

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on February 19, 2003

COMMISSIONERS PRESENT:

William M. Flynn, Chairman
Thomas J. Dunleavy,
James D. Bennett
Leonard A. Weiss
Neal N. Galvin

CASE 02-M-0515 - Proceeding on Motion of the Commission to
Establish Gas Transportation Rates for
Distributed Generation Technologies.

ORDER PROVIDING FOR DISTRIBUTED GENERATION
GAS SERVICE CLASSIFICATIONS

(Issued and Effective April 24, 2003)

BY THE COMMISSION:

INTRODUCTION

We instituted this proceeding to consider gas rates for distributed generation (DG) technologies and to encourage the development of pilot projects.¹ Current gas tariffs may not be specifically designed for DG uses and existing tariff service terms and conditions may impede DG development. Accordingly, we solicited comments on a set of principles and a group of

¹ Case 02-M-0515, Gas Transportation Rates for Distributed Generation Technologies, Order Instituting Proceeding, (issued May 14, 2002) ("DG Order"). We approved a pilot proposed by National Fuel Gas Distribution Corporation in a separate order. Case 02-G-0858, National Fuel Gas Distribution Corporation - Pilot Program, Order Approving Distributed Generation Pilot Program, with Modifications (issued March 20, 2003).

questions to begin the process of developing rates for gas service to DG and removing any impediments to its development.

In this Order, we establish parameters for rates for commercial and industrial DG service and request the parties to provide further comments and proposals for residential DG service. Our actions concur with the State Energy Plan which, in addressing distributed generation from an electric perspective, found: "Distributed generation, including combined heat and power (CHP) applications, offers customers the promise of increased electric reliability, power quality, efficiency, and affordability, while potentially reducing supply and distribution costs."² For gas customers, this new technology may permit more efficient use of existing facilities, with the prospect of spreading fixed costs over greater system sales, which could reduce pressures on local distribution companies to seek revenue adjustments. Fostering the development of distributed generation is thus in the public interest.

It appears, based on the information now available, that while current gas tariffs may give sufficient options for prospective users of distributed generation as a peak-shaving device, developers of high-load factor baseload distributed generation may need the option of a firm high load factor rate in addition to rates available in other service classifications. KeySpan reports success with a variety of gas supply options, including a rate for distributed generation projects with a load factor of more than 50% percent. We believe a high load factor option should be available for DG customers of gas utilities.

Accordingly, as explained below, we will order gas utilities to offer an option to DG customers with at least a 50% load factor. This approach fosters the deployment of a new

² New York State Energy Plan, June 2002, p. 3-86.

technology that may reduce the need for new electric transmission or distribution facilities, thus providing electricity to end users at a lower cost while stabilizing gas rates. In the interest of certainty and to allow developers of distributed generation sufficient time to build a project in response to this new option, we will also require that the rate be established as a ceiling for not less than three-years.

The parties' comments and our resolution of the issues they present are discussed next.

DISCUSSION

Comments were received from Amerada Hess Corporation and Hess Microgen LLC (Hess), Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York and KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island (KeySpan), Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. (Con Ed/O&R), Energy Enterprises, Inc. and Energy Resources and Innovations Corp. (EEI/ERIC), Multiple Intervenors (MI), National Energy Marketers Association (NEMA), National Fuel Gas Distribution Corporation (NFG), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation (NMPC), Plug Power, and Rochester Gas and Electric Corporation (RG&E).

The Need for a Separate DG Service Classification

Multiple Intervenors supports the establishment of a separate classification for gas transportation rates for distributed generation projects. It says that the existing tariffs are ill-equipped to address the service distinctions, including size and load factor, associated with customers taking gas service for DG projects and that separate service classifications should be developed that recognize those

distinctions. NEMA also supports separate service classifications and Plug Power advocates a separate sub-class.

Con Edison differs, asserting that it is not now possible to properly evaluate whether DG customers have high or average load factors and have peak or largely off-peak load characteristics. It says that the existing tariffs contain appropriate terms and conditions for service and that establishing service classifications specifically designed for DG units now requires more information about the load and use characteristics than is currently available or reasonably predictable. It proposes undertaking a load study under which it would install interval metering for a sample of DG units to determine whether their load characteristics of gas usage are similar to or different from the load characteristics of the class under which service is taken.

