

STATE OF NEW YORK

PUBLIC SERVICE COMMISSION

CASE 17-E-0238 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric Service

CASE 17-G-0239 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Gas Service

**PACE ENERGY AND CLIMATE CENTER'S
STATEMENT IN SUPPORT OF THE JOINT PROPOSAL**

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STATEMENT IN SUPPORT OF JOINT PROPOSAL

In accordance with the Ruling on Schedule, issued by Administrative Law Judges (“ALJs”) Dakin D. Lecakes and James A. Costello on January 24, 2018, Pace Energy and Climate Center (“Pace”) hereby submits this statement in support of the Joint Proposal filed by Niagara Mohawk Power Corporation d/b/a National Grid (“Niagara Mohawk” or the “Company”) on January 19, 2018 (“Joint Proposal”).

PROCEDURAL HISTORY

On April 28, 2017, Niagara Mohawk filed tariff leaves and testimony with the New York State Public Service Commission (“Commission”) in support of proposed increases to its electric and gas delivery revenues. The Company sought approval of a one-year rate plan, with the intention of seeking a multi-year rate plan for electric and gas service in settlement discussions with Department of Public Service staff (“Staff”) and other parties. The Company proposed to increase electric and gas delivery revenues by approximately \$326 million and \$81 million, respectively, effective April 1, 2018.

The Commission appointed two ALJs to preside over the rate proceedings. On June 1, 2017, the ALJs held a procedural conference, and the Company thereafter made a technical presentation on various aspects of the filings. On June 7, 2017, the ALJs issued a Ruling on Schedule, setting dates for initial and rebuttal testimony as well as the evidentiary hearing. At an additional technical conference, held on June 27, 2017, the Company presented its proposal for Advanced Metering Infrastructure (“AMI”). Pace and other parties filed direct testimony on August 25, 2017, and rebuttal testimony on September 15, 2017. Settlement discussions commenced following the submission of all testimony, and the active parties engaged in discovery throughout the proceedings.

To allow settlement negotiations to proceed, the ALJs postponed the evidentiary hearing on the Company’s 2017 rate filing five times—on September 21, 2017; October 27, 2017; November 28, 2017; December 26, 2017; and January 10, 2018. Finally, a number of the parties reached agreement on a Joint Proposal resolving the disputed issues. Niagara Mohawk filed the Joint Proposal on January 19, 2018, joined by Pace; Staff; Multiple Intervenors; Environmental Defense Fund (“EDF”); International Brotherhood of Electrical Workers, Local Union 97; New York Geothermal Energy Organization, Inc.; Tesla, Inc.; the City of Buffalo; the City of Albany; the City of Syracuse; ChargePoint, Inc.; Great Eastern Energy; Mirabito Natural Gas; Blue Rock Energy, Inc.; Direct Energy Services, Inc.; the New York State Office of General Services (“OGS”); Wal-Mart Stores East, LP; Sam’s East, Inc.; and New York Power Authority.¹ Pace recommends that the Commission adopt the Joint Proposal.

Pace is a project of the Elizabeth Haub School of Law at Pace University. Pace’s mission is to protect the earth’s environment through solutions that transform the ways society supplies and consumes energy, thereby minimizing pollution, mitigating climate change, and enhancing society’s resilience in response to unavoidable climate change. Pace promotes energy efficiency, renewable energy, and clean distributed generation technologies—cost-effective resources that reduce the negative climate, air, water, land, and human health impacts that result from reliance on fossil fuel resources and traditional patterns of consumption. Pace also advocates for solutions that enhance community access to clean energy and energy choice.

For more than 28 years, Pace has provided legal, policy, and stakeholder engagement leadership in New York State, the Northeast more broadly, and other jurisdictions. Pace is

¹ OGS; Wal-Mart Stores East, LP; and Sam’s East, Inc. sign this Joint Proposal in support of Case 17-E-0238 and take no position with respect to Case 17-G-0239.

participating in the Reforming the Energy Vision (“REV”) proceeding, both in its own right and as part of a broad coalition of environmental, consumer, and other stakeholders.² Pace strongly supports the goals of the REV proceeding, which provides significant economic, environmental, and societal benefits to New York. In particular, Pace sees a vital and beneficial role for utilities, including Niagara Mohawk, as engaged, proactive distribution system platform providers for Distributed Energy Resources (“DER”) as a result of REV reforms. Pace files written comments in the REV proceeding and continues to participate in all major REV dockets.

Pace became an active party to the instant rate cases to address, among other things, the Company’s proposals concerning rate design, standby rate changes, street lighting, lowering the energy burden for low income customers, energy efficiency, gas growth programs, plug-in electric vehicles (“EVs”), rooftop solar photovoltaic (“PV”) systems, and AMI, all of which interrelate with developments in the REV proceeding. Although the Joint Proposal reflects a negotiated compromise, and different parties may view individual provisions more or less favorably, Pace sees the Joint Proposal as a necessary step toward full REV implementation. Taken as a whole, the Joint Proposal compares favorably with the likely results of formal litigation and is within the range of reasonable outcomes. Pace supports the adoption and approval of the Joint Proposal as the resolution of these cases.

GENERAL STATEMENT REGARDING THE JOINT PROPOSAL

The parties that signed the Joint Proposal reached a settlement agreement in principle, and were deep into negotiations of the Joint Proposal language, when extremely important federal tax cuts were enacted in December 2017. These tax cuts *significantly* decreased the Company’s tax burden, and its annual revenue requirements, for the three-year term of the

² Order, *Proceeding on Motion of the Comm’n in Regard to Reforming the Energy Vision (“REV Proceeding”)*, Case No. 14-M-0101 (PSC Apr. 25, 2014).

settlement. While Pace continues to support the Joint Proposal, despite this significant, last-minute development, Pace wishes to point out that, had it known of those tax cuts prior to December 2017, it would have insisted on significant additional investments over the term of the three-year rate plan in: (1) energy efficiency; (2) EV programs; (3) electric heat pump initiatives; (4) gas leak prevention, investigation, and repair; (5) low and moderate income programs; and (6) other clean energy investments that will help New York achieve the goals of REV, the Clean Energy Standard, and other clean energy (or energy-reducing) laws.³ In future ratemaking cases, and any generic proceedings regarding the tax breaks, the Commission should consider investing some of the tax cuts in such programs so that New York may meet those critical goals.⁴

STATEMENTS REGARDING SPECIFIC PROVISIONS OF THE JOINT PROPOSAL

Pace submits the following comments on the issues underlying its decision to support the Joint Proposal.⁵ This statement in support, and the headings used throughout this document, follow the order of topics set forth in the Joint Proposal's Table of Contents.

