

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission
as to the Rates, Charges, Rules and
Regulations of Orange and Rockland
Utilities, Inc. for Electric Service

Case 14-E-0493

Proceeding on Motion of the Commission
as to the Rates, Charges, Rules and
Regulations of Orange and Rockland
Utilities, Inc. for Gas Service

Case 14-G-0494

**STATEMENT ON THE JOINT PROPOSAL OF THE
UTILITY INTERVENTION UNIT OF THE
DEPARTMENT OF STATE**

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INTRODUCTION

The Utility Intervention Unit (UIU) of the New York State Department of State's Division of Consumer Protection supports the Joint Proposal (JP) filed on June 5, 2015 in the above-captioned matter primarily due to the JP's treatment of rate design, revenue allocation, low-income and Advanced Metering Infrastructure (AMI) issues. The JP could have been further improved upon with the implementation of a change to the minimum system of electric costs, as noted on page 6 below,¹ and tighter controls on AMI spending but, on the whole, the UIU believes that the JP would benefit consumers.

¹ The UIU proposes to allocate fixed costs by volume of energy flowing through the system, non-coincidental peak demand, and individual customer maximum demands in the Company's Electric Embedded Cost of Service (ECOS) study, which is similar to the approach adopted in the Gas ECOS study.

SELECTED HIGHLIGHTS OF JOINT PROPOSAL

Rate Design

In the Direct Testimony of the UIU Rate Panel, UIU requested that the Company refrain from increasing the monthly electric and gas customer charges for both residential and small commercial customers, and strongly advocated for the Commission to approve monthly customer charges for residential and small commercial customers that would remain at the current level of charges, in order to lower bill impacts on low-usage customers. Pursuant to the parties' agreement, the JP would establish monthly electric customer charges that would remain the same in Rate Years 1 and 2 for the residential, small commercial, and residential Voluntary Time of Use (VTOU) customer sectors.² Charges for residential and small commercial gas customers would be increased slightly in Rate Year (RY) 1, and this increased monthly charge would be maintained in RYs 2 and 3.³

UIU originally advocated for no increase in gas and electric fixed charges for these consumer sectors in the Direct Testimony of UIU Rate Panel. Accordingly, UIU supports the maintenance of current monthly customer charges for electric customers. In regards to monthly customer charges for gas customers, the slight increase in these monthly gas customer charges is a great improvement from the Company's original customer charge proposals. Consequently, UIU believes that, considering that the gas revenue requirement has increased at a much greater rate than electric, the slight increase in fixed charges is a step in the right direction to decrease the financial burden on low-usage customers.

Aside from the monthly customer charges, the remaining residential electric delivery revenues will be collected through volumetric delivery rates, which include a mildly inclining block rate structure during the summer billing period and a winter/summer

² Monthly customer electric charges will remain the same for Rate Year 1 and Rate Year 2 for the following SCs: SC1 (residential) - \$20, SC2 Secondary Non-demand non meter and meter (small commercial) – \$17 and \$18 respectively, and SC 19 (residential Voluntary Time of Use (VTOU)) - \$32.

³ Monthly customer gas charges will increase slightly in the first rate year for SC Nos. 1 and 6 (residential) from \$18.63 to \$20 and SC Nos. 2 and 6 (commercial) from \$29.08 to \$30. These customer charges will remain the same for Rate Year 2 and 3.

differential on the second volumetric block rate. Seasonal and inclining block rate structures have the potential to promote efficiency and conservation efforts. However, UIU believes that an analysis of currently available studies and surveys that contains pertinent information regarding residential and small commercial customers (i.e., income, housing stock, heating vs. non-heating customers),⁴ as well as any new rate design methodologies that may arise from the Reforming the Energy Vision (REV) Track 2 discussions that are scheduled to take place in 2015, may further advance policies to develop optimal rate design structures. Moreover, to create greater opportunities for customer engagement, UIU continues to recommend that a rate design study be implemented to evaluate the effectiveness of the current rate design methodologies in improving fairness among all customers, encouraging energy efficiency and conservation as well as providing customers with a greater ability to control their monthly energy bills.

