \$101 million for RGE – a loss of over \$25 million for each utility.<sup>8</sup> Despite this, NYSEG/RGE advocate that all existing gas and electric meters in their service territories should be replaced with new meters or new modules.<sup>9</sup> However, NYSEG/RGE’s own estimates establish that their Plan fails to meet the Commission’s requirement that such implementation be cost-effective.

Similarly, National Grid concluded that the anticipated benefits of implementing AMI across its entire service territory did not justify the costs.<sup>10</sup> Specifically, National Grid estimated that the cost to implement an AMI upgrade program would range from \$585 to \$650 million.<sup>11</sup> However, National Grid stated that it has derived most of the anticipated benefits from AMI deployment from its existing Automatic Meter Reading System (“AMR”), which began in 2002.<sup>12</sup> In addition, KeySpan concluded that “there are no additional benefits and no additional need for advanced metering systems for KeySpan’s large volume customers as delineated and specified in the [August] Order.”<sup>13</sup>

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<sup>7</sup> NYSEG/RGE Plan at 6.

<sup>8</sup> *Id.* at 7.

<sup>9</sup> *Id.* at 5.

<sup>10</sup>

Moreover, in National Fuel's Plan, it states that it "cannot determine with certainty whether customers achieve energy cost savings...."<sup>14</sup> However, considering that National Fuel stated that the typical cost for telemetering components can range from \$1,500 to \$4,000 per customer,<sup>15</sup> National Fuel concluded that it "cannot justify this expansion."<sup>16</sup> More specifically, National Fuel stated that, "at this time [National Fuel] cannot foresee system-wide benefits for ratepayers and the utility due to increased demand response capability, electric price elasticity or improved system reliability."<sup>17</sup>

Finally, Central Hudson stated that it required additional information in order to properly assess the costs and benefits of implementing system-wide AMI.<sup>18</sup> Specifically, Central Hudson requested that the Commission establish applicable rate designs prior to requiring the utility to "develop quantitative assessments of the costs and benefits of AMI."<sup>19</sup> Thus, Central Hudson did not demonstrate that its Plan is cost-effective or feasible.

As demonstrated above, the Plans filed by National Grid, National Fuel, NYSEG/RGE, KeySpan and Central Hudson clearly establish that the anticipated benefits of implementing AMI across their entire service territories would not justify the costs. Accordingly, in light of the threshold requirement for statewide investment in AMI mandated by the Commission itself, the Commission should refrain from implementing global electric

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<sup>14</sup> National Fuel Plan at 6.

<sup>15</sup> *Id.* at 2.

or gas AMI upgrades at this time and, instead, should reject the Plans outright or return the Plans to the utilities with instructions to provide further analyses and justifications for cost-effective implementation of such programs in utility-specific rate proceedings.

## POINT II

**IF, ARGUENDO, THE COMMISSION ADOPTS THE UTILITIES' PLANS TO IMPLEMENT ADVANCED METERING SYSTEMS, THE COSTS OF SUCH PLANS SHOULD BE BORNE SOLELY BY THOSE CUSTOMERS RECEIVING THE ADVANCED METERING EQUIPMENT**

In the Plans of NYSEG/RGE and National Grid, the utilities suggest that all customers should be responsible for the costs associated with developing and deploying AMI throughout their service territories. However, it is a fundamental principle of utility ratemaking that costs should be allocated as directly as possible to the customers that derive the benefit of the cost.<sup>20</sup> Thus, direct assignment or “exclusive use” costs are assigned directly to specific customers (*e.g.*, interconnection costs) or, relevant to this proceeding, to the group of customers that will exclusively use such facilities (*e.g.*, gas procurement costs are not assigned to gas transportation customers).<sup>21</sup> To do otherwise would require one class

of customers to subsidize another, which stands in direct contradiction of the objectives of cost-based regulation.<sup>22</sup>

In light of these long-held principles of cost allocation, if, *arguendo*, the Commission elects to adopt these Plans, it should require that any costs associated with competitive metering, including meter installation, testing or system upgrades, will be the sole responsibility of such customers and/or their meter service provider. Such a method of cost recovery previously has been endorsed by the Commission and Staff in this proceeding.<sup>23</sup> It would be wholly inequitable to require customers that do not participate in competitive metering and/or have already upgraded their metering equipment to bear any of these costs through system-wide surcharges or subsidies.