³ See Order Adopting a Clean Energy Standard, *Proceeding on Motion of the Comm'n to Implement a Large-Scale Renewable Program & a Clean Energy Std.*, Case No. 15-E-0302 & *Matter of Constellation Energy Nuclear Grp.*, Case No. 16-E-0270, 2016 WL 4129243, (PSC Aug. 1, 2016) ("Clean Energy Standard Order").

⁴ For such a generic proceeding, see Order Instituting Proceeding, *Proceeding on Motion of the Comm'n on Changes in Law that May Affect Rates*, Case No. 17-M-0815 (PSC Dec. 29, 2017).

⁵ In this Statement, Pace addresses only those matters essential to its position and does not provide a comprehensive review of the Joint Proposal.

I. Electric Revenue Allocation and Rate Design (Section 3)

A. Electric and Street Lighting Rate Design (Section 3.3)

1. Electric (Section 3.3.1)

a. Allocation of Energy Efficiency Transition Implementation Plan (“ETIP”) Costs (Section 3.3.1(a) and Appendix 2, Schedule 11)

Section 3.3.1(a) of the Joint Proposal provides for allocation of the costs of the REV-required ETIPs, as described in Appendix 2, Schedule 11. The ETIP cost allocation is based on the ETIP benefits, including: avoided generation, transmission, and distribution capacity and avoided energy costs.⁶ The allocation of ETIP costs based on ETIP benefits is appropriate in light of New York’s clean energy laws, goals, and policies, including but not limited to those included in REV, the 2015 New York State Energy Plan, and New York’s Clean Energy Standard.

b. Fixed Customer Charges (Section 3.3.1(b))

The Joint Proposal does not increase customer charges for residential or small commercial electrical customer classes.⁷ Pace supports not raising customer charges for those customer classes for the reasons set forth in the testimony of Mr. Rábago, including, but not limited to, the fact that:

High fixed customer charges based on fixed costs greater than the cost to connect a customer to the grid weaken price signals to customers associated with their contribution to increased or decreased fixed costs over time. The typically high correlation between energy use and demand means that assignment of transmission and distribution costs (other than the costs to connect) to volumetric rates creates a more efficient price signal than

⁶ See ETIP Cost Allocation by Benefits, *annexed to* Joint Proposal at App. 2, Sched. 11 (table setting forth “Avoided Costs” beginning at line 16) (“ETIP Cost Allocation by Benefits”).

⁷ See Joint Proposal at 14. The Joint Proposal also does not include any increases in gas minimum monthly charges for residential and small commercial customer classes, *see id.* at 23, which Pace strongly supports for the same reasons that Pace supports no increases to the electric customer charges for residential or small commercial customer classes.

assigning those costs to non-bypassable fixed customer charges. Higher fixed charges are inimical to the goals of the Reforming the Energy Vision [] proceedings as well, because they reduce the cost-effectiveness of distributed energy resources [] and constrain the ability of customers to take action to manage their bills in response to price signals that vary with level of consumption or demand.⁸

If there is a need to increase revenue requirements, it is more appropriate to increase volumetric charges than fixed customer charges. Doing so gives customers the opportunity to manage their bills through reductions in consumption and sends price signals that support efficient use of energy.

Pace witness Rábago also recommended that: (i) the Company review each of the service-related costs that it re-functionalized in 2011 and include only the costs to connect a new customer; (ii) remove costs associated with line transformers and primary distribution costs from the customer charge; and (iii) abandon the Zero Load method from the secondary distribution costs of customer charges.⁹ Mr. Rábago recommended these methodology changes because “the methods used to assign costs to the residential customer category, and the customer charge, could be used by the Company to argue for fixed charge increases in the future.”¹⁰ Although those recommended methodological changes were not included in the Joint Proposal, Pace is satisfied with the current settlement because the residential and small commercial fixed customer charges are not increasing. In addition, Pace believes that its recommendations concerning methodology will be addressed in the Company’s next ratemaking filing or the Value of DER (“VDER”) proceeding.¹¹

⁸ See Direct Testimony of Karl R. Rábago (“Rábago Direct”) at 7–8.

⁹ See *id.* at 16.

¹⁰ *Id.* at 7.

¹¹ *Matter of the Value of Distributed Energy Resources*, Case No. 15-E-0751 (PSC instituted Dec. 23, 2015).

c. Standby Rates (Section 3.3.1 and Appendix 2, Schedules 5.5–5.6)

In the REV proceeding, the Commission required, among other things, that utilities review their respective standby rate cost allocation methodologies and to develop recommendations for revising the allocation matrices to align standby rate design with REV objectives.¹² Each utility was required to “make a filing that describes in detail the cost allocation methodology that is currently in use for the calculation of its current standby rates” and to “include recent studies supporting the methodology and updated values.”¹³ On October 7, 2016, the Company submitted its standby allocation matrix reviews and recommendations in the REV proceeding.¹⁴ In that filing, the Company recommended that further consideration of its standby rates be reserved for the instant rate case.¹⁵

The Joint Proposal complies with the Track Two Order’s directive to utilities to review their respective standby rate cost allocation methodologies and to develop recommendations for revising the allocation matrices to align standby rate design with REV objectives. By shifting

¹² See Order Adopting a Ratemaking and Utility Revenue Model Policy Framework, *REV Proceeding*, Case No. 14-M-0101 (PSC May 19, 2016) (“Track Two Order”) at 130; Direct Testimony of Thomas G. Bourgeois (“Bourgeois Direct”) at 6–7 (Aug. 25, 2017).

¹³ Track Two Order at 130; see Bourgeois Direct at 7.

¹⁴ See Bourgeois Direct at 7 (quoting Filing of Niagara Mohawk Power Corp. d/b/a National Grid Regarding Cost Allocation Methodology for Current Standby Rates and Options for Commission Consideration, *REV Proceeding*, Case No. 14-M-0101 (PSC Oct. 7, 2016) (“2016 Standby Rate Filing”)).

¹⁵ The Company stated:

[NMPC] anticipates filing an electric (and gas) rate case with the Commission by April 30, 2017. As such, the Company recommends that no changes be made to the standby service rates at this time and that any proposals for changes to the current standby rate design and/or rates occur as part of that rate case filing. The new revenue requirement as well as updated allocated cost of service studies, marginal cost of service studies, and billing determinants will inform the Company as to the need to update standby rates.

