STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on February 7, 2019

COMMISSIONERS PRESENT:

John B. Rhodes, Chair
Gregg C. Sayre
Diane X. Burman, concurring, in part and dissenting, in part
James S. Alesi

CASE 17-G-0606 - Petition of Consolidated Edison Company of New York, Inc. for Approval of the Smart Solutions for Natural Gas Customers Program.

ORDER APPROVING WITH MODIFICATION THE NON-PIPELINE SOLUTIONS PORTFOLIO

(Issued and Effective February 7, 2019)

BY THE COMMISSION:

INTRODUCTION

On September 29, 2017, Consolidated Edison Company of New York, Inc. (Con Edison or the Company) filed a petition (Petition) for approval of its Smart Solutions for Natural Gas Customers Program (Smart Solutions Program). In its Petition, Con Edison proposed to implement a multi-pronged program to address its forecasted growing shortfall of peak day pipeline capacity. To meet the growing peak day demand needs of its firm customers, Con Edison has increasingly relied on expensive delivered services, also known as peaking contracts, and expects to continue to do so as peak day demand increases.[1] Therefore, the Company proposed an Enhanced Gas Energy Efficiency Program (Enhanced Gas EE Program), a Gas Innovation Program, a Gas Demand Response Pilot (Gas DR Pilot), a Non-Pipes Alternative[2] (NPA) Portfolio and associated shareholder incentive, and requested authorization to recover pipeline development costs on an expedited schedule. Subsequently, Con Edison filed additional detail regarding its NPA Portfolio and shareholder incentive mechanism (NPA Incentive Mechanism) on September 28, 2018. Con Edison notes that, absent Company actions, it may be unable to meet demand from new firm gas customers on peak usage days, and, therefore, may need to institute moratoriums on attaching new firm gas customers where pipeline capacity is not available.[3]

The Commission approves, with modification, Con Edison's proposed NPA Portfolio to be implemented as directed by this Order. This Order authorizes additional funding, and establishes associated gross million British Thermal Units (MMBtu) savings targets, related to the Company's proposed demand-side initiatives, but defers the cost recovery of those

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[1] Company reliance on delivered services has increased from 5% of total Winter need during the 2014-2015 heating season to 17% of its total Winter need for the 2017-2018 heating season. Con Edison anticipates delivered services increasing to 22% of its portfolio by 2023 absent increased pipeline capacity or significant reduction in customer demand.

[2] While the Company refers to this component as "Non-Pipeline Solutions," this Order will use the synonymous term "Non-Pipes Alternatives" for consistency with other similar programs statewide.

[3] Con Edison issued a Notice of Temporary Moratorium for Gas Service (Moratorium Notice) affecting most of its service territory in Westchester County on January 17, 2019. The Temporary Moratorium begins March 15, 2019.

programs to the pending rate proceeding and calls for further development and implementation of the NPA Portfolio in the existing processes currently in place; specifically, the Company's existing capital planning program and the process described in the Commission's December 13, 2018 Order Adopting Accelerated Energy Efficiency Targets.[4] This Order denies Con Edison's request for a shareholder incentive; however, the Company could pursue other incentive mechanisms as part of its recently filed rate proceeding.[5]

In its July[6] and August[7] 2018 Orders, the Commission made determinations regarding the Company's proposals related to the Enhanced Gas EE Program, pipeline development costs, and the Gas DR Pilot. This Order does not revisit those issues. In addition, Con Edison has recently filed additional information related to its proposed Gas Innovation Program which is currently out for public comment and Department of Public Service Staff (Staff) review, and, therefore, will not be considered at this time.

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4 Case 18-M-0084, In the Matter of a Comprehensive Energy Efficiency Initiative, Order Adopting Accelerated Energy Efficiency Targets (issued December 13, 2018) (Accelerated EE Order).

5 Case 19-G-0066, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service (filed January 31, 2019).

6 Case 17-G-0606, Consolidated Edison - Gas Smart Solutions, Order Approving in Part, With Modification, and Denying in Part Smart Solutions Program (issued July 12, 2018) (July Order).

7 Case 17-G-0606, supra, Order Approving, With Modification, Gas Demand Response Pilot (issued August 9, 2018) (August Order).

PETITION

At the time the Company filed its Petition, the NPA Request For Proposal (RFP) was still in the development phase. Subsequently, the Company submitted its Request For Approval Of NPA Portfolio on September 28, 2018. The Company's filing includes a detailed overview of the RFP evaluation process, the proposed NPA Portfolio, a proposal for cost recovery and accounting treatment of the portfolio costs, a NPA Incentive Mechanism, and seeks Commission authorization to fund and implement the NPA Portfolio. Along with the NPA Portfolio filing, the Company submitted its Interim Benefit Cost Analysis Handbook for Non-Pipeline Solutions (Interim Gas BCA Handbook).

In its NPA Portfolio, Con Edison proposes that the Commission approve a $305 million budget (excluding commodity and capacity charges and Operation & Maintenance (O&M) costs) for a portfolio of non-pipeline projects, including: (1) targeted gas energy efficiency proposals for low income customers and government buildings that provide critical community services; (2) renewable thermal electrification proposals for residential geothermal heat pumps in Westchester County and air source heat pumps for multifamily customers in the Bronx; (3) renewable natural gas (RNG) production plants in Westchester County and New York City; and, (4) trucked supplies of compressed natural gas (CNG) and liquified natural gas (LNG) in Westchester County. The proposed budget includes the cost of the proposals, along with the funds needed for administration, measurement and verification (M&V), and gas system interconnection for the gas supply projects. Additionally, the Company requests approval to recover incremental O&M costs of up to $1.7 million annually for related internal labor costs. The proposed budget is expected to be spent over approximately six years following Commission approval. The Company proposes to recover the majority of NPA Portfolio costs over 20 years to align cost recovery with the benefits provided by the Portfolio. The Company also indicates that it has determined that the proposed projects to date will not sufficiently meet its projected natural gas demand to avoid the need for incremental pipeline capacity.

NPA Portfolio – Demand-Side Programs: Energy Efficiency

Con Edison requests authorization to recover up to $147.8 million of expenditures for additional energy efficiency initiatives proposed to be implemented from 2019 to 2024. The $147.8 million budget consists of $130.9 million to fund projects and programs proposed by RFP respondents; $6.4 million to fund in-house programs to supplement existing programs being implemented by Con Edison; and $10.5 million in administrative costs, such as M&V and customer engagement and marketing. Additionally, the Company expects that it will incur approximately $2.8 million in incremental labor costs from 2019 through 2024 associated with this component of the NPA Portfolio. Con Edison expects the energy efficiency projects and programs would reduce peak day usage by approximately 25,000 dekatherms per day by November 2024.