RG&E similarly questions the premise that DG customers differ. It says that it is not at all clear that DG will be characterized by off-peak usage and higher load factors, because it is unknown whether DG customers will operate during the summer or at higher load factors than those of other users. Indeed, it says that, because a DG owner's decision to operate will be influenced by many other factors, it might decide to run the DG application only in winter, increasing the gas peak. It also describes several practical problems. First, it says that because load characteristics vary tremendously from one DG unit to the next, special rates cannot be designed around a particular load shape assumption or based upon the expectation that gas load factors will be high or that gas usage will be primarily off peak. RG&E also questions the usefulness of separate DG classifications, noting that local distribution company rates will be a very small component of the total cost of installing and operating a DG unit. Finally, RG&E claims

that its tariff does not contain terms and conditions that would act as a barrier to DG operation and that there is therefore no reason to provide a separate classification.

In contrast, KeySpan says it has in place gas transportation service classifications designed specifically for small generators and that it has been very successful in developing distributed generation in its market.

NFG suggests that there is no need for separate service classifications based on size or load factor of the DG applications and that there is no optimum number of service classifications. It says that DG tariffs work best when they emulate the corresponding standard transportation rates, which offer lower unit charges for larger volume customers, and that "while DG tariffs may not be needed to address the unique load factor for each application, [they] may minimally be needed to address the needs of the three most common applications of DG: base loaded, load following, and peak shaving."³ In any event, NFG concludes that the need for having a number of different service classifications will be mitigated if the DG tariffs provide for the flexibility to negotiate with customers.

While several of the utilities are correct--gas for use of distributed generation may indeed be provided through existing service classifications -- that option is not enough to satisfy our goal of fostering DG in New York. Having a separate option for baseload DG will allow us to treat these customers differently from other customers when it is appropriate to do so (e.g., where the expected load factor for the class is significantly higher than those served under existing service classifications). It will also make it easier to identify and

³ NFG's comments, p. 6.

track baseload DG usage and refine the rates and conditions of service as we gain experience with baseload DG.

Rate Design Issues

We asked parties to comment on whether firm and interruptible, and peak and off-peak rates should be developed, whether separate rates, depending upon the size or load factor of the distributed generator are needed, whether an average load factor is required, and whether negotiated rates should be allowed. This section discusses those comments and provides our decision as to how these rates should be designed.

1. Firm and Interruptible Rates; Peak and Off-Peak Rates

KeySpan notes that its customers use both firm and interruptible rates, and that firm rates eliminate the need for customers to obtain and maintain dual fuel equipment. Thus, the choice between firm and interruptible rates may depend upon the kind of equipment the customer has or selects. If the equipment is gas only, the choice would be firm; if the customer has dual-fuel equipment, the choice could be a temperature controlled rate or an interruptible rate.

KeySpan says that whether service is peak or off-peak is not relevant to gas rates for distributed generation. NFG says that such rates may be advantageous for some customers. NFG notes as well that a firm transportation service should be available for DG customers.

Plug Power states that, assuming increased usage by a relatively small number of DG customers causes no incremental increase in costs, even during peak periods, there is no need in the near term for separate peak and off-peak rates. It states that, if the Commission determines that there is a substantial increase in utility costs, then a conventional peak and off-peak arrangement would be appropriate. It suggests that, in the near term, the simplest approach might be to establish a seasonal

rate for DG customers applicable only during non-peak months. RG&E doesn't oppose peak and off-peak rates. It notes that because it is the time of use that justifies the lower rate, not the nature of the end use, it is appropriate to apply them to all end uses, not just distributed generation.

Firm rates should be developed for the baseload DG option we require in this Order. Such rates should factor in seasonal differentials. The baseload DG option may be a way of encouraging economical use of the gas system, particularly during off-peak periods. Additionally, we will not provide for interruptible rates now, for it is not clear the benefits of that requirement justify the costs. Most utilities have some form of interruptible service that can be used by larger DG applications. The costs associated with administration of a DG interruptible service for other customers may outweigh its benefits because of the smaller volumes which would be available from those smaller customers to supplement system supplies.

2. Customer, Demand, and Energy Charges

Niagara Mohawk proposes that there should be three part rate schedules for distributed generation customers with separate customer, demand, and energy charges. It says that the monthly customer charge should recognize the cost of metering service, laterals and interconnection, that the demand rate should be the same for all DG customer classes and based upon the system average embedded capacity costs, and that a separately stated energy rate for all consumption should recover variable costs.