2016 Standby Rate Filing at 16.

local standby costs (reflected in the Contract Charge) to shared costs (reflected in the As-Used Daily Charge), the Company is now allocating a significantly larger percentage of the revenue requirement to As-Used Daily Charge and a significantly smaller percentage to Contract Charge.¹⁶ This shift complies with the Track Two Order’s directive to utilities to present recommendations to the Commission that discuss “a reduction in the percentage of costs allocated to the contract demand with a corresponding increase in the allocation of costs to the daily as-used demand charges.”¹⁷

This shift is also aligned with REV’s broader goal to reduce electrical consumption, because the Contract Charge is fixed and consequently cannot be altered or managed by changes in how customers operate their businesses or their DER.¹⁸ The As-Used Daily Charge varies with customer behavior and thus can send a price signal to customers that potentially would encourage reductions in usage.¹⁹ In the Track Two Order, the Commission articulated a strong preference for cost recovery mechanisms that send price signals to customers encouraging altered usage of their system in a manner that lowers system costs for all users of the grid.²⁰ The Company’s proposed shift of local standby costs (Contract Charge) to shared costs (As-Used Daily Charge) accomplishes this objective.²¹

¹⁶ Ex. __ (E-RDP-5), Sched. 1, at 1; Joint Proposal at 15 & App. 2, Scheds. 5.4–5.6.

¹⁷ See Track Two Order at 130.

¹⁸ See Bourgeois Direct at 10.

¹⁹ See *id.*

²⁰ See Track Two Order at 130; see also *id.* at 14 (“Rather than simply allocating costs, rate design should be used to send value signals that enable the reduction of total system costs in the long run.”); Bourgeois Direct at 10.

²¹ See Track Two Order at 130.

Pace also supports the Joint Proposal's updated criteria for an Environmentally Advantageous Technology ("EAT") entitled to a standby rate exemption.²² The ability to elect an exemption from standby rates is a valuable benefit for those customers who would prefer that their Combined Heat and Power ("CHP") installations not cause them to fall under the standby tariff.²³ To qualify as CHP entitled to the applicable EAT exemptions, a customer's CHP equipment must meet efficiency and emissions standards established in the standby tariff.²⁴ Criteria for efficient CHP generally have not been updated since 2003, with the exception of the those approved for Con Edison in 2017, which included a reduction in maximum NO_x emissions from 4.4 lbs/MWh to 1.6 lbs/MWh.²⁵

In this proceeding, Pace witness Thomas Bourgeois recommended that the existing NO_x emissions standard of 4.4 lbs./MWh be reduced to 1.6 lbs./MWh, consistent with current criteria for qualifying CHP equipment for New York State Energy Research and Development Authority ("NYSERDA") incentives and the levels approved last year in the Con Edison rate proceeding.²⁶ Pace thus supports the provisions in the Joint Proposal accepting that recommendation and

²² Compare Joint Proposal at 14–15, with Niagara Mohawk, Schedule for Electric Service Applicable in All Service Territory Served by This Company, PSC No. 220 at Service Classification No. 7 § 4(F), leaves 417–18 (effective Dec. 14, 2015) ("Schedule for Elec. Serv.").

²³ See Bourgeois Direct at 16.

²⁴ See *id.*; Schedule for Elec. Serv. at leaf 417.

²⁵ Bourgeois Direct at 17 (citing Order Approving Electric & Gas Rate Plans 7, 59–60, *Matter of Consolidated Edison Co. of New York, Inc.*, Case Nos. 16-E-0060 & 16-G-0061 (PSC Jan. 25, 2017) ("Con Edison 2017 Rate Order")).

²⁶ See Bourgeois Direct at 18; see also NYSERDA, CHP Program, Program Opportunity Notice 2568 at 8 (undated),

<https://portal.nyserdera.ny.gov/servlet/servlet.FileDownload?file=00Pt0000004EAXCEA4> (setting a cap of 1.6 lbs-NO_x/MWh for CHP systems).; Con Edison 2017 Rate Order at 52–53; Joint Proposal at 58, *Matter of Consolidated Edison Co. of New York, Inc.*, Case Nos. 16-E-0060, 16-G-0601, 15-E-0050 & 16-E-0196 (PSC Sept. 19, 2016) ("Con Edison Joint Proposal").

updating the emissions requirements for qualifying EATs to conform to those approved in the Con Edison 2017 Rate Order.²⁷

In addition, Mr. Bourgeois testified that energy storage technologies should qualify as EATs because commercial and industrial scale batteries can play a significant role in “firming up” (smoothing out the peaks and valleys of) intermittent renewable generating technologies such as solar and wind and thus are widely recognized as one of the keys for the transition to clean energy.²⁸ Pace therefore supports the provisions of the Joint Proposal ensuring that energy storage technologies now will qualify as EATs.²⁹ Together with the new emissions standards, these new EAT criteria will help push future development of distributed generation in Niagara Mohawk’s service territory and advance the greenhouse gas reduction, renewable energy, and energy efficiency goals articulated in REV and the New York State Energy Plan.³⁰

II. Gas Capital Investment Levels and Infrastructure and Operations Programs (Section 7)

Pace strongly supports all of the methane reduction efforts set forth in the Joint Proposal, because “[w]hen natural gas leaks . . . its carbon equivalent impacts are much more significant than those of CO₂”³¹ Pace supports those efforts even though major investments relating to reliability, repair, and system life extension all support increased gas sales, which Pace generally opposes.³² The Company has agreed to continue to advance methane reduction efforts in its service territory, similar to the terms set forth in the rate plans for Brooklyn Union Gas Company d/b/a National Grid NY (“KEDNY”) and KeySpan Gas East Corp. d/b/a National Grid

²⁷ See Joint Proposal at 14.

²⁸ Bourgeois Direct at 19.

²⁹ See Joint Proposal at 15.

³⁰ See *id.* at 16; Clean Energy Standard Order; New York State, The Energy to Lead: 2015 New York State Energy Plan (2015), <https://energyplan.ny.gov/-/media/nysenergyplan/2015-overview.pdf> (“State Energy Plan Overview”).

³¹ Rábago Direct at 37; see Joint Proposal at 42–43.

³² See Rábago Direct at 40–41.

(“KEDLI”) adopted in Cases 16-G-0058 and 16-G-0059.³³ Such methane reduction efforts will include consideration of best practices for identifying and abating high volume leaks.³⁴

III. Street Lighting (Section 9)

A. LED-Only Replacement Luminaire Program (Section 9.1)

Under the Joint Proposal, “[t]he Company will establish an ‘opt-in’ LED-only replacement program for Company-owned luminaires” serving municipalities.³⁵ Under this “LED-only replacement program, “existing Company-owned failed roadway luminaries will be replaced with LEDs.”³⁶ High intensity discharge (“HID”) luminaires no longer will be offered for new street light installations.³⁷ In addition, municipalities will have the opportunity to identify LED luminaries that meet their community’s needs, and the Company will coordinate with municipalities to ensure procedures are properly implemented.³⁸ Pace supports these initiatives as consistent with REV and the State’s clean energy goals.