NPA Portfolio – Demand-Side Programs: Heating Electrification

Con Edison requests authorization to recover up to $74.8 million in expenditures related to its proposed heating electrification initiatives over the 2019 through 2024 period. The $74.8 million budget consists of $68.8 million in RFP respondent costs to implement additional projects and programs aimed at advancing the deployment of air and ground-source heat pumps within the Company’s gas service territory, and $5.9 million in administrative costs for M&V and customer engagement and marketing. Additionally, Con Edison expects to incur approximately $2.1 million in incremental labor costs from 2019 through 2024 associated with the heating electrification programs. Con Edison expects the heating electrification programs would reduce peak day usage by 12,400 dekatherms.

The planned programs for this component of the NPA Portfolio include the installation of: (1) ground-source heat pumps at 8,800 single-family residences in Westchester County; (2) air-source heat pumps at over 1,000 small and mid-sized multi-family buildings that currently use fuel oil for heating in the Bronx and other areas of the Company's natural gas service territory; and, (3) heat pumps to pre-heat boiler return water at more than 1,000 small commercial and large residential facilities throughout the Company's natural gas service territory.

NPA Portfolio – Supply-Side: RNG Projects

Con Edison requests authorization to recover up to $60.5 million in capital contributions toward the construction of several RNG projects. The Company estimates that it would incur an additional $8.3 million in capital costs for interconnection and related work along with approximately $1.4 million and $1.1 million in incremental O&M expenses and labor costs, respectively, associated with the projects from 2019 through 2024. The RNG projects would provide up to 7,000 dekatherms per day of peak day supply for 20 years or more in both New York City and Westchester County. The cost to purchase the RNG produced by the proposed RNG facilities would be recovered through the Gas Cost Factor and Daily Delivered Services. The RNG costs would also be offset by Con Edison's share of any environmental credits accrued by the facilities because of the environmental attributes associated with RNG production that can be earned by selling associated renewable gas credits through federal and state programs.

The Company believes the RNG projects will provide significant greenhouse gas emission reduction benefits resulting from converting waste into useful energy, rather than allowing the methane and other greenhouse gases to be emitted during waste degradation at landfills. Additionally, Con Edison believes these RNG projects will provide greater benefits than reducing customer usage by a dekatherm, depending on feedstock.

NPA Portfolio – Supply-Side Projects: LNG/CNG

Con Edison requests authorization to recover approximately $13.8 million in capital costs associated with implementation of the proposals and construction of interconnection facilities for two or three of the top RFP respondents[8] to provide CNG or LNG deliveries by truck intended to be used as system reliability resources. This portion of the NPA Portfolio provides approximately half of the entire Portfolio’s reduction of peak day gas supply. The upfront capital costs for these injection facilities are primarily for the interconnection facilities and related work, along with approximately $2.5 and $0.537 million in incremental O&M expenses and labor costs, respectively, associated with the projects from 2019 through 2024. Suppliers’ costs will be recovered through capacity and commodity charges. The LNG and CNG injection facilities would provide up to 40,000 dekatherms per day of peak day supply pursuant to 5 to 10-year agreements and are used to provide support for system reliability in Westchester County, where upstream constraints are severe.

NPA Portfolio Benefits and BCA

The resulting NPA Portfolio has a benefit cost analysis ratio estimated by the Company to be 1.05, indicating

[8] Pending the outcome of reached agreements on interconnection and commercial terms with project developers.

that its benefits to society exceed its costs by 5%.[9] The Company believes that the Portfolio would result in numerous benefits to firm gas customers, including significant societal benefits.

The Company indicates that the resulting BCA ratios for the various demand-side and supply-side solutions included in the NPA Portfolio are 0.99 for energy efficiency, 1.70 for heat pumps, 0.83 for biogas (also referred to as RNG), and 0.54 for CNG/LNG Trucking. As explained in the NPA Portfolio filing, the Company prepared the BCA in accordance with its Interim Gas BCA Handbook, and with advice and assistance of a third-party evaluator. The major benefit streams considered in the BCA include the impact of NPA projects on upstream capacity costs, expected gas distribution system costs, gas commodity costs, and greenhouse gas emissions. For electrification measures, the BCA considered the impacts of these measures on the electric system and included any associated greenhouse gas costs. The BCA used the incremental cost of the planned measures for the associated project costs, with the exception of the supply-side measures. The BCA for the supply-side measures used the payment and rates sought by the supplier as the incremental project costs, excluding the cost of gas.

Con Edison explains in the NPA Portfolio filing that it developed the NPA Portfolio initially by maximizing the

[9] BCA reference case results are shown in table 2 of the NPA Portfolio filing and do not include any avoided pipeline capacity costs as a benefit due to the inability of the Portfolio to enable Con Edison to eliminate or defer additional pipeline capacity needs. This relies on the Company's assertion that the "renewable gas" component would meet a policy standard such that it be treated as "carbon free." Without this, the BCA would only drop to 0.98, which is indistinguishable from 1.0, given the myriad of assumptions that must be made in any BCA.

relief provided by including as many credible projects as possible. Due to the initial portfolio resulting in a BCA of 0.67, below 1.0, the Company further refined the portfolio by limiting the amount of CNG and LNG trucking capacity included and removing additional projects with scores below 1.0 to achieve a portfolio BCA above 1.0. The Company further explains that the excluded projects included several low-scoring demand response[10] and electrification measures.[11] Additionally, the Company explains that it sought to include as many demand-sided projects with positive BCA scores in the portfolio to allow for the inclusion of lower scoring projects in the NPA Portfolio that provided important qualitative benefits.[12] The Company also includes as many renewable natural gas projects as possible in the NPA Portfolio because of the incremental sources of gas supply provided and the carbon footprint reduction of Con Edison's gas system.

NPA Portfolio Cost Recovery and Accounting Treatment

The Company requests regulatory asset treatment for the non-labor related Portfolio costs to match cost recovery to the expected benefit period and proposes to recover the

[10] The Company indicated that demand response measures were eliminated due to increased greenhouse gas emissions or would have provided limited constraint relief because of location on the gas distribution system.

[11] The Company indicated that the electrification measures that were eliminated from consideration would have installed high-efficiency domestic hot water appliances and electric powered clothes dryers, and that both were not cost effective and would have increased summertime electric demand.

