BEFORE THE
PUBLIC SERVICE COMMISSION OF THE STATE OF NEW YORK

PROCEEDING ON MOTION OF THE COMMISSION REGARDING AN ENERGY EFFICIENCY PORTFOLIO STANDARD	**CASE NO. 07-M-0548**

ELSTER INTEGRATED SOLUTIONS COMMENTS TO THE NEW YORK PUBLIC SERVICE COMMISSION STAFF

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AND NOW COMES **Scott H. DeBroff, Esquire and Peter M. Good, Esquire** of Smigel, Anderson & Sacks, LLP, on behalf of their client, **Elster Integrated Solutions, LLC ("Elster"** or **"EIS")** for the purpose of responding to a series of "Staff Questions To The Parties" that were submitted in mid-June with respect to the proceedings of the New York Public Service Commission ("NYPSC" or the "Commission") regarding the "Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard."

Before replying to the Staff Questions, we would like to make a brief introduction and some opening thoughts for the Commission's consideration.

INTRODUCTION

Elster Integrated Solutions, LLC ("Elster" of **"EIS")** is a meter technology provider which has participated extensively in proceedings in other states involving the implementation of

the Energy Policy Act of 2005, specifically the Smart Metering and Demand Response provisions beginning at Section 1252 of the Electricity Title of the Act.

Elster Integrated Solutions, 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.

Elster, as a supplier of advanced meters and advanced metering technology, has been involved for many years with a variety of New York utilities and knows them well. We have substantial interests in the outcome of these advanced metering and demand side management issues in this proceeding and consider ourselves highly knowledgeable in the area, and look forward to being a resource for the Commission on advanced metering issues.

Elster is very excited to be a part of this proceeding and be able to offer its experience in the advanced metering and demand response arenas to support the Commission's task of evaluating existing and potential programs, tariffs and market standards, in order to craft an Energy Efficiency Portfolio Standard for the State of New York.

To that end, we feel very strongly that Advanced Metering and the creation of an Advanced Metering Infrastructure (AMI) will be one of the principal pathways by which Energy Efficiency Programs and Demand Response Initiatives will succeed.

The use of AMI solutions combined with time-of-use rates have the potential to provide numerous important benefits to New York electric consumers and utilities, including but not

limited to sending more accurate price signals, load shifting, reduction in energy use, reduced meter reading costs, and improved customer service.

Experience in other jurisdictions suggests that reductions in demand from pricing plans enabled through advanced time-of-use meters generally correspond to peak periods when both utility costs and energy emissions are high.

Potential benefits of AMI also include more and better information about customer resource requirements for utility planners and the flow of that information to the final customer.

Through the already opened Advanced Metering rulemaking at the Commission, all New York utilities have filed deployment plans for how they would construct an AMI capability and several are in the planning stages for moving forward with their concepts. The creation of an Advanced Meter Infrastructure behind each utility will provide greater operational benefits for the utility and demand response opportunities for the customer.

In this proceeding, we believe that there needs to be a focused and coordinated effort undertaken in order to evaluate and recommend strategies for all three pieces of the puzzle, including Energy Efficiency opportunities, Demand Response programs and the creation of an Advanced Metering Infrastructure to support them.

Following are our responses to the Staff questions most relevant to us.

ELSTER'S RESPONSES TO STAFF'S QUESTIONS

GOALS:

Question No. 1

What approaches hold the greatest potential to contribute to New York achieving the overall target of 15% electricity consumption reduction by 2015? Are there any energy consuming sectors and markets that are currently underserved by the existing available portfolio of energy

efficiency programs and services in New York State? How should those deficiencies be addressed in implementation initiatives?

Response to Question No. 1

We believe that the approach that holds the greatest potential towards achieving the target of 15% is a coordinated blend of progressive energy efficiency programs, demand response opportunities and advanced metering and Advanced Metering Infrastructure (AMI) deployment across all utilities.

Question No. 3

What are the most appropriate methods and processes for establishing program specific goals and for measuring progress towards long term goals (including program monitoring, measurement, and evaluation)?

Response to Question No. 3

The California Standard Practice Manual is an excellent resource for the evaluation of energy efficiency programs, and has been used across a number of different states in their evaluation processes.

Question No. 5

What other national, state, and municipal government and private initiatives would help New York meet the objectives of the EPS Proceeding? In what ways can we leverage the impact of these initiatives to help us meet the objectives of the EPS Proceeding? How should the impact of these initiatives be counted and measured?

Response to Question No. 5

In regards to advanced metering, the Energy Policy Act of 2005 and its implementation, through Section 1252, of Smart Metering standards back to the individual states would be one process that would help New York meet the objectives of this EPS proceeding. While the New York PSC has conducted an EPACT proceeding and has required affected utilities to file deployment plans, it has not instituted a process to create and foster new smart metering rules, regulations and technical standards to support its utilities as they come in with advanced metering and AMI applications and seek recovery for such proposals. With rules and standards in place, the ability to support time variant rates and demand response programs, in turn, becomes simpler and will hopefully lead to customers changing their behavior and reducing their energy usage.