The JP also changes the rate design methodology for the SC2 Secondary Demand Commercial Class as first block usage demand revenues gradually move to demand charge revenues by 5% in RY1 and 10% in RY2. In the Direct Testimony of UIU Rate Panel, UIU raised concerns with the Company's proposal to shift the 20% of energy costs (volumetric usage) to demand costs for SC2 Secondary Demand Commercial Customers (especially customers who fall within the 0-5 kW monthly demand rate category). In the Rebuttal Testimony of UIU Rate Panel, UIU also raised concerns with Department of Public Service (DPS) Staff's rate design proposal, which shifted even more of the energy costs to the 0-5 kW demand costs. UIU believes the rate design change set forth in the JP is a positive step because it reallocates costs into demand at a slower rate than originally proposed by DPS Staff and the Company, thereby mitigating rate shock on low usage customers.

The JP also calls for the Company to file a time-sensitive rate demonstration project that meets the criteria that were set forth in the Commission's Order in the REV proceeding. UIU supports the development of such a project for various reasons such as: (1) to explore optimal rate design methodologies; (2) to examine the response of

⁴ I.e., New York SUN Initiative, New York Green Bank, Clean Energy Fund.

residential customers to alternative rate designs incorporating new technology,⁵ educational tools as well as the adoption of various customer communication programs; (3) to provide an opportunity to provide feedback in terms of consumer behaviors, customer acceptance and energy and peak demand impacts to advance policy changes developed in the REV proceeding; and, (4) to evaluate the value of alternative rate structures as a method to reduce utility operating costs to the electric power distribution system.

ECOS and Revenue Allocation

The JP accepts and adopts the findings in the Company's electric ECOS methodology for the electric rates and the DPS Staff's gas ECOS methodology for the gas rates. UIU would have preferred that the JP reflect changes to the "minimum system" costs in the electric ECOS study that also considers energy and demand as proposed in the UIU Rate Panel's Direct Testimony. Similar methodology changes, as proposed by DPS Staff in its Initial Rate Panel Testimony, have been adopted in the gas ECOS study⁶ which places less of a financial burden on residential customers in that the cost of distribution mains is allocated on a 100% demand and a 0% customer basis.

In an effort to eliminate class-specific revenue surplus and deficiencies derived in the electric ECOS study, parties have settled to apply one-fourth of the class-specific revenue differential outside of the +/- 10% tolerance band for each defined electric and gas Rate Year, a rate that is slower than the original proposal by the Company. UIU believes that this is the best method to avoid drastically adjusting existing revenue relationships as a result of the electric and gas ECOS studies and would forestall any potential rate shock that would have occurred. Additionally, the JP addresses UIU's concerns about interclass relationships of the Electric commercial class (SC2) which contains a large variety of customers, as some interclasses were not treated fairly during

⁵ I.e. Advanced metering infrastructure, and customer systems such as in-home displays and programmable communicating thermostats.

⁶ Cost allocation of distribution mains based on 100% demand and 0% customer basis was accepted in the JP for the gas rates proposal in the JP's adoption of the gas ECOS methodology.

the Company's revenue allocation process. As such, surpluses and deficiencies within the electric Service Classification SC2 commercial class were realigned (thereby ensuring all commercial customers are treated fairly) during the revenue allocation process. For example, SC2 subclasses (i.e., SC2 – Secondary Demand Billed, SC2 – Secondary Non-Demand Billed (consisting of SC2 Non Demand Metered and SC2 Unmetered), and SC2 Space Heating) were handled separately.

Low Income Program

The UIU supports all the aspects of the JP that are related to the electric and gas low-income programs. The JP would increase the budget for the electric and gas low-income programs, which would enable the Company to offer higher discounts for both electric heating and non-heating customers as well as gas heating customers. The JP would also decrease the discount for gas non-heating customers, rendering the final amount of low-income discounts to the following:

	<u>Current</u>	<u>New</u>
Electric Heat	\$17.40	\$27.00
Electric Non-Heat	\$9.00	\$18.00
Gas Heat	\$11.63	\$17.00
Gas Non-Heat	\$11.63	\$6.00