We will require a separate demand rate for large customers because the characteristics and operating usage of baseload DG units can vary significantly enough to warrant separate sub-classes of a baseload DG service option. Five MW is a reasonable level to necessitate separate tariffs for units

above and below that amount. We will direct gas utilities to file separate tariff leaves instituting firm delivery service for customers with DG units less than five MW and for those customers with DG units equal to or greater than five MW. Above that level the use is significant enough to impose demands on the system, for which the utilities might want to have metering equipment generally associated with demand billing services to provide real time data.

3. Load Factor

For each of these categories, the DG units shall have a load factor of 50%⁴ or greater to be eligible for the new baseload DG service classification. The 50% load factor is reasonable since a) there are existing tariffs applicable to DG customers which largely consist of customers with average class load factors less than 50%; b) it is expected that baseload DG will need to be operated at a minimum 50% load factor to run economically; and, c) experience under the KeySpan high load factor tariff, which requires a minimum 50% load factor, indicates that this is an appropriate minimum requirement. As more experience is gained with DG service, the appropriate minimum load factors to be used in designing these tariffs should be addressed in subsequent DG rate filings. Until more definitive data is available, the utilities shall design rates for commercial and industrial customers using an average class load factor of 70% (even though the rate will be available to customers with a 50% load factor). The 70% load factor considers the minimum 50% load factor requirement discussed above, and the expectation that some stand-alone units or DG

⁴ Load factor is defined herein as annual usage divided by (peak day use x 365 days).

units designed for thermal rather than electric demands can be expected to operate at a 90% or greater load factor. We anticipate that this average class load factor of 70% will be a reasonable proxy for purposes of developing an initial DG service classification. The development of future DG tariffs should benefit from the collection of data to assess the appropriate load factor to use.

4. Negotiated Rates

Several parties assert that the Commission should allow negotiated rates. NFG says that rates that recover incremental costs should be allowed and that, if it and the DG owner are able to provide a contribution to system costs through a negotiation process, that rate too should be permitted. RG&E similarly explains that negotiated rates provide for some contribution to joint and common costs and that DG applications may produce just the sort of additional load and economic activity that will allow all parties to benefit. It says its tariff currently provides the needed flexibility and no modifications are necessary. NYSEG's position is a little stronger; it says that the negotiated rate must provide a contribution to system costs in addition to covering incremental costs. It says that concept has been approved on numerous occasions by the Commission.⁵ Hess generally agrees but states that "negotiation, however, should not be a requirement,"⁶ pointing out that it could be a significant barrier to development and that fixed tariff rates should be available to facilitate the planning and financing of DG facilities.

⁵ NYSEG's comments, p. 8. citing Case 93-M-0229, Competitive Opportunities, Opinion No. 94-15 (issued July 11, 1994).

⁶ Hess's comments, p. 4.

We will require that the DG tariffs authorized here not provide for negotiated rates. The utilities may continue to offer negotiated rates allowed in existing tariffs to DG units.

Pricing Method

1. Embedded or Incremental Costs

We asked parties to comment on what type of costs (incremental or embedded) should be used to set DG rates.

MI supports the use of embedded cost studies, noting they are more reliable than the other types of studies which rely on estimates. MI also states that embedded costs are used to calculate most other rates charged to customers. Niagara Mohawk similarly proposes the use of embedded costs.

Con Edison states that the pricing method to be used for DG rates will depend on the service classification applicable to the customer. It says that the rates for gas to fuel DG units should reflect the cost to serve that customer and that the cost generally varies directly with peak demand characteristics.

Among the entities arguing against embedded rates, Plug Power asserts there is no support for any additional contribution to embedded costs from DG sales. It says that use of incremental costs would be consistent with the Commission's treatment of electric standby rates. To the extent existing rates for small customers are recovering embedded costs through volumetric rates, care must be taken so that a DG customer does not avoid the contribution to system costs that is contained in the standard rate. It says that can be done by applying the DG rate only to volumes exceeding the customer's historic average usage, or by requiring a separate meter.

NEMA asserts that the Commission should adopt prices that provide appropriate price signals to customers who are considering distributed generation investments and that utility

distribution costs should be fully unbundled from the costs associated with generation, transmission, retail and customer care functions. It says traditional rate design uses embedded cost of service and that if incremental system costs are charged to distributed generation customers, those costs must acknowledge the incremental system benefits of distributed generation.