B. Street Lighting Plant Accounts and Service Lives (Section 9.2)

The Joint Proposal also requires that the Company reduce the depreciable life of the existing outdoor HID luminaires to 20 years from 50 years.³⁹ By reducing the depreciable life, annual expenses with existing HID equipment will increase and stranded costs will fall, thus

³³ See Joint Proposal at 42; see also Order Adopting Terms of Joint Proposal & Establishing Gas Rate Plans at 24–25, *Matter of KeySpan Gas East Corp. d/b/a Nat’l Grid*, Case No. 16-G-0058 & *Matter of Brooklyn Union Gas Co. d/b/a Nat’l Grid NY*, Case No. 16-G-0059 (PSC Dec. 16, 2016) (discussing rate plans approved for KEDNY and KEDLI “that will improve not only service but also . . . will reduce the adverse environmental impact of methane leaks”).

³⁴ See Joint Proposal at 42 n.14 (“This will include consideration of efforts currently underway at Niagara Mohawk’s affiliate utilities in Massachusetts and as implemented by other utilities . . .”).

³⁵ Joint Proposal at 54.

³⁶ *Id.*

³⁷ *Id.*

³⁸ See *id.*

³⁹ See *id.* at 55; see also Rábago Direct at 32.

making LED lighting more economically attractive for municipalities.⁴⁰ This reduction will encourage municipalities to convert their HID luminaires to more energy-efficient LED lighting. Pace supports these changes as they are consistent with REV and the State’s clean energy goals.

C. Street Light Asset Sales (Section 9.3)

For the term of this rate plan, the Company additionally agrees to sell its PSC 214 SC2 street lighting assets at net book value (“NBV”) to any municipal customer that agrees to purchase all street light assets within its taxing jurisdiction.⁴¹ Pace supports the foregoing Street Lighting provisions of the Joint Proposal, together with the LED Energy Efficiency Program (discussed in the Customer Programs section below). Previously, the upfront cost of LED luminaires included the undepreciated asset value of the existing HID luminaire, which deterred municipalities from opting into the Company’s LED Replacement Program.⁴² Now, the reduced depreciable life of HID luminaires, the potential to buy street lights at NBV, and the LED Energy Efficiency Program will help to ensure that municipal customers “pay as they save” when converting to LED lighting, thus encouraging adoption of LED luminaires.⁴³ Pace welcomes these incentives for municipalities to improve the energy efficiency of their operations.

IV. Gas Safety Performance Metrics (Section 12)

Pace supports the provisions in the Joint Proposal creating incentives for removal of leak prone pipes (“LPPs”) (Section 12.1) and leak management (Section 12.2),⁴⁴ for the reasons stated herein and in the Statement of Support filed by EDF.

⁴⁰ See Rábago Direct at 33.

⁴¹ See Joint Proposal at 55.

⁴² See Rábago Direct at 31; Direct Testimony of Outdoor Lighting Panel at 10–11 (Apr. 28, 2017).

⁴³ See Joint Proposal at 54–55, 96–97; Rábago Direct at 34.

⁴⁴ See Joint Proposal at 84–88.

V. Customer Programs (Section 13)

A. LED Energy Efficiency Program (Section 13.2.3)

Under the Joint Proposal, the Company will implement an energy efficiency program specifically designed to encourage municipalities to convert their street lights to LED luminaires. This LED Energy Efficiency Program will have an annual rate allowance of \$1.6 million and will be included in the annual electric ETIP, bringing the ETIP total to \$53.058 million.⁴⁵ Pace supports this program because, together with the Street Lighting provisions discussed above (Sections 9.1.1 through 9.1.3), it will enable municipalities to improve the energy efficiency of their operations and significantly reduce electrical usage, consistent with REV and NY's clean energy laws and goals.

B. Moderate Income Energy Efficiency Offering (Section 13.2.4)

Under the Joint Proposal, the Company will implement a moderate income electric and gas energy efficiency program beginning in Rate Year One.⁴⁶ The Company has agreed to collaborate with NYSERDA and, by May 1, 2018, the Company will convene a stakeholder meeting to receive input on the proposed program.⁴⁷ The details of the offering will be set forth in the Company's June 1, 2018 ETIP filing, and the cost of the offering will be funded from the current electric and gas ETIP budgets.⁴⁸ Pace supports the Joint Proposal's Moderate Income Energy Efficiency Offering because it will extend benefits to a wider range of customers in need of assistance than currently is covered under the Company's low income program.⁴⁹ In addition, the new Moderate Income Energy Efficiency Offering should help develop energy literacy in

⁴⁵ *Id.* at 96.

⁴⁶ *Id.* at 97.

⁴⁷ *See id.*

⁴⁸ *See id.*

⁴⁹ *See, e.g.*, Direct Testimony of Sheryl L. Musgrove ("Musgrove Direct") at 12–14 (Aug. 25, 2017).

moderate income customers and help educate them on the importance and benefits of energy efficiency.⁵⁰

C. Payment Agreements (Section 13.7)

1. Training Materials and Customer Messaging (Section 13.7.1)

Pace agrees with the Commission that “universal, affordable energy service is a critical driver of the REV initiative.”⁵¹ In the *Low Income Proceeding*, the Commission also recognized that there is a significant energy “affordability gap,” meaning that many low income households (those below 200 percent of the federal poverty level) have energy burdens that exceed six percent of their household income.⁵² The Commission therefore established an energy burden target of six percent or less for all 2.3 million low income households in New York.⁵³ To achieve this target, utilities must form new partnerships, relationships, and methods to identify low income households that are in need of assistance and to connect them with the appropriate programs and services.⁵⁴

The Training Materials and Customer Messaging provisions of the Joint Proposal are consistent with the *Low Income Proceeding*, because the Company will update its training materials for customer service representatives and will enhance its customer messaging on collections-related brochures, written customer notices, and the integrated voice response message regarding customers’ rights for affordable payment agreements.⁵⁵ The Company’s

⁵⁰ *See id.* at 20.

⁵¹ Order Adopting Low Income Program Modifications and Directing Utility Filings (“Low Income Order”) at 7, *Proceeding on Motion of the Comm’n to Examine Programs to Address Energy Affordability for Low Income Util. Customers* (“*Low Income Proceeding*”), Case No. 14-M-0565 (PSC May 20, 2016); Musgrove Direct at 11.

⁵² Low Income Order at 40; *see id.* at 4–5.