[12] The Company provides examples of the qualitative benefits that include providing geographic balance, including low and moderate income (LMI) customers, and upgrading buildings that provide important local benefits such as public safety, education or health services.

amortized costs, including carrying costs on the unamortized balance, at the Company's weighted average cost of capital, through its Monthly Rate Adjustment (MRA) surcharge. Con Edison also plans to propose in its next gas rate filing that any remaining, unamortized costs be incorporated into base rates.[13]

NPA Portfolio Non-Labor Costs

The Company contributions to the selected RFP respondents are estimated to be $262.1 million from 2019 to 2024 and are the largest non-labor cost Con Edison will incur to implement the NPA Portfolio. The cost contributions for demand-side proposals are estimated to be $199.8 million and include one-time payments for rebates, incentives, start-up costs and other purposes related to the development of the measures. The cost contributions for supply-side proposals are estimated to be $62.3 million and include payments to RNG facility developers and CNG and LNG trucking providers to defray fixed costs.[14]

The Company estimates that it will incur approximately $16.5 million in costs between 2019 and 2024 to administer the NPA Portfolio. These costs are related to demand-side projects and programs and will include contract administration, M&V, and customer engagement and marketing costs.

Con Edison requests that the Commission authorize the Company to establish a regulatory asset so that non-labor NPA

[13] The Company is requesting the same rate treatment being applied to the costs of its new System Peak Reduction Program and new Energy Efficiency Program, which is incremental to the Company's Energy Efficiency Transition Implementation Plan (ETIP) portfolio, under the Company's current rate plan and non-wires solutions programs.

[14] Contributions for these projects will also support purchase of major equipment and construction of injection site facilities that will be relied upon throughout the contract life for CNG/LNG supply.

Portfolio costs would be amortized over a 20 year period which coincides with the average useful life of the technologies to be implemented,[15] which provide numerous benefits to customers.[16] The Company is also requesting a shorter amortization period of 5-10 years for the cost contributions associated with the CNG and LNG truck deliveries due to shorter contract terms.

Con Edison requests that the Commission authorize an interim recovery mechanism, since one does not exist, via the MRA to recover the cost of the Company contributions to the selected RFP respondents of the NPA Portfolio. The mechanism is proposed to be used until an allowance can be made for their recovery in base rates.[17]

NPA Portfolio Demand-Side Program Labor Costs and Recovery

The Company anticipates additional internal labor costs associated with administering the proposed demand-side projects and estimates the costs to total approximately $4.8 million from 2019 through 2024. The proposed incremental labor costs include the cost to oversee the implementation of the selected demand-side proposals, such as administration of the

[15] As indicated by the Company, the projects and programs included in the NPA Portfolio, with the exception of the CNG and LNG projects, are inherently long-lived measures that will deliver benefits over a period longer than ten years. The demand-side measures included in the NPA Portfolio have a weighted average life of approximately 20 years.

[16] The Company states the following benefits: mitigated short-term bill impacts; alignment of cost recovery with benefits; enhanced GHG reductions; economic parity for investments in non-pipe solutions and traditional gas infrastructure; and market animation.

[17] Con Edison requests, as an alternative recovery mechanism, to establish a regulatory asset to defer recovery until the next rate case and accumulate interest at Con Edison’s weighted average cost of capital during the deferral and recovery period.

commercial aspects of the contracts with the demand-side proposal respondents included in the portfolio.

The Company requests that the Commission authorize the recovery of these incremental labor costs, as incurred, via a surcharge included in the MRA until an allowance can be made for these costs in base rates as part of a subsequent rate case.[18]

NPA Portfolio Supply-Side Program Costs and Recovery

As discussed earlier, the Company estimates that it will incur $20.3 million in capital costs to interconnect the RNG, CNG and LNG supplier facilities to its gas system, which is included in the total NPA Portfolio cost. The interconnection facilities constructed for the supply-side NPA Portfolio projects are physical assets of the Company and will be included in rate base.

The Company requests authorization to recover its costs for these assets, including Con Edison's weighted average cost of capital, over the primary term of each supply-side developer's contract with Con Edison. Con Edison proposes recovering these costs via the MRA, until their inclusion in rate base in a subsequent rate filing. This would allow recovery of each project's interconnection costs over its contract term and align project recovery with the benefits delivered by the projects while mitigating annual rate impacts.

As previously mentioned, the RNG, CNG and LNG projects will require payment of on-going charges for commodity, and capacity charges which are comparable to the commodity and

[18] The Company is requesting similar treatment to how the Company has historically recovered labor costs required to administer the BQDM effort from all electric customers, as incurred, through the Monthly Adjustment Charge (MAC) until they can be included in base rates. It should be noted that Con Edison filed rate cases for its electric and gas businesses with the Commission on January 31, 2019.

capacity charges the Company presently pays to providers of delivered services. The Company proposes that these charges be recovered from all firm customers via an assigned cost allocation to be recovered through the Gas Cost Factor (GCF) and the remaining allocation of costs would be recovered from Energy Service Companies (ESCOs).[19] Any environmental credits associated with the purchase of RNG volumes would be distributed based on the same allocation factors to all firm customers.

As highlighted above, the Company expects that its on-going annual O&M costs will rise by approximately $4.3 million as a result of the supply-side projects from 2019 through 2024. Con Edison proposes recovering these costs via a surcharge through the MRA, paid by all firm gas customers. The Company proposes that these costs be included in base rates in the next rate filing and any future rate filings.

NPA Portfolio Budget Flexibility and Reporting

Con Edison requests authorization to shift funds among the projects and programs included in the Portfolio, and also allow for the ability to include future new projects that the Company finds feasible and cost-effective provided that the overall NPA Portfolio budget is maintained and the Portfolio BCA continues to show net benefits for customers. Con Edison also proposes to submit annual reports detailing portfolio expenditures and describing major activities.

NPA Portfolio Shared Savings Incentive Mechanism and Recovery

In its Petition, the Company requests a NPA Incentive Mechanism sharing savings from the NPA Portfolio. The Company proposes a 70/30 customer/shareholder sharing of any net savings allowing the Company to retain 30% of initial net benefits and collect those benefits from customers. As part of this request,

[19] This methodology is similar to how costs of delivered services are presently recovered from all firm customers.

the Company also proposed a true-up to the incentive calculation to share any cost overruns on a 50/50 basis with customers and credited against the initial net benefits. The proposed mechanism includes a maximum Company incentive cap at 50% of initial net benefits and a minimum Company incentive floor of 0% of initial net benefits.