The discounts provided in the JP are set at levels that provide approximately a 12% discount to the average bills of heating and non-heating customers. In addition to the increased budgets for the low-income programs, the JP also reflects the Company's adoption of UIU's proposal for more detailed low-income reports that shows the same level of detail and information contained in reports filed by other utilities. Additionally, the JP also provides that the Company will continue to offer all low-income customers with a one-time waiver of the reconnection fee in any given rate year. These features will greatly benefit low-income consumers and would also serve to promote Commission goals in

other proceedings such as Case 14-M-0565, Proceedings on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers.⁷

Same Day Electric Service Reconnection

UIU proposed in the initial testimony of Gregg C. Collar that O&R commit to attempt 100% same day electric service reconnection for customers whose service has been disconnected for non-payment at the meter and who have been become eligible for reconnection by making payment by 5:00 p.m. Monday through Friday. The JP directs the Company will exercise best efforts, within the Company's existing staffing levels and budgets, in attempting 100% same day reconnections for customers who are disconnected for non-payment. The Company will also file a report on residential same-day reconnections that will indicate the number of residential electric customer reconnections issued by 5:00 p.m. Monday-Friday and the number of same-day reconnections attempts made to such customers. This report will be included in the quarterly Low Income Assistance Program reports to be filed by the Company.

Advanced Metering Infrastructure ("AMI")

In the Rebuttal Testimony of UIU Rate Panel, UIU advocated for additional provisions that would place a hard limit on the costs of the AMI Project and include checks and balances for the AMI project that would be in addition to DPS Staff's proposed reporting mechanism. The JP would allow the Company to move forward with Phase 1 of the AMI Project in Rockland County, which would install 116,000 electric and 91,000 gas AMI meters, infrastructure and data management systems starting in 2016. In an effort to minimize risks and maximize benefits of the AMI project, the JP expands the scope of work for the AMI project to include customer engagement and education

⁷ In this proceeding, the DPS Staff Straw Proposal recognized that, pursuant to the findings of the Affordability Gap study, utility costs ideally should not exceed 6% of income to be considered affordable. To meet this metric, DPS Staff sought to develop methods by which to achieve the goal of affordability at minimum cost.

provisions, an AMI Implementation Plan, and more comprehensive reporting and data analysis requirements.

In the JP, the parties have agreed to cap the costs of the AMI project at \$43.3 million, the Company's total projected costs for the AMI project. A separate provision in the JP would allow the Company to seek cost recovery for any funds expended on the project that exceeds the \$43.3 million cap in a future rate case.⁸ While UIU does not support this provision because we believe that the Company should be held to its cost estimate and not be awarded more money after the project has progressed too far for reassessment, UIU believes that an open and transparent process would help protect ratepayers from costs arising from potentially poor project planning and mismanagement of project costs. To that end, the Company will be required to file an AMI Implementation Plan, semi-annual reports of the AMI project, and quarterly data reports.

The JP allows DPS Staff and other interested parties the opportunity to review and provide comments on the AMI Implementation Plan. Furthermore, required semi-annual reports on the status of project will help ensure that O&R ratepayers would not be made to bear the financial burden of a failed project. Additionally, quarterly data reports would provide a detailed comparison of actual expenditures to budgeted expenditures to help identify problems before more funds are released. Moreover, an AMI savings tracker will be established to evaluate how actual project costs compare to the projected savings. In addition to these filings, as the AMI project may offer many potential benefits to customers,⁹ the Company will also be required to file an outreach and education plan to ensure that consumers are able to participate in the program. UIU believes that these provisions would promote an open and transparent collaborative process that will help ensure the successful implementation of AMI.

⁸ This future rate case would account for any additional costs arising from issues related to address the Market Design and Platform Technology (MDPT) Final Report (expected to be released around Aug 3, 2105), the Commission's final Distribution System Implementation Plan (DSIP) Order (DSIP filing is currently due January 15, 2016), and any other developments.

⁹ These benefits include the availability of customer specific data at more near real time and additional rate design choices.

CONCLUSION

The JP contains many features that benefit consumers from various perspectives including rates, reliability, and project development. The UIU recommends its approval.

Respectfully submitted,

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