⁵³ *See id.* at 3.

⁵⁴ *See id.*; Musgrove Direct at 7–8.

⁵⁵ *See* Joint Proposal at 100.

training materials and customer messaging will distinguish between customers’ options for “collection arrangements” or “deferred payment agreements” and include language to provide customers with information on the features of each, including the amount the customer will be required to pay under each.⁵⁶ The Company also will update its 2015 Customer Service Representative Training Materials to eliminate references to “non-enforceable” oral arrangements and otherwise update the training materials to reflect current practices.⁵⁷ In addition, as Pace witness Sheryl Musgrove recommended in her testimony, the Company’s training materials will be updated to discuss the availability of, and the requirements for, enrollment in low income assistance programs.⁵⁸ Pace supports these efforts to improve low income customer communications and access to needed services.

D. Gas Programs (Section 13.8)

Pace witness Karl Rábago testified that there should be a moratorium on all gas load-building programs and spending, until the Commission establishes and implements a protocol for evaluation of all such programs from a long-term societal perspective.⁵⁹ Pace nevertheless supports the Joint Proposal, which fails to establish such a moratorium, because of the demand-side incentives to reduce gas usage during periods of peak demand, reductions in gas load building programs as compared with the proposals initially advanced in Company and Staff testimony, the requirement that the Company provide two different benefit-cost analyses (“BCAs”) to justify continuation of its Neighborhood Gas Expansion Program, and the

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *See id.*; Musgrove Direct at 16 (“I recommend that the Company also put in place a mechanism through which households with delinquent accounts that are not already enrolled in the low-income assistance program are informed of and provided an opportunity to apply for the assistance program.”).

⁵⁹ *See* Rábago Direct at 42–43; *see also* Rebuttal Testimony of Karl R. Rábago at 3 (Sept. 15, 2017) (“Rábago Rebuttal”).

Company's agreements with respect to LPP replacement and repair (discussed above).⁶⁰ In addition, Pace supports the Joint Proposal because it does not include Staff's proposal to convert diesel fleet vehicles to gas vehicles.

Pace comments below on three of the gas programs discussed in the Joint Proposal: (1) Commercial Gas Demand Response Project (Section 13.8.1); (2) Neighborhood Gas Expansion (Section 13.8.3); and (3) Non-Pipeline Alternative Incentive Mechanism (Section 13.8.6). In addition, Pace comments on Staff's proposal to convert diesel fleet vehicles to gas vehicles (which is not included in the Joint Proposal).

1. Commercial Gas Demand Response Project (Section 13.8.1)

Under the Joint Proposal, the Company will implement a Commercial Gas Demand Response Project for commercial firm customers who agree in advance to permit the Company to reduce their gas usage during periods of peak demand.⁶¹ Pace supports that project, because “[t]he first and foremost step to address systemic constraint issues should be responses on the demand side.”⁶² Pace supports gas demand response programs as alternatives to building or expanding the infrastructure that otherwise would serve increasing peak demand.

2. Neighborhood Expansion Program (Section 13.8.3)

Under the Joint Proposal, the Company will continue a program approved by the Commission in Niagara Mohawk's previous rate case, Case No. 12-G-0202, whereby the Company identifies potential gas main extensions, based on prospective customer density and a threshold of customer commitments, with the goal of expanding gas delivery without

⁶⁰ See Joint Proposal at 84, 102–105.

⁶¹ *Id.* at 102.

⁶² Rábago Rebuttal at 4.

contributions in aid of construction (“CIAC”).⁶³ Although Pace generally opposes gas expansion and other load-building programs, including “gas growth programs that encourage new gas connections,”⁶⁴ Pace is not objecting to this program and supports the Joint Proposal for three reasons.

First, the Company has withdrawn its initial proposal to increase the annual target of main installation from 14,000 to 16,000 feet, to increase the new customer target from 100 to 120 customers annually, and to decrease both the customer density and customer commitment targets.⁶⁵ The Joint Proposal does not include any of the proposed changes to the program and ensures that it is capped at prior levels.

Second, as part of its marketing for the program, the Company will assess customers’ interest in converting from oil to gas or electric heat pumps.⁶⁶ Customers therefore will learn about alternatives to burning fossil fuels to heat their homes. In providing that information, the Company should explain not only the upfront installation costs of gas furnaces as compared with those of heat pumps, but also the long-term costs of operating a system that burns a fossil fuel as opposed to those of a system powered by electricity generated increasingly from cost-free, renewable energy sources.

Third, before filing its next rate case, the Company will develop two BCAs for this program:

The first BCA will be conducted from a prospective customer perspective and consider the cost and benefits of a customer installing and operating natural gas or other heating alternatives. The

⁶³ Joint Proposal at 103. CIACs are payments that customers seeking natural gas service are required to make for an extension of more than 100 feet of main or 100 feet of service line. *See id.* at 104 n. 23.

⁶⁴ Direct Testimony of Gas Customer Panel at 16–17.

⁶⁵ *See id.* at 18–19 (describing initial proposal).

⁶⁶ Joint Proposal at 103.

second BCA will be conducted using the Commission’s societal cost test set forth in the *Order Establishing the Benefit Cost Analysis Framework*, issued on January 21, 2016 in Case 14-M-0101.⁶⁷

The Company has agreed to provide the following additional BCAs directly to Pace, when the Company responds to pre-filing discovery requests in the next rate proceeding.

. . . [T]he Company will provide one additional run of the customer perspective BCA and the societal cost test BCA to Pace directly. The customer perspective BCA provided to Pace will reflect the operating expenses over the lives of each heating system. The societal cost test BCA provided to Pace will include methane (to the extent that methane or its CO₂ equivalent is not already included in the version submitted by the Company) and additional inputs to be provided by Pace.⁶⁸

These BCAs should begin to address Pace’s interest in securing a comprehensive, long-term evaluation of fossil-fuel-free alternatives to gas growth programs.

3. Non-Pipeline Alternative Incentive Mechanism (Section 13.8.6)

Under the Joint Proposal, “[w]ithin 60 days of the Effective Date, the Company will facilitate a collaborative to develop mechanisms, targets, and appropriate financial incentives for non-pipeline alternatives that are focused on improving the efficiency and operation of the Company’s natural gas system.”⁶⁹ Pace supports this effort because any incentive mechanism developed by the collaborative “will require, on a project basis: (i) an overall positive net BCA, performed in accordance with the BCA Order, and (ii) a reduction to fossil fuel usage and/or the elimination of fossil fuel usage during peak periods.”⁷⁰ Pace hopes that this effort will be a model for a more comprehensive approach to gas utility proposals in ratemaking proceedings

⁶⁷ *Id.* at 103.