The Company proposes to collect the Company-retained incentive by converting the 30% of net benefits into an incentive on a per Dekatherm reduction basis of peak day relief and begin collecting the per Dekatherm incentive as individual NPA portfolio projects and programs are executed. Con Edison also requests that any program incentives be recovered from firm gas customers via the MRA up to 24 months from the point at which the incentives are deemed to be earned to provide for revenue recognition at the time the incentive is earned.

The Company believes that the NPA Incentive Mechanism as proposed incentivizes the Company to seek further net savings by increasing the benefits from a solution, by reducing costs of a solution or increasing benefits, with 70% of the benefits retained by customers.

Customer Bill Impacts

The Company estimates that the cost impacts of the NPA Portfolio on a typical bill for residential heating customers and small commercial customers to be 1.5%. The estimated typical bill increase would occur in 2025, when the NPA Portfolio investments are projected to be complete.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on October 31, 2018 [SAPA No. 17-G-0606SP4]. The time for submission of comments pursuant to the Notice expired on December 30, 2018. An extension to the comment period was requested by Pace Energy and Climate Center on December 13, 2018 and approved on December 18, 2019 via Secretary Notice, allowing comments to be accepted until January 7, 2019. The comments received pursuant to this SAPA Notice are addressed below.

SUMMARY OF COMMENTS

Comments were submitted by the Association for Energy Affordability (AEA), the City of New York (City), Earthjustice and Pace Energy and Climate Center (Public Interest Groups),[20] and Environmental Defense Fund (EDF) (collectively, the Parties). The Parties are generally supportive of the demand-side portion of the Company's proposed NPA Portfolio; however, each of the Parties raise a number of issues.

Support for demand-side measures

AEA strongly supports the Company Petition for approval of the projects under its NPA Portfolio, emphasizing its support for the non-fossil fuel demand-side components of the proposed portfolio. AEA states that the NPA Portfolio components selected by the Company will provide meaningful reductions in natural gas demand while providing benefits to both participating and non-participating customers. Similarly, the Public Interest Groups support the Company's effort to develop and implement alternatives to gas pipeline expansion and recommend that only the demand-side measures in the NPA Portfolio be approved, at this time. The City states that it supports the EE measures proposed in the NPA Portfolio; however,

[20] Earthjustice and Pace Energy and Climate Center submitted comments with the support of Acadia Center, Alliance for a Green Economy, Alliance for Non-Pipe Alternatives, Campaign for Renewable Energy, Dryden Resource Awareness Coalition, Fossil Free Tompkins, Gas Free Seneca, Natural Resources Defense Council, New Yorkers for Clean Power, NY-GEO, Seneca Lake Guardian, Sierra Club, and Sustainable Tompkins.

it expresses certain concerns regarding the proposed heat pump measures.

Both the City and AEA highlight that the Company's proposed EE measures are significantly targeted to multi-family buildings housing LMI customers. While both the City and AEA state that increasing EE measure penetration for LMI customers is commendable, both suggest that Con Edison work with its selected providers to ensure that LMI customers living in such buildings, and not solely the building owners, experience the benefits of such upgrades. The City cautions that, without proper oversight, building owners may claim the EE measures completed as part of the NPA Portfolio as a Major Capital Improvement, and may, therefore, request to increase rent for rent-stabilized and rent-controlled tenants. To prevent improper rent increases, the City recommends that the Commission direct Con Edison to inform the New York State Department of Housing and Community Renewal of buildings being improved as part of these EE measures, and also to require Con Edison to include outreach and education activities to inform tenants in affected rent-stabilized and rent-controlled buildings of the proper channels of recourse.

While both the City and EDF expressed support for the use of heat pumps, both ground-source (GSHPs) and air-source (ASHPs), each expressed concern regarding specific aspects of Con Edison's request. The City recommends that the Company focus its efforts on converting only #4 oil users to heat pumps, noting that #4 fuel oil is required to be phased out of use in New York City by 2030, and that reduced use of #4 oil may lead to improvements in local air quality. The City states that it does not see material value in providing incentives funded by gas customers to residential and commercial building owners using #2 oil, and that the fuel savings and existing incentives from NYSERDA to be made available as a result of the Accelerated EE Order should be sufficient to encourage such customers to convert to heat pumps.

For its part, EDF finds Con Edison’s heat pump proposal problematic because it aggregates GSHPs and ASHPs within the same budget, making it difficult to consider the merits of each measure individually. EDF argues that the Company has not indicated whether strategic penetration of heat pumps in clustered areas may be able to delay or avoid future gas distribution projects. To the extent that fuel switching to heat pumps may result in benefits to both electric and gas customers, EDF recommends that Con Edison should be allowed to pool electric and gas program funding for this purpose. EDF further asserts that increased electric sales resulting from beneficial electrification should not count against achievement of the Company’s electric EE targets.

Concerns Regarding Supply-Side Projects

AEA and the Public Interest Groups request that the Commission deny the Company’s proposed supply-side projects, particularly CNG and LNG trucking. AEA and the Public Interest Groups argue that such measures are against the State’s public policy objectives and do not themselves pass a BCA test.

While the City notes that it is supportive of creating a viable local market for renewable natural gas, it is concerned about the possibility of cost over-runs if developers experience significant difficulty in siting RNG projects in New York City and Westchester County. The City recommends that the Company perform additional due diligence regarding its ability to get RNG facilities sited in a timely manner, and that the Company take host community feedback into account in determining where and how RNG facilities are constructed. The City requests that the Commission consider placing limits on the recoverable costs for the RNG component of the NPA Portfolio and require that the Company provide quarterly reports regarding RNG facility performance, reliability, source of feedstock, and the quality of natural gas produced.

The Petition Lacks Sufficient Information

EDF argues that the Petition lacks information and transparency needed to allow for a comprehensive solution to the projected shortfall in peak demand needs. EDF states that Con Edison does not define the extent of a peak day shortfall, by any measurement in hours or days. EDF argues that, without a full description of the specific needs that the NPA Portfolio is seeking to solve, it is impossible to determine what a reasonable portfolio to resolve such needs would be, to reasonably evaluate the Company's proposed NPA Portfolio, and to determine the appropriate venue for considering programs and related expenditures to meet such needs.[21] EDF further states that the Company has not disclosed information which may be pertinent to the Commission's review of this Petition related to the development status of the pipeline, Con Edison's negotiations or agreements with prospective pipeline developers, and whether Con Edison has an affiliate relationship with any such developers.

