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FILE NO: 11301/1

November 3, 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-2008-2069887; Comments on behalf of Elster Integrated Solutions for Energy Efficiency and Conservation Program and EDC Plans

Dear James:

Enclosed please find an Original and eight (8) copies of the "**Comments on behalf of Elster Integrated Solutions.**" Please enter this into the docket and time-stamp the additional two (2) copies and return to us. For the remaining three (3) additional copies, please distribute to the following: Commission's Bureau of Fixed Utility Services (FUS), Bureau of Conservation, Economics, and Energy Planning (CEEP) and the Law Bureau (Law).

If you have any questions regarding this filing, please do not hesitate to call us at (717) 233-5731.

Best regards,

RHOADS & SINON LLP

By: _____
Scott H. DeBroff, Esquire

SHD/msi
cc: Commission's Bureau of Fixed Utility Services (FUS)
Bureau of Conservation, Economics, and Energy Planning (CEEP)
Law Bureau (Law)

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY EFFICIENCY AND CONSERVATION PROGRAM AND EDC PLANS	Docket No. M-2008-2069887

COMMENTS ON BEHALF OF ELSTER INTEGRATED SOLUTIONS TO THE ACT 129 OF 2008 IMPLEMENTATION PLAN

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DATED: NOVEMBER 3, 2008

COUNSEL FOR ELSTER INTEGRATED SOLUTIONS

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY EFFICIENCY AND CONSERVATION PROGRAM AND EDC PLANS	Docket No. M-2008-2069887

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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

(EPAct) and the Energy Independence 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:

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COMMENTS ON PA ENERGY EFFICIENCY AND CONSERVATION PROGRAM AND EDC PLANS

4. On October 15, 2008 Governor Rendell signed HB 2200 into law as Act 129 of 2008. The Act expands the Commission's oversight responsibilities and imposes new requirements on Electric Distribution Companies (EDCs), an overall goal of reducing energy consumption and demand, enhancing default service procurement and expanding alternative energy sources.

5. The Act contains several time frames and deadlines. The first phase requires the Commission to adopt an Energy Efficiency and Conservation (EE&C) program for each utility, to reduce energy demand and consumption within the service territory of each electric distribution company (EDC) in this Commonwealth, by July 1, 2009.

6. On October 21, 2008, the Commission issued a letter notice in these proceedings soliciting comments on each of the individual aspects of the EE&C Program required under Section 2806.1(a) (1)-(11). They requested stakeholder input on the likely procedural, technical, interpretive, and implementation issues; measurement of EDC compliance; and the level of detail required for providing adequate direction to EDCs in regard to their plans.

7. In regards to the Commission's implementation of Act 129, we believe that the provisions of the new Act which address the duties of the Electric Distribution Companies to file and implement smart meter technology procurement and installation plans, should also carry significant weight and should be addressed at the same time. The implementation of smart metering will be instrumental in developing and supporting Section 2806.1(a) (2). This section states that the EE&C program will include an "evaluation process, including a process to monitor

and verify data collection, quality assurance and results of each plan and the program." We believe that in order to achieve the desired results of this Act, and incorporate a better way of measuring and monitoring data collected from each plan, it is important to use a highly capable advanced meter. A smart meter has the ability to provide more timely and accurate data. This technology has the capability of reading hourly and sub-hourly metering data and will be a superior tool with the best capabilities to record data and measure the actual results of each plan and program. In order to determine the ultimate success or lack thereof to many energy efficiency and conservation programs, the Commission must take into consideration the important measurement and verification and evaluation of such a program, and the integration of smart meter technology as program plans are being designed and implemented, is critical.

8. Section 2806.1 (A) (3) requires that the program shall include, "an analysis of the cost and benefit of each plan submitted under subsection (B) in accordance with a Total Resource Cost Test approved by the commission. " Elster agrees that the Total Resource Cost (TRC) test is the appropriate benchmark for assessing public benefits and costs as it encompasses benefits and costs to all parties. Some environmental benefits, such as reduction in air pollution where environmental control technology costs are known (such as for SOX and NOX reduction), may be added to the TRC analysis to account at least some of the 'societal costs'.

9. In regards to the Commission's implementation of Act 129, we believe that smart meter technology will be instrumental in developing Section 2806.1(a) (6). The Commission's program must also include "procedures to make recommendations [for] additional measures that will enable an electric distribution company to improve its plan and exceed the required reductions in consumption." Smart meter technology will be a crucial element to the ultimate success of a plan that will be adopted by an electric distribution company. Implementation of

advanced metering systems provides added benefits such as enhanced reliability, improved customer service, and reduced operating costs. Smart meter technology is an integral component to maximize the solution of demand response, load control, and other consumption reduction programs.

10. In regards to the Commission's implementation, we believe that smart meter technology will be instrumental in developing Section 2806.1(a) (9). This section requires "procedures to ensure compliance with requirements for reduction in consumption" under this Act. Smart meters have sophisticated technology that can accurately measure the usage and consumption of electricity. Several functions of this device, such as two-way communication between the meter and data collector and the overall focus on providing more data, will help to promote energy conservation, active participation by the customer, reduce costs and expand the limited resources of the electric distribution company. Smart Meter technology is extremely relevant to achieving success and meeting the goals outlined in this Act. By including smart meters into its plan, the electric distribution company will be able to comply with the ambitious requirements for reduction in consumption under its provisions.