⁶⁸ *Id.* at 103–04.

⁶⁹ Joint Proposal at 105.

⁷⁰ *Id.*

and that it will assist in the managed decapitalization of the gas utilities that must be achieved, if New York is to achieve its REV and other clean energy goals.

4. Proposed Conversion of Fleet Vehicles to Natural Gas

Pace supports the Joint's Proposal's omission of Staff's proposed investment of \$150,000 to convert diesel fleet vehicles to gas.⁷¹ Pace would have supported incentives for converting diesel vehicles to EVs, had the Company or Staff proposed such a program. "Fueling vehicles with electricity, especially in an increasingly renewable-powered electric grid, likely offers a superior alternative to increasing dependence on natural gas."⁷²

E. Electric Customer Products (Section 13.9) and Electric Vehicle Statewide Proceeding (Section 13.11)

The Joint Proposal allows the Company to begin implementing two new important programs: the electric heat initiative and the electric transportation initiative.⁷³ The Company will spend \$2 million over the term of the rate plan on each initiative (total of \$4 million).⁷⁴ An additional \$2 million will be allocated between the electric heat and electric transportation initiatives amounts that the Company determines, in its discretion, would deliver the most benefits for customers through carbon reductions.⁷⁵

Specifically, in support of New York State's climate goals, the electric heat initiative will provide rebates for customers to replace older, less efficient, and more carbon intensive heating systems with electric heat pumps.⁷⁶ Pace strongly supports the Company's investment in

⁷¹ Direct Testimony of Staff Gas Programs and Supply Panel at 54:21–55:2 (Aug. 25, 2017). For Pace's critique of the proposed incentives for gas powered vehicles, see Rábago Rebuttal at 7–8.

⁷² Rábago Rebuttal at 8.

⁷³ Joint Proposal at 105.

⁷⁴ *Id.* at 106.

⁷⁵ *Id.* Pace supports the Joint Proposal's provisions granting the Company discretion to allocate \$2 million so as to deliver the most benefits to customers through carbon reductions.

⁷⁶ *Id.* at 105–06.

beneficial electrification, as an alternative to the gas growth and gas load building discussed above.

Pace also supports the Company's electric transportation initiative. In this initiative, the Company has committed to developing EV charging stations and will initiate an educational program that is designed to increase adoption of EVs.⁷⁷ As Pace testified, increased adoption of EVs will "support[] New York State's zero emission vehicles and greenhouse gas emissions policy goals."⁷⁸ Although the Joint Proposal funds only a small portion of the EV program discussed in the Company's initial rate filing, Pace considers the spending to be an adequate start. However, significant additional investments in EVs will be required in the future, and such investments should be encouraged, especially in light of the recent significant federal tax breaks.

Pace also supports the Joint Proposal provisions wherein the Company commits to support, and would fully participate in, a generic statewide proceeding addressing the development of EV infrastructure in New York State, were the Commission to institute such a proceeding.⁷⁹ Growth in the EV market will reduce the environmental and economic costs of transportation as well as provide significant benefits to the grid as a form of DER.⁸⁰

F. SC-1 Alternative Rate Structures (Section 13.10)

Pace also supports the Joint Proposal provisions regarding alternative rate structures:

Within six months of the order setting rates in these proceedings, the Company will file with the Secretary a proposal or proposals for time-of-use and/or other voluntary residential rate structure(s) to further the State's energy goals, including the adoption of beneficial electrification technologies such as electric vehicles and renewable electric heat pumps. The Company will provide interested parties with a draft of the proposal for comment, and will consider

⁷⁷ *Id.* at 106.

⁷⁸ Rábago Direct at 35; *see* Direct Testimony of Electric Customer Panel ("ECP") at 29–30 (Apr. 28, 2017).

⁷⁹ Joint Proposal at 107.

⁸⁰ *See* Rábago Direct at 35.

comments from the parties prior to filing the proposal with the Commission.⁸¹

Pace strongly supports the development of voluntary time-of-use and other voluntary residential rate structures to further the State’s energy goals, including the adoption of beneficial electrification technologies such as electric vehicles and renewable electric heat pumps.

Voluntary rate structures that encourage renewable electric heat pumps are important because renewable heat pumps can reduce or eliminate reliance on CO₂-emitting fossil fuel heating systems, reduce system peak energy usage, and greatly help meet New York’s clean energy goals.⁸² In addition, as is discussed above, “[i]ncreased use of electricity in the transportation sector reduces the environmental and economic costs of transportation,” and electric vehicles “can provide significant benefits to the grid as a form of DER.”⁸³

VI. Miscellaneous Provisions (Section 15)

A. Advanced Metering Infrastructure (15.4)

The Joint Proposal does not provide for deployment of AMI during the three-year term of the rate plan. Instead, the Joint Proposal requires that the Company convene a collaborative with Staff and interested parties to refine and update the Company’s AMI business plan.⁸⁴ During that process, Pace expects the Company to address the following concerns set forth in Pace’s direct testimony:⁸⁵

- The Company has proposed three basic metrics—for program completion, customer satisfaction, and total customer engagement.⁸⁶

⁸¹ Joint Proposal at 106–07.

⁸² Direct Testimony of Bill Nowak on Behalf of New York Geothermal Energy Organization at 4–8 (Aug. 18, 2017).

⁸³ Rábago Direct at 35.

⁸⁴ See Joint Proposal at 112–15.

⁸⁵ See generally Direct Testimony of Advanced Metering Infrastructure Metrics Panel (Karl R. Rábago and Thomas G. Bourgeois) on Behalf of Pace Energy and Climate Center (Aug. 25, 2017) (“AMI Metrics Panel Testimony”).

⁸⁶ Direct Testimony of Advanced Metering Infrastructure Panel (Redacted) at 28 (Apr. 28, 2017).

However, additional AMI-related metrics are needed to ensure that the AMI deployment achieves REV goals and produces meaningful benefits.