The City observes that, since the Company was unsuccessful in achieving its savings goal, the purpose of the NPA Portfolio appears to have shifted from being focused on deferring or avoiding the need for a new pipeline to being focused on decreasing the Company's reliance on Delivered Services and achieving other policy goals. The City asserts

[21] EDF notes that this proceeding, the Comprehensive Energy Efficiency Initiative in Case 18-M-0084, and the Company's current rate proceeding, Case 19-G-0066, et al., each require consideration of common issues, programs, and expenditures.

that the Company has not met its burden of proof that the NPA Portfolio is an appropriate and cost-effective alternative to offsetting traditional pipeline-related infrastructure and suggests that the Commission should further scrutinize whether the Company's approach is appropriate if, in the alternative, this program is instead to advance other sustainability and public policy goals. The City recommends that the Commission require the Company to provide more transparent, complete, detailed, and fully supported requests for future program funding requests, especially if such requests require significant incremental costs.

Lack of Transparency in RFP Response Evaluation

EDF, AEA, and the Public Interest Groups each assert that the Company's process for evaluating RFP responses and building its NPA Portfolio from such responses was flawed and lacked transparency. In particular, EDF and the Public Interest Groups question Con Edison's decision not to include proposals related to replacing gas-fired water heaters with electric water heaters on the basis of avoiding summertime peak demands. Both EDF and the Public Interest Groups argue that the Company did not consider beneficial effects that such equipment might have on the electric system if properly managed, and whether the equipment proposed by the RFP respondent did not have such functionality or if it was otherwise simply not valued in the Company's BCA. In addition, EDF questions whether the RFP responses were considered fairly and accurately, as well as the validity of the resulting BCA result, given that the Company's panel of internal experts does not appear to have included any electric system experts.

AEA and the Public Interest Groups also identify the lack of data related to certain specific components of the Company's supply-side measures as problematic. Both AEA and the

Public Interest Groups note that Con Edison did not consider impacts of increased criteria pollutants as a part of its evaluation of trucked CNG and LNG measures. The Public Interest Groups state that Con Edison relies entirely on the RFP respondents to provide potential emissions impacts of the measures, without verification from the Company. The Public Interest Groups similarly express concern that Con Edison does not identify the baseline assumptions about the destinations of RNG feedstock, stating that without such information it is not clear whether carbon savings related to these projects are actual net savings or would have otherwise been captured by other RNG facilities.

The Shared Savings Incentive is not Appropriate

Both AEA and EDF argue that the 70/30 NPA Incentive Mechanism, similar to the electric Non-Wires Alternative Incentive Mechanism,[22] is not appropriate for the NPA Portfolio. AEA states that Con Edison has not fully or sufficiently justified its proposed process for determining net benefits, performance and cost accounting, and true-up mechanisms. Both AEA and EDF notes that many of the Company's proposed measures have existing related incentive mechanisms which would also provide an incentive for the Company, for example, its proposed Greenhouse Gas Emissions Reduction metric developed as part of the Outcome-Based Earning Adjustment Mechanisms (EAMs) Collaborative.[23]

Also, EDF disagrees with the Company's proposed shareholder incentive for the NPA Portfolio, stating that the approach is fundamentally problematic where the identified

[22] Case 15-E-0229, Non-Wires Incentive Mechanism, Order Approving Shareholder Incentives (issued January 27, 2017).

[23] Case 16-E-0060, Con Edison Electric Rates, 2018 Outcome-Based EAM Collaborative Report (filed October 17, 2018).

problem will not be addressed by the proposed solutions. EDF notes that the rationale underlying the NWA Incentive Mechanism, providing the utility an economic interest in avoiding construction of new infrastructure, is not present with the NPA Portfolio since the Company does not expect its nontraditional measures to succeed in avoiding or deferring a traditional solution. EDF states that the incentive mechanism proposed by the Company further diverges from the NWA Incentive Mechanism by providing a 70/30 split of total net benefits of the NPA Portfolio, whereas the NWA Incentive Mechanism provides for a 70/30 sharing of the difference in net benefits between a non-traditional load relief portfolio and the net benefits of a traditional infrastructure project which would have otherwise been built. EDF states that even if there was a possibility of avoiding a traditional solution in this case, the Company has not specified the costs or benefits of such an avoidable traditional solution.

NPA Portfolio Costs

The City expresses concern that, since the NPA Portfolio was not able to secure sufficient gas peak demand reductions to avoid the need for additional supply infrastructure and resources, customers will ultimately be paying for both the NPA Portfolio and traditional supply solution costs. As such, the City requests that the Commission direct Con Edison to seek synergies with its existing energy efficiency programs to help reduce costs, more effectively deploy its resources, and to facilitate and expand customer engagement and adoption of these initiatives. The City further suggests that Con Edison should adopt an all-fuels approach to its EE programs, similar to that espoused in the Accelerated EE Order.

To achieve synergies among the Company's various load-reduction programs, the City recommends that Con Edison conduct unified customer outreach and education efforts, establish uniform measurement and verification procedures, eliminate duplication of efforts among programs, assign one group of personnel to administer these programs, and leverage existing Company resources to the maximum extent possible. Further, the City recommends that Con Edison identify and evaluate any opportunities for the Company to merge the NPA Portfolio efforts with its existing EE programs, and that Con Edison should be required to periodically report on its efforts to minimize program and administrative costs.

The City recommends that the Company consider focusing its EE efforts in the highest value areas where resulting load reductions will provide the impact on reducing, deferring, or obviating the need for incremental supply infrastructure or Delivered Services. Further, the City recommends that the Company establish clear rules for when higher incentive payments may be available among the Company's various EE offerings, such as its ETIPs, the expanded EE programs previously approved by the Commission in the July Order, and the NPA Portfolio. The City also recommends that Con Edison develop procedures to ensure that the Company's EE contractors do not compete against each other, or NYSERDA for that matter, for customers.

BCA Issues

AEA, EDF, and the Public Interest Groups each identify concerns regarding the Company's interim BCA it used to develop the NPA Portfolio. Although EDF recognizes the breakthrough nature of the Commission's 2016 BCA Framework Order[24] in properly

[24] Case 14-M-0101, Reforming the Energy Vision, Order Establishing the Benefit Cost Analysis Framework (issued January 21, 2016) (BCA Framework Order).

valuing Carbon Dioxide, AEA, EDF, and the Public Interest Groups all assert that the BCA Framework is insufficient in several ways. Each of these groups urge the Commission to institute a new generic proceeding to reevaluate the BCA Framework to include statewide consideration the issues raised below.