Hess states that the Commission should support the establishment of gas transportation rates that promote the development of distributed generation, even if the cost basis for such rates requires assumptions for which empirical data is not yet developed.

We traditionally price services on embedded costs. Requiring the filing of incremental studies would be an unreasonable burden here, because we are not changing reliance on the underlying costs: we are creating an option for high load factor customers, so reliance on the existing studies is reasonable.

Whether Rates Should be Frozen

We asked parties to comment on whether rates should be frozen, and, if so, for how long. Con Edison comments that it is inappropriate to fix rates for an extended period of time because that action could create subsidization of DG gas rates by other customers. NEMA expresses its concern that, if DG rates are frozen, utilities may have an incentive to discourage customers from the use of DG because of the possibility of lost sales and stranded costs. MI sees no reason to freeze rates and exclude their examination from utility rate proceedings. It says that as long as distributed generation rates are cost based there is no reason to freeze them and prevent them from being adjusted appropriately in rate cases. Indeed, it says that by freezing rates the Commission would lose the flexibility it

possesses in rate proceedings to increase or decrease rates as needed. KeySpan states that distribution rates could be frozen as part of a pilot program.

Plug Power, on the other hand, asserts that, for an emerging industry, it is helpful to replace variable factors with predictable ones wherever possible. It says that the Commission should work toward integrating DG rates with the multi-year rate agreements under which utilities operate and that, at a minimum, rates should be frozen pending the completion of pilot studies.

NFG states that rates should be set for a period of time according to the terms of individually negotiated contracts, which are market driven. NYSEG states that its own gas delivery rates will remain frozen through December 31, 2008 pursuant to a Commission approved Joint Proposal.

Plug Power's analysis is reasonable and we will freeze the rate ceiling for the high load factor DG option for at least the next three years. NEMA's point about the effect on utilities is also reasonable because utilities may experience revenue losses if existing DG customers migrate to the new DG service class.⁷ To help offset any potential net revenue losses that may occur, utilities will be allowed to defer any net lost revenues (that are not offset by any gains these new tariffs produce) for later recovery. If net gains result, they should be treated in accordance with each utility's rate plan.

Customer Participation Limitation

We asked the parties to comment on whether customer participation in DG applications should be limited. Several

⁷ The non-DG gas use for a customer should be served under the applicable tariff for the type of service.

parties commented that so long as rates are cost based, there was no reason to limit the applicability of the rate. Several parties made related points. Con Edison commented that if DG technology changes and the customer load characteristics change considerably, or if the Commission establishes certain requirements for DG customers, the cap issue should be revisited.

NYSEG suggests that, if we order a new service classification, the cap should be implemented. It asserts that we have limited similar programs in the past and should do so again. Niagara Mohawk similarly asserts that a cap is appropriate because utility planning and budgeting cycles could be adversely effected if new distributed generation becomes concentrated in already congested areas. It proposes this standard:

when customer load estimates set forth an application (confirmed, as necessary, with actual data) that total 5 percent of peak day flow, or 50 MDT/day, [Niagara Mohawk] will no longer accept applications for gas-fueled DG technologies pending an evaluation of system requirements and associated rate impacts.⁸

Plug Power comments that there may be circumstances in which a partial cap is warranted. It cites as an example an instance where DG rates are based on pure incremental costs. In that circumstance, it claims that some provision should be made for the possibility that high participation in the program could drive increased capital spending and greater operational costs. It says that even then a cap is not strictly necessary and that, if caps are established, it is very important that they be allocated so that a few large units do not satisfy the entire

⁸ Niagara Mohawk's comments, p. 2.

cap. It says that separate caps should be established for each rate classification.

KeySpan states that caps may artificially constrain the market, and MI says there is no need to cap customer participation.

We support the view that there should be no limit on DG projects. If, however, utilities can demonstrate that DG use results in a negative impact on gas or electric system reliability, they may petition for institution of a cap or other relief from this Order.

The Requirement for Separate Metering

We asked the parties to comment on whether separate metering should be required for DG use and most parties suggested that it should. Some of them claimed that separate metering would make possible accurate measurement and monitoring of distributed generation usage. Niagara Mohawk suggests that large users should have separate metering so it could offer rates that best reflect cost causation. NYSEG notes that if DG use and non-DG use are measured by the same meter, there would be no way to distinguish the portion of the customers consumption priced at the DG rate and usage priced at the non-DG rate. It says such blending of consumption would undermine the purpose of establishing a discrete service classification for DG usage (which it, in any event, opposes). RG&E makes a similar point, but adds that separate metering would only increase the cost of DG installations and may act as a barrier for small installations. KeySpan notes that, in order to avoid an erosion of its margins and to account for different costs in providing different types of service, DG applications need to be separately metered, as required by its existing program.

