Appendix 5

Resolution to Remove Regulatory Barriers To the Broad Implementation of Advanced Metering Infrastructure

WHEREAS, The Energy Policy Act of 2005 amended the State ratemaking provisions of the Public Utilities Regulatory Policies Act of 1978 (PURPA) to require every State regulatory commission to consider and determine whether to adopt a new standard with regard to advanced metering infrastructure (AMI); *and*

WHEREAS, Advanced metering, as defined by Federal Energy Regulatory Commission (FERC), refers to a metering system that records customer consumption hourly or more frequently and that provides daily or more frequent transmittal of measurements over a communication network to a central collection point; *and*

WHEREAS, The implementation of dynamic pricing, which is facilitated by AMI, can afford consumers the opportunity to better manage their energy consumption and electricity costs through the practice of demand response strategies; *and*

WHEREAS, Effective price-responsive demand requires not only deployment of AMI to a material portion of a utility's load, but also implementation of dynamic price structures that reveal to consumers the value of controlling their consumption at specific times; *and*

WHEREAS, AMI deployment offers numerous potential benefits to consumers, both participants and non-participants, including:

- greater customer control over consumption and electric bills;
- improved metering accuracy and customer service;
- potential for reduced prices during peak periods for all consumers;
- reduced price volatility;
- reduced outage duration; and,
- expedited service initiation and restoration; *and*

WHEREAS, The use of AMI may afford significant utility operational cost savings and other benefits, including:

- automation of meter reading;
- outage detection;
- remote connection/disconnection;
- reduced energy theft;
- improved outage restoration;
- improved load research;
- more optimal transformer sizing;
- reduced demand during times of system stress;
- decreased T&D system congestion; and,
- reduced reliance on inefficient peaking generators; *and*

WHEREAS, Sound AMI planning and deployment requires the identification and consideration of tangible and intangible costs and benefits to a utility system and its customers; *and*

WHEREAS, Cost-effective AMI may be a critical component of the intelligent grid of the future that will provide many benefits to utilities and consumers; *and*

WHEREAS, It is important that AMI allow the free and unimpeded flow and exchange of data and communications to empower the greatest range of technology and customer options to be deployed; *and*

WHEREAS, The deployment of cost-effective AMI technology may require the removal and disposition of existing meters that are not fully depreciated and may require replacement of, or significant modification to, existing meter reading, communications, and customer billing and information infrastructure; *and*

WHEREAS, Regulated utilities may be discouraged from pursuing demand response opportunities by the prospect of diminished sales and revenues; *now, therefore, be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its February 2007 Winter Meetings in Washington, D.C., recommends that commissions seeking to facilitate deployment of cost-effective AMI technologies consider the following regulatory options:

- pursue an AMI business case analysis, in conjunction with each regulated utility, in order to identify an optimal, cost-effective strategy for deployment of AMI that takes into account both tangible and intangible benefits;
- adopt ratemaking policies that provide utilities with appropriate incentives for reliance upon demand-side resources;
- provide for timely cost recovery of prudently incurred AMI expenditures, including accelerated recovery of investment in existing metering infrastructure, in order to provide cash flow to help finance new AMI deployment; and,
- provide depreciation lives for AMI that take into account the speed and nature of change in metering technology; *and be it further*

RESOLVED, That the Federal tax code with regard to depreciable lives for AMI investments should be amended to reflect the speed and nature of change in metering technology; *and be it further*

RESOLVED, That NARUC supports movement toward an appropriate level of open architecture and interoperability of AMI to enable cost-effective investments, avoid obsolescence, and increase innovations in technology products.

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