First, AEA, EDF, and the Public Interest Groups state that the BCA Framework should be amended to include the costs and benefits of avoided methane emissions. Both EDF and the Public Interest Groups state that the value of methane should be based on a 20-year time horizon. Second, contrary to Con Edison’s proposed valuation of avoidable Company-retained gas, EDF, and the Public Interest Groups recommend that the Commission consider reductions in upstream methane emissions throughout the entire gas supply system in addition to those which occur on the Company’s delivery system. Third, AEA, EDF, and the Public Interest groups each advocate for a combined all-fuels BCA approach which would holistically evaluate a program’s relative costs and benefits to both the gas and electric systems.

AEA asserts that the BCA Framework, for both electric and gas, should include Non-Energy Benefits. The Public Interest Groups argue that the Company’s use of its Weighted Average Cost of Capital (WACC) of 6.81% for the discount rate applied in its BCA is too high.[25] Instead the Public Interest Groups argue that using a societal discount rate of between 1.5% and 2.0% would be more appropriate. The Public Interest Groups also recommend that any further Smart Solutions program proposals be conditioned upon development of a BCA Framework conforming to its prior recommendations, application of such framework to future Non-Pipe Alternatives, and retrospective

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[25] The BCA Framework Order directed utilities to use their respective WACCs as the discount rate.

application of such framework to the Company's current NPA Portfolio.

EDF asserts that utilities should be expected to develop NPA portfolios which maximize net benefits, which may be different than a portfolio which maximizes the benefit to cost ratio. EDF suggests that it is not sufficient for the Company to simply demonstrate a portfolio that passes a BCA test with a BCA ratio greater than or equal to 1.0, but instead recommends that Con Edison also be required to provide the total benefit and cost values associated with both the selected NPA Portfolio projects, but also for those responses which were not selected. In addition to future NPA proposals, EDF recommends that the Company perform a BCA on its future traditional solutions under its proposed updated BCA Framework.

Other Considerations

EDF recommends that consideration of future NPA opportunities should be integrated into the Company's regular system planning process and needs assessments, and requests that the Commission direct the Company to begin doing so. EDF also recommends that the Commission consider exposing gas customers to time- and location-varying price signals through value-based tariff options. EDF suggests that higher gas prices on peak demand days should be seen as a feature of rate design in a functioning market, not a problem which the utility must solve through additional capacity investments spread over the course of one or many years.

LEGAL AUTHORITY

Pursuant to Public Service Law (PSL) §§5, 65, and 66, the Commission has the legal authority to review, as well as modify, reject or approve utility filings. Therefore, the Commission has the legal authority to review and make determinations concerning Con Edison's Smart Solutions Program, as described in this Order.

DISCUSSION AND CONCLUSION

Con Edison is experiencing significant growth in demand for natural gas due to several factors, including local governments' phase-out of high-emitting fuel oil, economic growth, and the relatively low current price of natural gas. At the same time, State energy policy calls for reduced reliance on fossil fuels, and the Company faces substantial opposition to the types of traditional infrastructure construction it would historically have employed to meet growth in demand. Moreover, Con Edison does not control pipeline capacity upstream of its distribution system, and upstream capacity also faces substantial constraints.

Since Con Edison filed the Petition, the Company noticed a temporary moratorium on new natural gas customer attachments in most of Westchester County. Staff have been instructed to conduct public hearings in Westchester and to report to the Commission options available to utilities to respond to changing market conditions in a manner that promotes the State's clean energy policies and economic growth.

A multi-faceted long-term policy is needed to maintain reliable service for existing customers while meeting the needs of, or providing alternatives to, the demands of sales growth. Pending further policy development, the measures proposed by Con Edison in this Petition should be pursued, under the conditions described in this Order. While the proposed NPA Portfolio of measures does not represent a complete solution, it is cost-effective taken on its own, and it offers substantial relief to the current constraints.

The Company has taken a positive step by proposing non-traditional solutions to present and future constraint problems. Commenting parties have made a positive contribution in recommending qualifications to the proposal, in light of the State’s clean energy policies. The measures approved in this Order are not a short-term fix to a short-term problem. They are early stages of a long-term comprehensive approach. The Company is encouraged to work closely with stakeholders and local governments as this effort continues.

The assumptions used by Con Edison are reasonable for the purposes of proceeding with the NPA Portfolio. Commenters urged revisions to the Company’s BCA, specifically with respect to methane emissions, discount rate, and the transparency of the analysis. Because the Portfolio approved here has a satisfactory BCA, proposals to increase the weight of benefits do not need to be taken up here. Benefit-cost analysis is an important tool that contributes to policy decisions, but it is not the only relevant input to inform decision-making. The Public Interest Groups urge that changes to the BCA Framework should be ordered for future non-traditional gas projects. Some issues, such as discount rates, were settled appropriately in the BCA Framework Order and need not be re-examined. Other issues, such as suitability criteria for non-traditional supply or demand side solutions, are not BCA Framework issues, per se, but, rather, broader policy issues for integrated long-term gas planning. As the policies for long-term solutions to gas constraints are developed, all policy analysis tools will be applied in a manner consistent with those decisions.

NPA Portfolio Demand-Side Solutions

The Demand-Side Solutions, totaling $227.5 million, in the Company’s Petition consist of two categories of activities: increased energy efficiency initiatives and heating electrification initiatives. As articulated in the Accelerated EE Order, the Commission supports both categories of activities as evidenced by the adoption of an incremental energy efficiency goal of 31 TBtu for the State's large investor owned utilities, including a minimum of 5 TBtu associated with heat pump installation. The majority of parties support the Company's proposed demand-side solutions; however, they note the support is based on the benefits these solutions provide in contributing to the State's clean energy goals, as well as focus on LMI customers, and not, by the Company's own admission, as a means to defer or eliminate the need for pipeline capacity. Given this reality, the Parties rightfully question how initiatives funded under the Petition relate to, would complement, or potentially compete with, other currently funded energy efficiency initiatives or those forth-coming as a result of the Accelerated EE Order.

The primary distinction to be made is one of timing. The Company's demand-side portfolio under consideration here is for the 2019–2024 time period. The July Order already increased the Company's gas energy efficiency target for the 2018-2020 time period. Because the Accelerated EE Order employed the methodology of assigning targets only to the major utilities for whom increased targets had not yet been assigned, Con Edison did not receive additional increases for the 2019–2020 time period. The Accelerated EE Order however, noted the 2019-2020 targets represent a minimum for each utility, and do not preclude higher targets being established through a rate proceeding or utility petition.