NEMA, on the other hand, states its concern about the effect of requiring one type of customer to install metering

technology and not imposing the same requirement on other customers. Plug Power states that simplicity is important. It says that one method of establishing a rate for DG is to fix a separate rate for gas related to DG use; and it suggests that another method, which would not require separate metering, would involve basing the rate on gas used in excess of a customer's historic average. It asserts that the expense of a separate meter would be justified only if there is a rate design that provides the opportunity for substantial savings over and above the cost of the additional metering. Hess states that "separate metering should be required only if a DG facility is receiving service under a different rate from that of its host, or if it constitutes a separate service point."⁹

We agree that a separate meter is needed for commercial and industrial DG applications. The DG rates required in this Order shall apply only to DG use; non-DG uses should be measured and billed separately. Installation of separate service lines for DG usage should not be required unless existing facilities are inadequate to transport the additional supplies.

Electric Service to DGs

Several parties note that consideration of the appropriate gas rates for DG projects is only part of the broader issue of how best to foster distributed generation. KeySpan states that it is important to consider the development of electric rates that complement DG gas rates in order to promote customer choice and growth of the DG market that it supports. It says that certain aspects of electric rates, such as exit fees, high interconnection costs, and high backup charges, may impede the development of a robust DG market. Plug

⁹ Hess's comments p. 5.

Power similarly argues that the regulatory issues associated with DG, including electric standby rates and interconnection requirements, must be coordinated.

The issues relating to electric service that the parties raise are duly noted. Because they are under consideration in other proceedings, we will refrain from making a determination on them in this proceeding to establish gas transportation rates.

System Reinforcement Costs

Our notice stated as a principle that "customers installing DG should pay for system reinforcement costs needed as a result of specific DG installations."¹⁰ NFG states its agreement with the principle, provided that the incremental revenues associated with the customer installing DG can be recognized in determining the overall net cost of the system to the customer installing DG. Niagara Mohawk notes that payment by DG customers for necessary system reinforcement will reduce or eliminate cross subsidization of DG customers by others.

Plug Power notes that small customers are not ordinarily required to pay for system reinforcement costs and there will be very few, if any, cases, where the use of DG by small customers will result in the need for system reinforcement. It proposes continuation of the traditional rule that residential and small commercial customers are responsible only for the cost of installing lines that are more than 100 feet from a main.

As stated in the principles, DG customers should pay for any system reinforcements needed to serve them. No party was opposed to this principle, although Plug Power believes that fuel cell installations in residential applications would not

¹⁰ Notice, attachment p. 1.

result in the need for system reinforcement. Customers should pay only for the level of system reinforcements that they would normally pay for, pursuant to the utilities' existing rules. As requested by NFG, the utilities may take into account the revenues expected from a DG installation in determining the net cost of required system reinforcements.

The Source of the Gas Used for DG

The Commission notice provided that "DG tariffs should be available on a non-discriminatory basis whether the customer procures gas from the utility or a marketer."¹¹ NFG agrees, but requests that utilities be permitted to develop special bundled sales rates for smaller DG customers.

NFG has not provided a persuasive rationale for its proposal and, thus, we do not see the need for it; we will not establish separate bundled gas rates for these customers in this proceeding. DG customers should be permitted to purchase their gas from either the utility or an energy service company. Customers choosing to buy their gas from the utility will be subject to the same gas cost as other utility customers.

Residential Distributed Generation

Plug Power advocates establishing a new tariff that would remove obstacles to the development of residential DG applications and is administratively user-friendly. Plug Power anticipates extensive market penetration among residential and small commercial customers of fuel cells in the period following 2005.

NMPC, NFG, RG&E, and KeySpan saw no need for a separate service classification for residential customers. KeySpan specifically supports the inclusion of DG use on the same meter as other residential gas uses. Plug Power and

¹¹ Id.

Amerada Hess support the need for separate tariffs for small users. Plug Power stated that, for residential DG applications, changes in rate design should be kept simple.

