



November 14, 2008

VIA HAND DELIVERY

Mr. James J. McNulty
Commission Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Docket No. M-00061984; Investigation of Conservation, Energy Efficiency Activities, & Demand Side Response by Energy Utilities & Ratemaking Mechanisms to Promote Such Efforts

Dear Mr. McNulty:

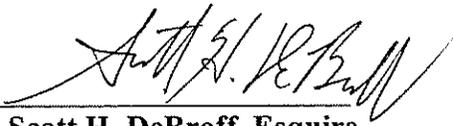
Enclosed please find an Original and two (2) copies of the “**COMMENTS ON BEHALF OF ELSTER INTEGRATED SOLUTIONS IN RESPONSE TO QUESTIONS PROPOSED BY THE PA PUC REGARDING THE SPECIAL EN BANC HEARING.**” Please enter the original into the docket and time-stamp the additional two (2) copies and return to us.

Electronic copies of the Comments and PowerPoint Presentation by Elster will also be sent to ALJ Salapa and Tom Charles in the Office of Communications by email and by disc as necessary.

If you have any questions regarding this filing, please do not hesitate to call us at (717) 237-6798.

Best regards,

RHOADS & SINON LLP

By: 
Scott H. DeBroff, Esquire

SHD/msi
cc: ALJ Salapa
Tom Charles – Office of Communications

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**INVESTIGATION OF
CONSERVATION, ENERGY
EFFICIENCY ACTIVITIES &
DEMAND SIDE RESPONSE BY
ENERGY UTILITIES &
RATEMAKING MECHANISMS TO
PROMOTE SUCH EFFORTS**

Docket No. M-00061984

**COMMENTS ON BEHALF OF ELSTER INTEGRATED SOLUTIONS IN
RESPONSE TO QUESTIONS PROPOSED BY THE PA PUC REGARDING
SPECIAL EN BANC HEARING**

**SCOTT H. DEBROFF, ESQUIRE
ALICIA R. PETERSEN, ESQUIRE
RHOADS & SINON LLP
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146**

TEL: (717) 233-5731

FAX: (717) 231-6626

EMAIL: SDEBROFF@RHOADS-SINON.COM

APETERSEN@RHOADS-SINON.COM

DATED: NOVEMBER 14, 2008

COUNSEL FOR ELSTER INTEGRATED SOLUTIONS

**COMMONWEALTH OF PENNSYLVANIA
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AND NOW COMES, **Elster Integrated Solutions** (“Elster” or “EIS”), by and through its counsel, **Scott H. DeBroff, Esquire** and **Alicia R. Petersen, Esquire** of Rhoads & Sinon LLP. In support of this docket, Elster avers the following:

1. Elster, with its headquarters in Raleigh, North Carolina and operations in 22 countries, serving customers in over 70 countries, is a leading provider of Advanced Metering Infrastructure (AMI) solutions that help utility companies improve revenue cycle services, customer service, delivery reliability, and workforce utilization. With more than 100 years of electricity metering experience (formerly as Westinghouse Electric Corporation and ABB Electricity Metering), Elster understands the unique requirements of utility customers worldwide.

2. Elster Integrated Solutions is interested in becoming a party in the above-captioned docket investigation. Elster is a meter technology provider which has participated extensively in proceedings in other states involving the implementation of the Energy Policy Act of 2005 (EPAAct) and the Energy Information and Security Act of 2007 (EISA). Elster has also participated in a variety of other proceedings where there is promotion of advanced metering and the creation of an Advanced Metering Infrastructure (AMI).

3. Elster's attorneys and to whom all correspondence and pleadings in this docket should be directed to are:

SCOTT H. DEBROFF, ESQUIRE
RHOADS & SINON LLP
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TEL: (717) 233-5731
FAX: (717) 231-6626
EMAIL: SDEBROFF@RHOADS-SINON.COM

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RHOADS & SINON LLP
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TEL: (717) 233-5731
FAX: (717) 231-6626
EMAIL: APETERSEN@RHOADS-SINON.COM

ED GRAY
ELSTER INTEGRATED SOLUTIONS
VP OF REGULATORY AFFAIRS
706 BRANNOCK TERRACE
ANNAPOLIS, MD 21401

EMAIL: ED.GRAY@US.ELSTER.COM

1 COMMENTS IN RESPONSE TO ENERGY EFFICIENCY QUESTIONS REGARDING
2 SPECIAL EN BANC HEARING
3
4

5 Q 1. The Electric Distribution Companies (EDCs) currently have some Demand Side Reduction
6 (DSR) programs available to various customer classes. They have developed these programs
7 voluntarily without any mandates.