The Commission further required proposed budgets and targets, including heat pump activity, for the years 2021-2025 to be jointly filed by the utilities by March 31, 2019. The Accelerated EE Order stressed that in preparing their March 31, 2019 filing for the years 2021-2025, utilities should include 2020 spending on heat pumps and LMI energy efficiency programs within the budgets and targets for those years to not delay implementation of such initiatives, given their importance.

Given the process the Company has undertaken to solicit actionable proposals from the marketplace, coupled with the need to develop solutions for supply constrained areas, it is advisable to not unnecessarily delay increased energy efficiency and heat pump activity in the near term. The Petition before us presents an opportunity to begin to address the needs of supply-constrained areas while also jumpstarting implementation towards the overall goals established in the Accelerated EE Order.

Parties’ comments highlight that the Company’s proposal does not recognize or exploit the benefits that some demand-side measures, specifically heating electrification, have on the electric system and express concern that the increased electric usage resulting from heat pumps may count against overall electric efficiency targets. The Commission in the Accelerated EE Order addressed the concern of a disincentive to adoption of beneficial forms of electrification by stating electric sales increases from heat pumps and other forms of beneficial electrification will be netted against electric efficiency achievements so that they do not count against the achievement of those targets.

The City of New York notes the importance to moderate costs incurred for these programs. We concur with this position and believe it is consistent with the principles of REV and articulated in the Accelerated EE Order which aim to lower the costs and speed the achievement of the State’s policy goals, through accelerated deployment at scale of solutions that create the most economic value for both consumers and the State’s energy system. The Accelerated EE Order recognized the need for wholistic treatment of customers’ energy needs in program delivery and invites the utilities to consider the most cost-effective manner in delivering the 31 incremental TBtu goal assigned by the Commission. The presumptive electric and gas targets expressed in the Accelerated EE Order for Con Edison equate to a per unit cost of approximately $79/MMBTU.[26] Staff's review of the proposed solutions found the per unit cost of the demand-side portfolio to be $54/MMBTU. As noted by commenters, the portfolio includes initiatives targeted at LMI households which tend to place upward pressure on per unit costs. Even with the inclusion of LMI initiatives within the Portfolio, we find the proposed demand-side portfolio demonstrates the potential to reduce costs of attaining the energy efficiency and heat pump targets established by the Commission. We approve the Company proceeding with a portfolio at the scale not to exceed $222.6 million, with associated targets of approximately 4,100,000 Cumulative Gross Annual MMBtu and 37,465 Gross MMBtu/day, at a per unit cost of $54/MMbtu.[27,28] However, we stress that it is the Company's responsibility to prudently manage costs not only associated with the achievement of this goal, but in taking an integrated approach to administering the

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[26] Electric and gas targets expressed on a common MMBTU basis. This figure excludes costs associated with heat pumps, estimated at $50/MMTBU statewide as the Accelerated EE Order does not provide a Con Edison specific unit cost for reference.

[27] The $222.6 million is based on the Capital Costs outlined in Appendix C of the petition and does not include Program Admin (Internal Labor).

[28] This allocation for gas efficiency exceeds the presumptive figures for Con Edison included in the Accelerated EE Order. The Company should take the system constraints identified in this petition into account when appraising the total mixture of efficiency programs subject to the utilities' March 2019 filings.

portfolio of clean energy activities to further identify synergies in delivery and implementation that may further reduce costs and avoid confusion among stakeholders and customers. We will allow the Company to defer up to $29.7 million of non-labor related expenditures for 2019 with further cost recovery treatment for the demand-side portfolio to be addressed in the current rate proceeding.[29] This deferral should only be exercised once the Company has exhausted its available energy efficiency funds, including the Company's uncommitted unspent EEPS funds.[30]

The Accelerated EE Order established the costs associated with heat pump activity to be borne by the utilities' electric portfolios due, in part, to the near-term benefit to non-participating customers by increasing the number of electric sales units across which the utility revenue requirement is recovered.[31] The Petition before us presents the question as to whether circumstances may exist, such as supply-constrained areas, in which it may be appropriate for heat pump installations to be supported by gas rate-payers. We believe this determination should be further deliberated in the context of the rate proceeding taking account of the benefits to

[29] Cost recovery approaches should consider the use of existing uncommitted, unspent Con Edison EEPS and accrued interest associated with the Bill-as-You-Go payment process established in the Commission's January 21, 2016 Clean Energy Fund Order, Case 14-M-0094. This funding is estimated to be approximately $6.8 million in gas funds and $64 million in electric funds.

[30] The deferral will accrue carrying costs at the Other Customer Provided Capital rate since it is short-term in nature, and consistent with the deferral rate specified in Con Edison's current Rate Order.

[31] This benefit to non-participating customers is much more pronounced for residential heat pump installations than it is for commercial installations, because residential rates are more heavily weighted to volumetric sales levels.

electric and gas ratepayers in determining if a sharing of costs is appropriate.

We find the overall approach to be reasonable to allow Con Edison flexibility to begin implementing certain time-sensitive demand-side RFP solutions while continuing to develop a more complete strategy within the process described in the Accelerated EE Order. The targets authorized here allow for the Company to attend to the unique needs of its service territory. The response to commenters concerns that this Portfolio will further increase costs to rate-payers is two-fold. First, these targets are to be included within the incremental 31 TBtu goal previously authorized by the Commission. The Company is directed to include the budget and targets authorized in this Order in the March 31, 2019 joint filing. Second, the Company shall guard against the inappropriate layering of incentives among this Portfolio and other clean energy programs.

The Company is directed to begin implementation immediately and update its ETIP/SEEP within 60 days to reflect the budget and targets authorized herein.

NPA Portfolio Supply-Side Solutions

The Company has included in the proposed NPA Portfolio RNG, CNG and LNG projects that would provide 47.1 MDt of peak day supply capability and account for over half of the relief being sought in this petition. Con Edison currently has existing LNG and CNG injection facilities tied to its gas network providing gas supply during winter peak day events.[32] We find that these projects and supply solutions could have been included as part of the Company's current gas supply and capital planning programs. As these projects fit within the Company's

[32] Con Edison has an existing LNG liquefaction and gasification facility located in Astoria, New York, and an existing CNG injection facility located in Rye, NY.

current gas supply and capital planning scope, we direct Con Edison to begin development of these projects with appropriate engagement with local affected communities. Furthermore, Con Edison's request for cost recovery and rate treatment associated with the supply-side solutions is denied and should be included as projects within the Company's existing capital program and/or included in the Company's current rate filing. Additionally, allowing cost recovery once the projects are included in rate base will address the concern highlighted in the City's comments regarding siting risk of projects.