With state rulemakings to do the same in California, Texas, Ohio, Maryland and other jurisdictions, there are plenty of templates for rules and standards that can be suggested as New York looks to examine the same issues.

PROGRAM ELEMENTS:

Question No. 8

What role should outreach and education play in an enhanced energy efficiency effort and what changes in approach should be made in various demographic or market segments from the methods now being used?

Response to Question No. 8

In a recent presentation, we commented that in order to be successful in terms of energy customers reducing their usage, it takes an advanced metering infrastructure plus an appropriate

time variant tariff plus a well-conceived demand response program plus a customer education program. It is the combination of all of these elements that will drive the greatest success.

Question No. 9

What role could innovative rate design play in enabling greater penetration of energy efficiency and how might this vary by market segment? Should energy tariffs recognize and differentiate between the relative level of energy efficiency designed into new buildings?

Response to Question No. 9

Innovative rate design, such as time of use (TOU) and critical peak pricing (CPP) tariff offerings, are critical to enabling greater penetration of energy efficiency, as they promote the appropriate price signals and provide the incentive for customers to modify their behavior and respond to those signals, thereby reducing usage and saving money.

Question No. 12

What role should a) distributed generation, b) demand response, and c) combined heat and power play in reaching New York's energy efficiency goals?

Response to Question No. 12

Demand response must play a huge role in reaching New York's energy efficiency goals, and as indicated earlier, along with an advanced metering infrastructure, a DR program that provides the appropriate incentive for a customer to respond to the changing prices, will make this State's goals reachable.

IMPLEMENTATION:

Question No. 14

What could be an appropriate role for utilities with respect to the delivery of energy efficiency programs within their service territories? How might that role vary by market segment?

Response to Question No. 14

An appropriate role for utilities could be allowing them to "manage" programs that are designed by other parties in their own service territory.

Question No. 15

What role should key stakeholders play in an enhanced energy efficiency effort (e.g., Staff, Departments of State and Environmental Conservation, utilities, NYSERDA, Division of Housing and Community Renewal, NYPA, LIPA, NYISO and energy service companies), and how should they coordinate their efforts?

Response to Question No. 15

This question is perhaps at the heart of the matter of this Energy Efficiency Portfolio Standard proceeding. We would say that just as there needs to be a cooperative effort between EE, Demand Response and Advanced Metering, so does their need to be an extremely coordinated effort between and among the stakeholders to this energy efficiency effort. We support further detailed discussions and working group efforts to break down the components to this process and find common ground on each piece. This will enable all parties to build consensus on how best to deal with the development of programs that will steer this rulemaking towards success. To rush the process and place artificial caps on the time it will take to come to resolution on a host

of topics, is to promote only the short term solutions and avoid a healthy discussion on the longer term solutions. This process needs more time in order for the groups of parties and their issues to be heard by all involved. Only then will there be sufficient support for a successful end result.

Question No. 17

Should utilities (or other entities) receive incentives for implementing successful energy efficiency programs? If so, what is the appropriate level and form that these incentives should take and should such incentives be performance based?

Response to Question No. 17

Utilities should absolutely receive incentives for being successful and getting customers to reduce their usage, and especially to reduce peak time usage. One potential type of incentive could be a promise by the Commission of an improved Return on Equity (ROE) in the utility's next filed rate case.

COSTS AND BENEFITS CALCULATION:

Question No. 22

How should the expected benefits and costs of various design options be measured and compared? What externalities should be included and why? What expenditures or benefits should be characterized as transfer payments and perhaps excluded from the analysis? Why?

Response to Question No. 22

While we do not have an answer to this question, we can tell you that California is undergoing this such analysis now in its "Rulemaking Regarding Policies and Protocols for Demand Response Load Impact Estimates, Cost-Effectiveness Methodologies, Megawatt Goals and

Alignment with California Independent System Operator Market Design Protocols", found at Docket No R. 07-01-041 at the Public Utilities Commission of California. As New York runs through the same process, the California proceeding should provide some guidelines.

FUNDING:

Question No. 25

What constitutes a reasonable level of funding for the electric and gas energy efficiency programs? How, and from whom, should the various program costs be funded, allocated and recovered?

Response to Question No. 25

While there are some similarities to other states, New York State's efficiency programs would need to be measured on their own scale, and what programs are necessary for New York would be a subjective decision. Regarding funding of the various programs, while we do not have a specific opinion on how costs should be paid for, we do believe that every customer should be touched by some percentage of the costs, which in turn, would give them an incentive to lower their energy consumption.

CONCLUSION

In the preliminary paragraphs of their Questions document, the Staff requested that parties indicate if they would be willing to work with Staff more extensively in developing a program design on a particular topic. We would very much appreciate this opportunity and would be interested in supporting an effort to address the Smart Metering and Advanced

Metering Infrastructure (AMI) standards and regulations to support such standards. This is a critical area that needs serious attention and we would be happy to participate in such work.

Elster Integrated Solutions appreciates the opportunity to respond to the Staff's questions and looks forward to continuing to play an important role in informing and educating the Commission and other parties to this rulemaking.

Respectfully submitted,

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Dated: July 12, 2007

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