8 Q. a. Should the EDCs' existing DSR programs provide the starting point or
9 baseline from which new offerings could be developed?
10

11 A.

12
13 Q. b. Should new/expanded programs be developed?
14

15 A.

16 Q. c. Should EDCs re-open closed programs in order to fill in the gaps of the
17 existing EDC DSR programs?
18

19 A.

20
21 Q. d. Examples of existing EDC DSR Programs (2007):

22 1) Duquesne, FirstEnergy, PECO, PPL and UGI have load reduction
23 programs requiring use of an interval meter for Commercial & Industrial
24 (C&I) customers.
25

26 A.

27 2) Duquesne and FirstEnergy have load control programs for
28 residential and small C&I customers.
29

30 A.

31 3) FirstEnergy has a distributed generation program for C&I
32 customers.
33

34 A.

35 4) PennPower has an hourly pricing program available to C&I
36 customers.
37

38 A.

39 5) Most of the EDCs already have some Time of Use (TOU) or
40 Billing Demand programs available to various customer classes.
41

42 A.

43 6) UGI offers to audit customer facilities as well as provide a rebate program for
44 high-efficiency heat pumps.
45

46 A.

1 7) FirstEnergy offers customers a web-based calculator. FirstEnergy
2 is also currently considering two new programs: Power Factor correction for
3 C&I and a Thermostat/Appliance Price Response Program for residential and
4 small commercial customers.

5
6 A.

7
8 Q. 2. Should the DSR/Energy Efficiency (EE) programs be combined to have the greatest
9 impact? For example, should an education campaign combined with an offer to install
10 frequently-used EE measures be one program?

11
12 A.

13 Q. 3. Should DSR and/or EE programs be fully recoverable in rates if demonstrated to be cost
14 effective by satisfying the Total Resource Cost (TRC) benefit test? Are there other
15 cost/benefit tests the Commission should use? Should the Commission use multiple tests
16 in evaluating programs?

17 A. Yes, because the TRC test is a measure of the benefits and costs to all parties, it is an
18 appropriate measure of benefits to the public and hence proposals with a greater than 1
19 benefit/cost ratio should be recoverable in rates.

20 Q. 4. Should the Commission specify smart meter capabilities or standardize meter
21 interoperability for new meter installations? If so, what should those standards be?

22 A. Yes, requirements should be standardized. Elster proposes that the Maryland Public
23 Service Commission Order No. 81637 of September 28, 2007 be used as a model. The
24 Maryland requirements from page 5 of this Order may be summarized as:

25
26 The following minimum requirements shall be assumed in the electric
27 company's proposals to implement an AMI system:

- 28 • A minimum of hourly meter reads delivered one time per day.
- 29 • Non-discriminatory access for retail electric suppliers and curtailment service
30 providers to meter data and demand response control functions that is
31 equivalent to the electric company's own access to those functions.
- 32 • AMI shall be implemented for all customers of the electric company.
- 33 • Metering and meter data management should generally continue to be an
34 electric company function including the implementation of AMI/MDM.
35 Metering and data management options may be considered for larger nonresidential
36 customers (this does not exclude any customer from a requirement
37 that their AMI shall at a minimum be fully consistent with all AMI standards).
38 For example, if an industrial or commercial customer (and its retail supplier or
39 CSP) requires more frequent meter reads or downloads, the utility shall work in
40 good faith to accommodate such requirements.
- 41
- 42
- 43
- 44

- All AMI meters shall have the ability to monitor voltage at each meter and report the data in a manner that allows the utility to react to the information.
- All meters shall have remote programming capability.
- All meters shall be capable of two-way communications.
- Remote disconnect / reconnect for all meters rated at or below 200 amps.
- Time-stamp capability for all AMI meters.
- All meters shall have a minimum of 14 days of data storage capability on the meter.
- All meters shall communicate outages and restorations.
- All meters shall be net metering and bi-directional metering capable.

Q. 5. Should time-of-use rates and other load-management type rates be introduced as a cost-saving measure? Should these programs be launched prior to rate cap expiration or to coincide with rate cap expirations?