Cost Recovery and Incentive

The Company proposes a cost recovery and incentive mechanism that mirrors the approach used for Non-Wire Alternatives (NWAs) for electric utilities. In brief, an NWA is a portfolio of non-traditional utility investments, predominantly customer-side resources, designed to defer or eliminate the need for a specific utility infrastructure investment. NWA project costs are amortized over a period of 10 years, and utility shareholders are able to earn an incentive based on 30% of the societal net benefit of the NWA project as against traditional infrastructure investment.

Electric NWAs are tied to the avoidable costs of specific infrastructure projects, which often are driven by increased demand. They have not been used to support more general system needs. Because an NWA is tied to a specific project, the avoidable costs can be analyzed with precision. The cost recovery and incentive mechanism for NWAs encourages utilities to seek less costly and innovative customer-side solutions, aligning utility financial incentives with outcomes sought by the Commission.

In this instance, Con Edison's proposal is driven by a growth-induced supply constraint and would partially utilize demand-side solutions; in those respects, it resembles an NWA. Unlike an NWA, however, the Company's proposal would not defer or avoid a particular infrastructure project on the Company's distribution system. It is not clear that a pipeline is feasible, and in any event, such a pipeline would not be a capital project of the Company, so the avoided cost analysis would differ greatly from an NWA analysis.

Despite this difference, Con Edison has announced a temporary moratorium on new connections in most of Westchester County. The avoidable costs in this context are mostly related to delivered services – not merely the cost of delivered services, but their potential unavailability in future years. The Smart Solutions proposals contain a mixture of supply-side solutions (trucked gas) and non-traditional customer-side solutions.

It is the policy of the Commission to encourage non-traditional customer-side solutions where they are cost-effective, and to align utility financial incentives with these outcomes. In this instance, the supply-side measures proposed by the Company represent a conventional approach to temporary supply shortages, and do not warrant any additional financial incentive. The Company is exercising its responsibility to maintain reliable service, and costs for those measures will be recovered conventionally under the Company's rate plan or through the Gas Adjustment Clause mechanism, as appropriate and defined by regulations. The Company should pursue these solutions in the interest of serving its customers, and in doing so, should work with those customers and affected communities to pursue solutions that consider their needs.

The demand-side measures proposed by the Company, in contrast, represent non-traditional solutions for which incentives are warranted. Energy efficiency and heat pump programs generally are eligible for EAMs which will include shared savings approaches, and the efficiency and heat pump components of Smart Solutions can continue to be incentivized through these mechanisms.[33] Because EAMs will be available for these measures, no additional shared savings incentive is warranted.

This resolution of the immediate issue leaves open the general question of how non-traditional solutions to gas supply constraints should be incentivized, and whether incentive mechanisms used for gas utilities should parallel those used for electric utilities such as NWAs. Several commenters correctly stated that solutions incentivized here should be consistent with long-term policy directions. The regulation of gas and electric utilities was developed historically in a context of long-term growth. Going forward, both industries will increasingly rely on demand-reducing and customer-side solutions, and incentives and shared savings will be an important component of the regulatory approach for both gas and electric utilities.

However, the policies of decarbonization and beneficial electrification[34] may create a divergence in the

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[33] EAMs will be determined through the Company's current rate proceeding, with reference to comprehensive Energy Efficiency plans pursuant to Case 18-M-0084. In these contexts, EAMs specific to targeted programs such as Smart Solutions may be considered.

[34] 2015 New York State Energy Plan, available at https://energyplan.ny.gov/Plans/2015; Case 14-M-0101, Proceeding on Motion of the Commission Regarding Reforming the Energy Vision, Order Adopting Regulatory Policy Framework and Implementation Plan (issued February 26, 2015), at pp. 90-91; Case 18-M-0084, In the Matter of a Comprehensive Energy Efficiency Initiative, Order Adopting Accelerated Energy Efficiency Targets (issued December 13, 2018), at p. 17.

regulatory approaches needed for each of the two industries. The types of problems being solved by demand-side alternatives may differ greatly. Gas utilities will need to maintain safe and reliable service, accommodate economic development, and improve affordability, all while carbon emissions are dramatically reduced, sales of fossil fuels decline over the longer term, and traditional infrastructure solutions become infeasible. These challenges will certainly occupy the Commission for years to come, as decarbonization policies move forward.[35]

For these reasons, a simple parallel between electric NWAs and gas Non-Pipe Solutions is not adequate. Where a gas company does have a direct parallel to an NWA – that is, where a specific infrastructure project within the company's control can be avoided – the NWA mechanisms will be appropriate in the near term. Because the gas company will be facing a different set of long-term challenges, and because building new pipe will often be a non-viable alternative at the outset, the Company is encouraged to propose a more comprehensive and gas-specific approach to incentives for supply constraint solutions. Such an approach will need to recognize the two-fold nature of problems faced by gas utilities: first, that there are constraints on their own distribution systems; and second, that there are constraints upstream of their distribution systems. Gas supply constraint solutions will need to involve greater visibility of the distribution planning process to stakeholders and local communities, to enable joint problem solving.

[35] The Commission has identified carbon reduction as one of its core responsibilities. See, Case 18-M-0084, supra, Accelerated EE Order, at p. 25.

The Commission orders:

1. The Petition of Consolidated Edison Company of New York, Inc. implementing the Non-Pipeline Solutions Portfolio is approved, and modified, as described in the body of this Order.

2. Consolidated Edison Company of New York, Inc. is authorized to begin implementation immediately of the Demand-Side Solutions at a cost of up to $222.6 million from 2019 through 2024, as described in the body of this Order.

3. Consolidated Edison Company of New York, Inc. is granted permission to use deferred accounting treatment in relation to expenditures for the Demand-Side Solutions up to $29.7 million in 2019, as described in this Order.

4. Consolidated Edison Company of New York, Inc. is directed to include the budget and targets authorized in this Order in the March 31, 2019 joint filing made pursuant to the Order Adopting Accelerated Energy Efficiency Targets in Case 18-M-0084, and is further directed to update its ETIP/SEEP within 60 days of the issuance of this Order to reflect the budget and targets authorized herein.

5. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

6. This proceeding is continued.

By the Commission,

(SIGNED) KATHLEEN H. BURGESS
Secretary