- AMI deployment will help accelerate the integration of DER into grid operations, and the success of greater AMI-enabled DER deployment should be measured.
- Access to near real-time data is a concern, as the Company currently proposes to provide data after a 4-hour delay for electric customers and an 8-hour delay for gas customers. Near real-time data is necessary to optimize time variant pricing (“TVP”) programs, third-party markets, and DER deployment. Therefore, progress toward delivering data as close to real-time as possible to all customers should be measured.
- The Company should track the reduction in energy usage enabled by AMI, and measure the corresponding benefits in terms of grid performance and pollution reduction.
- Low-income customers are not discussed in the Company’s proposed metrics. The Company should report specifically on low-income customers as they relate to AMI metrics, to ensure that low-income users are benefitting from AMI, that they are considered as key stakeholders in helping advance REV goals, and that they are receiving sufficient education and training to encourage deployment among this population. . . .
- As a foundation, we recommend that the Company adopt the AMI scorecard/metrics that the Commission approved in the . . . Con Edison 2017 Rate Order.⁸⁷ . . .
- Beyond the Con Edison metrics, we recommend the creation of metrics measuring the deployment of, and grid benefit provided by, DER, to provide an empirical basis for evaluating the effect of AMI on DER deployment and the success of AMI implementation toward meeting REV goals.⁸⁸

Pace supports the AMI collaborative laid out in the Joint Proposal, which will clearly evaluate, among other subjects, the following issues of particular concern to Pace: real-time data latency; third-party data access; metrics to measure the success of the AMI program; allocation

⁸⁷ See Con Edison 2017 Rate Order at 8–9, 87–88; Con Edison Joint Proposal, App. 18 (setting forth 17 AMI metrics in five distinct categories proposed by Commission staff).

⁸⁸ AMI Metrics Panel Testimony at 2–4 (listing all of the bulleted concerns).

of AMI costs among service classifications; AMI system components; and the level of granularity at which AMI costs can be tracked without increasing costs above a *de minimis* level.⁸⁹ As Mr. Rábago testified:

In our era of utility transformation, especially as modern AMI . . . is deployed, cost assignment and allocation methods should recognize that the range of products and services provided and available to customers is rapidly expanding Today’s advanced meters and associated distribution system infrastructure, . . . can be used to help the utility and customers manage demand, offer and participate in new versions of time-varying rates, enable integration of distribution generation and [EVs], participate in demand response programs, and other perform other functions. The new AMI meter can do more and costs more than what is required to simply measure consumption, and the functionalization of meter and associated infrastructure and other costs should be subject to much more granularity in order to accurately track cost causation and ultimately send efficient price signals. In sum, the cost of advanced meters and associated services and infrastructure is related to customer count, energy use, and demand, and as well to a wide range of other more granular functions associated with the modern electric grid.⁹⁰

In the collaborative, Pace expects that the participants will develop the “more granular cost tracking system” as recommended in Mr. Rábago’s testimony, to provide more accurate characterization and classification of the costs associated with AMI deployment, with grid modernizations, and with implementation of REV generally.⁹¹ This data will be essential for improved cost of service analysis, for tracking performance against EAM targets, and for inclusion in value of DER calculations, among other uses.⁹² Pace also recommended:

[The Company should] develop a proposed set of subaccounts and cost categories for tracking grid modernization-related investments that includes the three basic cost categories of customer, demand, and commodity energy, as well as the many kinds of specific functions—such as demand response, portal costs, third-party

⁸⁹ Joint Proposal at 112.

⁹⁰ Rábago Direct at 17–18.

⁹¹ *See id.* at 18.

⁹² *See id.*

engagement, and EV interface, among others—performed by the modern and future distribution platform utility.⁹³

The collaborative should work with the participants and adopt Pace’s recommendations.

The collaborative will involve a number of meetings allowing for input from and responses to Staff and interested parties, and no later than October 1, 2018, the Company will file a report with the Commission setting forth its plan for the proposed implementation of AMI across its service territory. Pace supports the Joint Proposal’s AMI collaborative.

VII. Earnings Adjustment Mechanisms (Appendix 7)

A. Electric EAMs (Appendix 7, Section 1.0)

1. System Efficiency (Appendix 7, Section 1.1)

In the Joint Proposal, the Company’s System Efficiency EAM consists of two metrics: (1) peak reduction, and (2) DER utilization.⁹⁴ The System Efficiency EAM gives the Company an incentive to reduce its system peak (measured by New York Control Area (“NYCA”) coincident peak) by 6,747 MW in 2018, 6,671 MW in 2019, and 6,604 MW in 2020.⁹⁵ Further, the Company will aim to increase DER utilization by 250,104 MWh in 2018, 277,823 MWh in 2019, and 322,096 MWh in 2020.⁹⁶ The incremental DER utilization captured by this metric will include use of solar PV systems, CHP systems, stand-alone storage resources, and fuel cells.⁹⁷

The System Efficiency EAM targets are significantly more aggressive than those proposed by the Company in its initial testimony.⁹⁸ By using the NYCA coincident peak as the

⁹³ *Id.*

⁹⁴ Joint Proposal, App. 7, at 1.

⁹⁵ These are midpoint targets. *See id.*, App. 7, at 4 (establishing minimum, midpoint, and maximum peak reduction targets).

⁹⁶ *See id.* Again, these are midpoint targets established by the Company.

⁹⁷ *Id.*, App. 7, at 1.

⁹⁸ *See* Direct Testimony of the Electric Customer Panel (“ECP”) at 45–47, 51 (Apr. 28, 2017) (describing initial peak reduction and DER utilization targets).

metric for peak reduction, rather than the initially proposed Company peak, the Joint Proposal results in more aggressive System Efficiency EAM targets. Since the Company now will focus on decreasing the statewide peak, the System Efficiency EAM targets will contribute to utilities' efforts to reduce the amount of electricity the New York Independent System Operator will need to call on from dirty peaking power plants at periods of maximum load.⁹⁹ The midpoint targets for DER utilization increase by nearly 40,000 MWh in 2018, approximately 62,000 MWh in 2019, and nearly 76,000 MWh in 2020.

Pace fully supports the more aggressive System Efficiency EAM targets. Reducing system peaks is very important, because peak demand drives many capital improvements, transmission and distribution investments, and system costs. Further, a Pace study of New York State's electricity system from 2015 found that generation that is used during peak periods is associated with higher rates of marginal pollutant emissions.¹⁰⁰ The DER utilization metric provides incentives for increased DER penetration, which provides system-wide grid benefits, including improved integration of clean energy.¹⁰¹ Because the proposed System Efficiency

⁹⁹ Compare Joint Proposal, App. 7, at 1, with ECP at 45–47.

¹⁰⁰ See Nick Martin, Pace Energy and Climate Ctr., Carbon-Tuning New York's Electricity System at 2 (2015), <http://digitalcommons.pace.edu/cgi/viewcontent.cgi?article=1005&context=environmental> (“In general, marginal emission rates increase as overall demand on the electric system increases. Relatively higher-emitting generators operate on the margin during peak demand hours relative to non-peak demand hours.”).