A. Reductions in demand may be attributed to a number of rate changes and technology selection alternatives. Ahmad Faruqui of the Brattle Group has summarized the peak load reductions as follows:

Time of Use rates alone-- 5% peak reduction

Critical Peak Pricing alone-- 10-15% peak reduction

TOU + enabling technology-- 10% peak reduction

CPP with enabling technology-- 20-30% peak reduction

It should be noted that the way PJM Interconnection market clearing prices are applied to all capacity results in very large economic benefits for reducing peak load--

The benefit of a 3% peak reduction in the BGE, Delmarva, PECO, PEPCO, and PSEG zones for the PJM Interconnection would be \$65M to \$203 Million/year; for the MADRI states \$57M to \$182 Million/year¹

Also, AMI driven automated demand response was rated as the best alternative by PJM Interconnection DR II symposium participant experts in May 2008.

Q. 6. Should some or all DSR/EE programs be coordinated across the Commonwealth to act as one program? If so, what types of programs? What types of programs should be utility specific?

¹ *Quantifying Demand Response Benefits in PJM*, Brattle Group, January 29, 2007, funded by PJM Interconnection and MADRI. (Based on 2005 prices). Pennsylvania is a Mid-Atlantic Distributed Resources Initiative state.

1 A. In Maryland, IOUs have attempted to have similar programs when big box stores are
2 involved so as to minimize customer confusion in adjacent media markets.

3 Q. 7. Should statewide energy and demand-reduction (DR) targets be identified and set? How
4 would these targets be set, and what are reasonable targets?

5 A. The goals in Pennsylvania Act 129 differ for energy reduction and peak load reduction,
6 which appear to be appropriate. Information developed for Maryland proceedings
7 pursuant to the EmpowerMD law suggest that energy reduction goals are significantly
8 harder to achieve than peak load reduction goals.

9 Q. 8. Should utility-specific EE and DR reduction goals be established?

10

11 Q. a. If yes, how should such cost-effective reduction goals be determined?

12

13 A

14

15 Q. b. If yes, how should this be accomplished?

16

17 A.

18 Q. 9. How many and what types of programs should be selected?

19 A.

20 Q. 10. How should the programs be selected?

21 A. On the basis of the TRC test.

22 Q. 11. Should these programs be subjected to rigorous program evaluation?

23

24 Q. a. Is a determination of cost-effectiveness based on a TRC test sufficient? Is there a
25 need to conduct classical program evaluation where net impacts are actually measured?

26

27 A. A benefit of statewide AMI with two-way communications would be that actual
28 data would be available to conduct the needed measurement and verification,
29 rather than assuming what occurred. This would help with program evaluation, as
30 well as allocations of energy savings and peak savings benefits to those who took
31 action.

32

33 Q. b. What is the likely cost to properly evaluate these programs?

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35 A.

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37 Q. c. How often should the programs be evaluated?

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39 A.

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Q. d. Should the programs undergo process evaluations to determine if they are being implemented and targeted as designed, or is there is a need for early implementation adjustments to increase their effectiveness?

A.

Q. 12. Who should (1) select, (2) develop, and (3) administer the EE and DR programs? The utility, the PUC or a third-party administrator?

A. For federal, state, and local government programs, Illinois has chosen to have a state government entity (the Department of Commerce and Economic Opportunity) administer the programs. In Illinois, the IOUs, Commonwealth Edison and Ameren administer the programs for private entity customers.

Q. 13. What level of costs is reasonably required to administer these programs successfully, expressed as a percent of total costs? What types of costs should be considered "administrative" costs?

A.

Q. 14. Should the Commission establish standardized rules for meter and meter data access to facilitate third-party DSR programs and other energy-management services by Curtailment Service Providers and other energy-management providers?

A. The Maryland Order referred to above addresses this need as follows (repeating from the above):

- Non-discriminatory access for retail electric suppliers and curtailment service providers to meter data and demand response control functions that is equivalent to the electric company's own access to those functions
- Metering and meter data management should generally continue to be an electric company function including the implementation of AMI/MDM. Metering and data management options may be considered for larger nonresidential customers (this does not exclude any customer from a requirement that their AMI shall at a minimum be fully consistent with all AMI standards). For example, if an industrial or commercial customer (and its retail supplier or CSP) requires more frequent meter reads or downloads, the utility shall work in good faith to accommodate such requirements.

CEEP'S QUESTIONS

Q. 1. Conservation Service Providers

Q. a. Should the EDCs collaborate/coordinate on contracting with conservation service providers?

A.

Q. b. Are there enough common programs for the conservation service providers to provide effective measures across Pennsylvania?