11. Under section 2806.1 (B) (1) (B), the EDC's plan requirements include, "a minimum of 10% of the required reductions in consumption under subsections (C) and (D) shall be obtained from units of federal, state and local government, including municipalities, school districts, institutions of higher education and nonprofit entities. " Elster agrees that federal, state, and municipal governments should set a leadership example in energy efficiency, conservation, and demand reduction. However, we believe that there may possibly be difficulties with investor owned electric utilities administering government programs. Illinois has dealt with this by having a state government entity (the Department of Commerce & Economic Opportunity)

administer the programs for government end users, while utilities (Commonwealth Edison and Ameren) administer the programs for customers who are private entities.

12. Government agencies are, quite naturally, mostly interested in their programmatic responsibilities and concerned about satisfying their charters in a time of decreasing funding. A means of incenting government entities to conserve at the federal level has been to allow agencies to retain costs savings and use these savings to fund agency programs. This eliminates the disincentive of having agencies pay the costs of conservation investments while having to give back the operational savings.

13. While we understand that we are limited to commenting on this first phase of the implementation of the Act, we would like to take this time to initially address other provisions of the Act that will ultimately relate to phase one and we will certainly revisit these provisions again as we get to them.

14. We would like to initially address Section 2807 (E) (7) (2) which states that "an electric distribution company may recover smart meter technology costs on a full and current basis through a reconcilable automatic adjustment clause under section 1307. " The situations requiring electric distribution companies to furnish smart meter technology would result in very expensive cost per endpoint systems for residential and small commercial customers and minimal utility and public benefits. These requirements are more typical of large industrial installations.

15. AMI residential systems, to an exceptional degree, rely on economies of scale to lower costs, such as when every utility customer has a meter installed, which then reduces the per

customer communications infrastructure costs and enables the utility to eliminate truck rolls to read meters, verify outages, etc. AMI is a 'power to the people' technology which provides information to customers on how to reduce energy costs and means to automatically enable savings (though smart thermostats receiving price signals from the smart meter, for example). Direct load control (DLC) enables the utility or demand service provider to reduce load, but AMI enables the customer to reduce costs by deciding what comfort levels they want on their thermostats.

16. The ability to automate the electric distribution system and achieve large scale demand response depends on having a large scale penetration of AMI. The Brattle Group studies show that Time of Use rates, alone, achieve about a 5% peak load reduction, while Critical Peak Pricing plus enabling technology achieves 20-30% peak load reduction. In a recent PJM Interconnection Seminar of demand response experts (PJM Interconnection Demand Response Symposium II, May 2008) AMI plus enabling technology was the overwhelming solution of choice.

17. Perhaps the rationale for this provision in HB 2200 is protecting low income customers, who are perceived by their advocates to be incapable of reducing costs. Studies actually show low income customers, as a whole, do save money with smart programs. The sole exception is low income, high use. Therefore, it follows that low income, high use customers should have a solution that is targeted to their situation (perhaps weatherization), and not that everyone else must pay more by not implementing AMI and demand response. In Maryland, one utility has proposed a 'Critical Peak Rebate' rate structure for low income customers, which makes this concern of them paying for systems they don't use go away. With CPR, a customer pays the rate it paid before, but gets a rebate for peak savings they achieve.

18. If large scale demand response is not achieved, everyone will pay much more for power today and tomorrow. Costs of all fuels have skyrocketed and this is reflected in what we pay everyday. In the PJM Interconnection electric transmission region, including Pennsylvania, the peak marginal cost is paid for all of the power at the peak, not just for the capacity provided by the most expensive unit. So the impact of peak load reduction is very high. Brattle Group studies show about 70% of the savings from peak load reduction is from capacity savings. The participants who save energy get the energy savings credit, as well. Besides providing the enabling technology for demand response, AMI provides the data to measure and verify individual savings. This M&V function can also be used for 'green pricing', accounting for carbon reduction, or other future alternatives that customers may find attractive.

19. Finally, the cost of the materials needed to build new power plants has also skyrocketed. Like fuel costs, the long-term trend international trend is upward because supply of critical materials (especially, copper and electrical steel) is concentrated in a few countries and companies and because China and India are rapidly growing economies. For example, there are only 2 or 3 major copper suppliers in the world and most of the refined copper is now in China, where the electrical infrastructure is being expanded at a phenomenal rate. For these reasons and others we need to defer the needs for new plants.

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: _____

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DATED: NOVEMBER 3, 2008

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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **"COMMENTS ON BEHALF OF ELSTER INTEGRATED SOLUTIONS"** electronically to Mr. James J. McNulty, Commission Secretary, as well as the following: Commission's Bureau of Fixed Utility Services (FUS), Bureau of Conservation, Economics and Energy Planning (CEEP) and the Law Bureau (Law).

Dated: **November 3, 2008**

By: _____

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