¹⁰¹ See Track Two Order at 40 (indicating that the Track Two Order's ratemaking reforms, including the creation and animation of DER markets, “are designed to ensure that rather than resisting third party investments and operational and market changes that increase consumer value and the achievement of critical State economic and environmental goals, New York utilities will embrace these changes as consistent with and vital to their own financial interests”); see also PSC, State Environmental Quality Review Act Findings Statement at 1 (2016) (attached to Track Two Order as App. B (stating that DERs are important “to achieve optimal system efficiencies, secure universal, affordable service, and enable the development of a resilient, climate-friendly energy system”)); AMI Metrics Panel at 13 (“A core goal of REV is to animate DER markets . . .”).

EAMs are highly beneficial to customers, the grid, and the environment, Pace fully supports this aspect of the Joint Proposal.

2. Energy Efficiency (Appendix 7, Sections 1.2 and 1.5)

As is expressed in the Track Two Order, the Commission expected that energy efficiency targets proposed in rate cases would be an integral and significant component of the state's energy efficiency strategy and thus urged utilities to include such targets as part of their basic business operations.¹⁰² To implement this policy, the Commission authorized New York utilities to establish energy efficiency EAM targets that go above and beyond the amount of energy efficiency achieved through REV-required ETIPs.¹⁰³ As Pace stated in its direct testimony, "setting EAMs in this aggressive manner would follow through on the Track Two Order's requirement for EAMs to work 'toward reducing the cost of achieving [the state's clean energy] goals through cost-effective and market-initiated efficiency.'"¹⁰⁴

The Incremental Energy Efficiency EAM metric described in the Joint Proposal gives the Company an incentive to achieve energy efficiency savings greater than its ETIP target of about 264 GWh.¹⁰⁵ All three rate years have a midpoint energy efficiency target of about 312 GWh, or 49 GWh above the ETIP targets, and a maximum target of about 355 GWh, or 92 GWh (35 percent) above the ETIP targets.¹⁰⁶

Pace supports the Joint Proposal's Incremental Energy Efficiency EAMs, because they provide incentives for the Company to achieve energy efficiency savings beyond the minimum ETIP targets. Achieving these targets will help move New York closer to the level of energy

¹⁰² See Track Two Order at 23–24.

¹⁰³ See *id.* at 82–83; see also *id.* at 25 ("Positive earning opportunities will be developed for utilities to achieve and exceed the developed [System Efficiency] targets.").

¹⁰⁴ Rábago Direct at 24 (quoting Track Two Order at 81–82).

¹⁰⁵ Joint Proposal, App. 7, at 2.

¹⁰⁶ *Id.*, App. 7, at 4.

efficiency required to achieve the state’s goals of 50 percent renewables by 2030 and a 600 trillion Btu increase in statewide energy efficiency.¹⁰⁷ In addition, the cost of producing one GW of traditional generation is greater than the cost to reduce energy usage by one GW, so energy efficiency reduces customer bills and is a more cost-effective way to achieve the state’s clean energy goals.¹⁰⁸ As the Commission has acknowledged, “energy efficiency is the cheapest and most effective manner to reduce carbon emissions in the energy sector.”¹⁰⁹ Pace supports the Incremental Energy Efficiency EAM targets set in the Joint Proposal because they are more aggressive than the Company’s initial targets and therefore do more to promote REV goals. However, in future cases, the Company’s energy efficiency targets should be even more aggressive, to better position the energy sector to fully achieve the State’s clean energy and energy efficiency goals.

3. Environmentally Beneficial Electrification (Appendix 7, Section 1.4)

The Environmentally Beneficial Electrification EAM metric provides an incentive for the Company to reduce carbon emissions by increasing the penetration of environmentally beneficial technologies within its service territory.¹¹⁰ The metric will measure the lifetime metric tons of carbon dioxide avoided by incremental Electric Vehicles and Heat Pumps.¹¹¹ The targets reflect the Commission’s expressed desire to reduce carbon emissions through the use of EVs and geothermal systems.¹¹² Meeting the EAM targets also will make progress towards the

¹⁰⁷ State Energy Plan Overview at 2.

¹⁰⁸ See Rábago Direct at 19 (citing Clean Energy Standard Order at 81–82).

¹⁰⁹ Clean Energy Standard Order at 81–82.

¹¹⁰ See Joint Proposal, App. 7, at 4.

¹¹¹ See *id.*; see also *id.*, App. 7, Attach. 1 (providing a detailed discussion of the metric).

¹¹² See Order Adopting Regulatory Policy Framework and Implementation Plan at 24–27, *REV Proceeding*, Case No. 14-M-0101 (PSC Feb. 26, 2015); *accord id.* at 2 (“Forward planning in the electric industry must include carbon reduction, building to withstand severe weather, and dynamic system management to accommodate the needs of a low-carbon generation fleet.”).

greenhouse gas emissions reduction targets set forth in the State Energy Plan, which calls for emissions reductions of 40 percent in the energy sector by 2030 and specifically identifies power generation and transportation as key pillars for those reductions .¹¹³ Pace thus supports this Environmentally Beneficial Electrification EAM because it is in line with REV and the State’s energy goals.

B. Gas EAMs (Appendix 7, Section 2.0)

Pace supports the Joint Proposal’s provisions regarding Incremental Energy Efficiency for gas. Gas energy efficiency programs help customers to decrease reliance on gas and reduce dependence on climate-changing fossil fuels. Reductions in gas usage are particularly important because, as is discussed above and set forth in Pace’s testimony: “When natural gas leaks, as it does during production and transportation, its carbon equivalent impacts are much more significant than those of CO₂, so much so that they can obviate any benefits from the lower CO₂ emissions from combustion of natural gas in lieu of higher-carbon fuels.”¹¹⁴ The gas energy efficiency EAM targets are 231–643 Mth higher than the Company’s ETIP target of 552 Mth¹¹⁵ and thus will help to achieve the State’s goals of generating 50 percent of the state’s electricity from renewables by 2030 and achieving a 600 trillion Btu increase in statewide energy efficiency.¹¹⁶

¹¹³ State Energy Plan Overview at 1; Fact Sheet: New York State, Reforming the Energy Vision: Clean Energy Standard at 1 (2016), <https://static1.squarespace.com/static/576aad8437c5810820465107/t/57ffb900b3db2b5fba128147/1476376832464/CES-ov-fs-1-v4.pdf>.

¹¹⁴ Rábago Direct at 37.

¹¹⁵ See Joint Proposal, App. 7, at 5–6.

¹¹⁶ State Energy Plan Overview at 2.

CONCLUSION

For the foregoing reasons, Pace recommends that the Commission adopt and approve the Joint Proposal.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was served via electronic mail on all parties to the proceeding on this 1st day of February, 2018.

/s/ Alok Disa