A.

Q. c. Does the provision providing for competitive bidding for all contracts with CSPs require the utility to competitively bid all energy efficiency and conservation services? If not, what energy efficiency and demand services should not be competitively bid?

A.

Q. d. Under definitions, a CSP is an unaffiliated entity providing information and technical assistance. Under 2806.1 (A), however, a CSP is said to provide conservation services. How should this Commission interpret this apparent inconsistency?

A.

Q. e. Under 2806.2, the Commission must establish a registry of approved CSPs. What basic business elements (better business bureau rating, bonding, for example) should be required to be registered?

A. Having the regulated electric utilities administer the data (as in the Maryland rule referred to above) should provide some measure of comfort in the data area. This has been a concern in Texas, with retail providers entering and exiting the business in large numbers.

Q. f. What experience and qualifications should be required of registered CSPs?

A.

Q. 2. Measurement of Meeting Statutory Requirements:

Q. a. How would the *addition* of new load in an EDC territory (i.e. RCI new development/construction) be measured, and at what point do these additions meet the "extraordinary load" exceptions?

A.

Q. b. How would one distinguish between *reductions* in consumption as a result of customer participation in technology programs in an EDC territory, implemented as part of an EDC's Energy Efficiency and Conservation Plan, as opposed to unrelated and independent consumer actions (i.e. manually adjust thermostat heat/cooling settings, turn lights off, etc.)?

A. The results to the customers as a whole are what counts. It would likely be very costly to get a perfect system of determining who, in all cases, should get compensated for doing what. A major benefit to non-participants (those who don't

1 save) is the lowering of costs for all. Participants with AMI will be directly
2 compensated with energy cost reductions, as well as the peak load savings. In
3 many states we have inaction while searching for perfection that will never be
4 achieved. Pennsylvania should not fall into the same trap, as delay will increase
5 costs for all.
6

7 Q. c. How will economic activity within Pennsylvania and an EDC's service territory
8 be considered when measuring the performance of EE/DR programs? For example, an
9 EDC's territory that is experiencing a recession may meet their goals from decreased
10 economic activity from plant closures, business failures and worker migration out of the
11 service territory.
12

13 A. Again, as above, the pursuit of perfection should not be a reason for failing to implement
14 cost-effective programs. Maryland has attempted, in part, to account for this by making
15 the reduction goals on a per capita basis.
16

17 Q. 3.Evaluation:
18

19 Q. a. Should the Commission establish a standardized total resource cost manual to
20 evaluate projects? If so, is there a state or utility this Commission should use as a
21 starting point for discussions?
22

23 A. The State of California has a comprehensive California Standard Practice
24 Manual for assessment which is widely used across the US. There is no need for
25 a manual unique to Pennsylvania. If desired, Pennsylvania may consider
26 additional factors and/or delete others in the California equations.
27

28 Q. b. What other cost benefit tests should the Commission use to achieve reduction in
29 consumption requirements pursuant to Section 2806.1(C)(3).
30

31 A.

32 Q. c. Act 129 requires utilities to file a plan to assure quality assurance [includes
33 evaluation, measurement and verification by independent parties to ensure quality of
34 completed measures], and further requires an annual independent evaluation of cost
35 effectiveness of the Plan. Given the exposure to penalties by EDCs for potential non-
36 compliance on meeting statutory energy efficiency and conservation goals, what
37 approaches are appropriate to ensure that such independent, third parties are free of
38 coercion from the EDCs they evaluate?
39

40 A.

41 Q4 Cost Recovery:
42

43 Q. a. What are the appropriate time frames to expense or amortize energy efficiency and
44 demand response expenditures?
45

46 A.

Q. b. How should this Commission ensure recovery of only "prudent and

1 reasonable” costs? Is this established at the time of plan approval? Is it
2 established only after quality assurance and performance is measured, verified,
3 and evaluated, or is it established during the annual independent analysis?

4 A.

5
6 Q. c. If services are not competitively bid, how will this commission determine
7 such costs are reasonable and prudent?

8 A.

9 Q5 Program Design

10 Q. a. How should the statutory requirement be interpreted and implemented that requires
11 energy efficiency and conservation measures be equitably provided to all classes of
12 customers?

13 A.

14
15 Q. b. Should all EDCs be required to implement the same type of EE/DR programs? Is
16 it likely that programs will be equally cost effective in every EDC territory?