Given the expectation that market penetration for residential DG applications is not anticipated for a few years, time is available to collect additional information from the parties on the subject of effective tariffs for residential DG applications. Thus, we will not direct LDCs to file residential DG tariffs now. Instead, we seek more information and additional proposals for residential DG rates and service terms and conditions to promote its use and to provide user-friendly DG service requirements that are easy to understand, as suggested by Plug Power.

One proposed rate design would involve a rate for service to a residential customer with a DG unit that is based upon a hypothetical 50% combined load factor, with customer-related costs in the first block (minimum charge), and a single block rate for all usage above the minimum charge. Such a residential DG rate tariff would not require a separate meter or service line for the DG unit, if existing facilities are adequate. We seek comment on that idea. However, new residential DG usage is unique and there are no roadmaps available for the proper design of rates. Therefore, we encourage the parties to submit other innovative proposals.

We intend to establish rates for gas service to residential customers using gas for DG units by January 2004. In order to facilitate this project we will request that parties provide comments on the proposal described above and submit any other proposals for residential DG rates.

Data Collection

Additional experience and data will benefit the development of future DG rates, including the proper load factor

for minimum requirements and for designing rates. More data will likely assist the parties and us to better understand the gas and electric reliability effects of DG operation. With these goals in mind, the utilities shall gather data on DG customers served under the new tariffs, including at a minimum:

- Gas usage on a daily, monthly, and annual basis;
- Gas load characteristics and other measures to determine gas load factors;
- Utility operating costs to serve DG customers;
- Effects on electric and gas system reliability;
- Electric interface and interconnection issues; and
- Lessons learned from newly installed applications

We will direct Staff to work with the parties to identify the specific information to collect and the standardized reporting format. It will conduct a technical conference to provide opportunities for identification of useful information and development of an effective format for the semi-annual reports. This data shall be filed with staff every six months beginning January 1, 2004 and ending 90 days before filing revised FG tariffs and used by the utilities to support any DG rate changes. An analytical assessment of this data will be made by the utilities and filed at the same time that the utilities file replacement DG tariffs three years and 90 days after the initial DG tariffs are filed.

Terms in Existing Tariffs

In our DG Order, we stated that existing non-rate tariff terms and conditions may not be conducive for natural gas customers who install DG equipment. These potential problems include, in some cases, tariffs that can be read to preclude the use of natural gas for electric generation for certain customer groups at some utilities. The LDCs shall review existing tariffs to ensure that none of the terms and conditions (such as requirements for insurance or letters of credit or

interconnection requirements) are potential barriers to the development of DG. If the LDCs encounter language that is problematic to DG development and operation, they shall file amendments to their tariffs to remove it. Further, if the LDCs believe their tariffs contain no barriers to DG, they shall submit a letter signed by a corporation officer attesting to that fact.

The Commission orders:

1. The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York, KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation and National Fuel Gas Distribution Corporation (the major gas corporations) shall file tariff leaves instituting firm delivery service for commercial and industrial distributed generation customers, as discussed in the body of this Order, within 90 days after the issuance date of this Order. St. Lawrence Gas Corporation and Corning Natural Gas Corporation shall file such tariff leaves in 150 days. These amendments shall not become effective until approved by the Commission.

2. Gas utilities shall review their existing gas tariffs and identify any non-rate terms and conditions that may be barriers to the development of distributed generation, and shall provide a letter signed by an officer of the corporation attesting to the fact that no non-rate impediments were found, or file tariff revisions removing any impediments to DG. St. Lawrence Gas Corporation and Corning Natural Gas Corporation shall perform these tasks within 150 days of the issuance of

this Order; the major gas corporations shall perform these tasks within 90 days of the issuance of this Order.

3. The utilities shall collect DG-related data and file a report containing the data with the Director of the Office of Gas and Water every six months beginning January 1, 2004 and ending 90 days prior to filing new DG tariffs.

4. Any party wishing to submit proposals with respect to residential DG tariff rates shall do so within 135 days from the issuance of this order. Parties are requested to file initial comments on those proposals and the proposal described in the body of this Order by filing five copies of their comments with the Secretary to the Commission within 30 days of the date the proposals are filed.

5. The utilities shall file DG rates for commercial and industrial service and the analytical assessments as described in the body of this Order three years and 90 days after the effective dates of the initial DG rates required in this Order.

6. This proceeding is continued.

By the Commission,

(SIGNED)

JANET HAND DEIXLER
Secretary