In the Plan of NYSEG/RGE, the utilities “propose a delivery surcharge mechanism to recover the return of and on necessary investments to develop and deploy AMI throughout the NYSEG and RG&E service territories, and to recover net incremental delivery O&M costs and savings.”<sup>24</sup> NYSEG/RGE state that a delivery surcharge is needed to “provide an appropriate incentive to deploy a state of the art AMI system so customers can enjoy the numerous benefits such system can delivery.”<sup>25</sup> Moreover, NYSEG/RGE allege

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<sup>22</sup> *See id.* at 20 (“For example, a radial distribution line that serves only a particular customer may be assigned directly to that customer.”); *id.* at 22.

<sup>23</sup> *See* Cases 00-E-0165, 94-E-0952, *In the Matter of Competitive Metering*, Order

that a delivery surcharge mechanism applicable to all customers “will provide [NYSEG/RGE] with the necessary assurance that prudently incurred costs will be recovered on a timely basis.”<sup>26</sup>

Similarly, in its Plan, National Grid states that, “[i]f required by the Commission to replace the existing AMR systems with a wide-scale AMI, funding for the conversion should come from all customers.”<sup>27</sup> With respect to an AMI pilot program for small customers, National Grid argues that, while the August Order encourages pilot programs to test AMI applications, the August Order is silent with regard to how such efforts should be funded.<sup>28</sup> National Grid states that, “[s]ince AMI is intended to benefit all customers, any such pilots should be funded by customers.”<sup>29</sup>

The utilities’ proposals to recover costs associated with AMI implementation from all customers is contrary to Commission precedent. In its Order Providing for Competitive Metering issued in this proceeding on February 26, 2001 (“February Order”), the Commission stated that the costs to provide AMI service should be recovered from those customers which caused the costs,<sup>30</sup> and not all customers, as the utilities suggest. Specifically, in the February Order, the Commission stated that, “[i]n general, incremental

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<sup>26</sup> *Id.* NYSEG/RGE’s self-involved concern for their own cost recovery is hardly a rational basis for adopting an inequitable cost recovery mechanism that forces customers to pay for facilities from which they will not, and cannot, benefit.

operational costs incurred by a utility should be recovered from the party(s) that cause the costs.”<sup>31</sup>

Moreover, in the Commission’s May 29, 2001 Order in these proceedings (“May Order”), the Commission approved Staff’s cost causation-based recommendations regarding cost responsibilities for AMI. As stated in the May Order, “[i]ncremental operational costs incurred by a utility will be recovered from the party(s) that causes the costs and/or obtains the benefit(s) of the competitive metering market.”<sup>32</sup> In addition, the Commission stated that “incremental infrastructure costs incurred by a utility should be addressed in individual rate proceedings as necessary.”<sup>33</sup>

This principle of fair, cost-based recovery of AMI costs also was recognized and reiterated by Staff in 2005. In its 2005 Report in these proceedings, Staff stated that the cost of procuring metering equipment, data and/or data services must be “recovered *solely* from the buyers of these services.”<sup>34</sup>

Consistent with the Commission’s prior directives, because the benefits associated with the expansion of competitive metering will accrue solely to those customers electing such service, the corresponding costs likewise should be borne solely by them. Many large industrial, commercial and institutional customers already have advanced

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<sup>31</sup> *Id.*

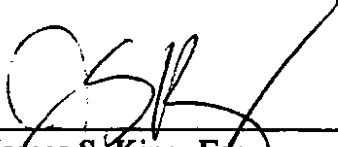
metering on-site, and have paid for such equipment without assistance from those who now face the metering upgrade decision. Such customers who already have paid should not be forced to fund the purchase of advanced meters for all utility customers. Ideally, if the Plans are approved, the costs should be imposed directly, on a per-customer basis. However, to the extent that the Commission decides to allocate these costs more broadly for the smaller customer classes,<sup>35</sup> it should do so in a manner that restricts the collection costs from those classes benefiting from the meter upgrades. Any other method would inequitably result in subsidization of smaller customers by larger customers. Accordingly, any suggestions by the utilities of a delivery surcharge or other such mechanism for the recovery of costs from all customers should be rejected.

## CONCLUSION

Based upon the foregoing reasons, Multiple Intervenors respectfully requests that: (i) given that the Plans do not satisfy the Commission's criteria for demonstrated cost-effectiveness, the Commission should refrain from requiring the implementation of the electric and/or gas advanced metering upgrades set forth in the Plans; and (ii) if, *arguendo*, the Commission approves the Plans, the costs of implementing advanced metering services should be borne solely by customers seeking the potential benefit of installing such equipment.

Dated:           March 9, 2007  
                  Albany, New York

Respectfully submitted,



---


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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served, via e-mail or first-class mail, the foregoing Comments of Multiple Intervenors upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Albany, New York, this 9th day of March, 2007.

By:



Sharon Matthews  
Couch White, LLP  
540 Broadway  
P.O. Box 22222  
Albany, New York 12207