17 A.

18 Q. c. Which programs are more cost effective if implemented on a statewide basis?

19 A.

20 A.

21 Q. 6 Reporting Requirements

22 Q. a. What additional information should the Commission require the EDCs to
23 report under Section (I)(1)(IV)?

24 A.

25 Q. 7 The EDCs already have some DSR Programs available to various customer
26 classes. They have developed these programs voluntarily without any mandates*

27 Q. a. Please provide a brief overview of current EDCs’ DSR programs.

28 A.

29
30 Q. b. What has been your experience with customer interest and participation levels in
31 current programs?

32 A.

33
34 Q. c. What level of weather-normalized peak load and demand consumption

35 A.

36
37 Q. d. What types of new programs or changes to existing programs, if any, would be
38 needed to achieve the targets contained in Act 129?

39 A.

40
41 Q. e. What is the projected level of customer interest or savings in these new
42 programs?

43 A.

1
2 Q. f. Please provide references to any market research pertaining to specific EDC
3 programs in Pa.

4 A.
5

6 Examples of existing EDC DSR Programs (2007):

7 Q. a. Duquesne, First energy, PECO, PPL and UGI have load reduction programs requiring
8 use of an interval meter for Commerical & Industrial customers.

9 A.
10

11 Q. b. Duquesne and FirstEnergy have load control programs for residential and small
12 C&I customers.

13 A.
14

15 Q. c. FirstEnergy has a distributed generation program for C&I customers.

16 A.
17

18 Q. d. PennPower has an hourly pricing program available to C&I customers.

19 A.
20

21 Q. e. Most of the EDCs already have some Time of Use (TOU) or Billing Demand programs
22 available to various customer classes.

23 A.
24

25 Q. f. UGI offers to audit customer facilities as well as provide a rebate program for high-
26 efficiency heat pumps.

27 A.
28

29 Q. g. FirstEnergy offers customers a web-based calculator. FirstEnergy is also currently
30 considering two new programs: Power Factor correction for C&I and a
31 Thermostat/Appliance Price Response Program for residential and small commercial
32 customers.

33 A.

34 Q. 8. In reference to question 1(e) above, the PA Treasury Department already offers
35 the Keystone Home Energy Loan Program (Keystone HELPTM). The Department refers to
36 this as Pennsylvania's official streamlined, lower rate financing program for ENERGY
37 STARTM rated and other high efficiency and renewable energy improvements.

38 Q. a. To what extent will there be overlap and duplication between this program and Act 129
39 programs?

40 A.

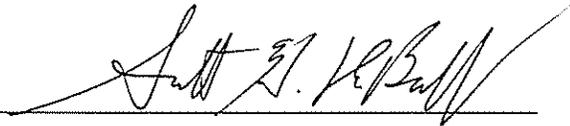
41 Q. b. The Treasury Department already has an application process established for customer
42 enrollment and contractor registry. To what extent could this process be used as a model
43 under Act 129 compliance?
44

45 A.

1 Q. C. The treasury already has a registry of certified contractors. Consumers are able to
2 input a zip code to find certified contractors in their area. To what extent could these
3 contractors' qualifications be used to register CSPs?
4 A.

WHEREFORE, Elster Integrated Solutions respectfully requests that the Pennsylvania Public Utility Commission grant it party status in the above captioned investigation. Elster also asks that the Commission enter its comments in the above-captioned proceeding. We look forward to participating in the process going forward and contributing our experience and expertise. Thank you again for the opportunity to comment on this important matter.

Respectfully submitted,

By: 

SCOTT H. DEBROFF, ESQUIRE
ALICIA R. PETERSEN, ESQUIRE
RHOADS & SINON LLP
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TEL: (717) 233-5731
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EMAIL: SDEBROFF@RHOADS-SINON.COM
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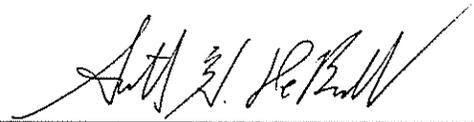
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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing "COMMENTS ON BEHALF OF ELSTER INTEGRATED SOLUTIONS IN RESPONSE TO QUESTIONS PROPOSED BY THE PA PUC REGARDING SPECIAL EN BANC HEARING" electronically to Mr. James J. McNulty, Commission Secretary, as well as ALJ Salapa, and Tom Charles in the Office of Communications.

Dated: November 14, 2008

By:



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ALICIA R. PETERSEN, ESQUIRE
RHOADS & SINON LLP
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