



Orange & Rockland

Orange and Rockland Utilities, Inc.

Case No. 14-E-0493

Pomona Distributed Energy Resources Program

Quarterly Report

Q1 - 2016

Reporting Period: November 1, 2015 – January 31, 2016

March 24, 2016

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Executive Summary

This Report covers the Pomona Distributed Energy Resources (“DER”) Program’s (“Program”) activities and costs for the first reporting period, i.e., November 1, 2015 – January 31, 2016 (Q1-2016). During this period Orange and Rockland Utilities, Inc. (“O&R” or the “Company”) focused on establishing the Program and developing the foundational elements of the Program in compliance with the New York State Public Service Commission (“Commission”) Order¹ approving the Program. This included developing and filing the implementation plan (“Implementation Plan”) and general accounting procedures² (“GAP”) with the Commission, hiring a program manager, and evaluating and researching DER solution options. During the second reporting period, (i.e., February 1, 2016 – April 30, 2016 (Q2-2016)) the Company expects to continue evaluating DER solution options, commence vendor solicitation for Demand Response (“DR”) programs, and plans to retain a vendor for implementation of the Energy Efficiency (“EE”) program component of the Program.

The Company developed the Program during this first reporting period. This is a new program within O&R that offers an innovative non-wires alternative approach to offsetting distribution infrastructure capital investment. The Company is taking a methodical and informed approach, through the Portfolio Development Process, to determine which DER solution categories are optimal fits. This includes continued evaluation of Request for Information (“RFI”) responses along with other DER options to estimate their reliability, flexibility, validity, practicality, and cost-effectiveness in meeting customer and Company needs. During the next reporting period the Company expects to develop a prioritized list of DER solutions to be evaluated for design and deployment, in accordance with the Company’s Implementation Plan.

The Company’s existing demand side-management (“DSM”) programs are expected to provide the majority of peak load reduction gains in the first year of the Program. Through the established EE programs and newer DR programs, the Company will incorporate plans to increase focus in Pomona. The Company expects to gain, in total, 1.5 MW of peak load reduction through DSM programs at a cost of \$2.35 million.

¹ 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 Electric Service*, Order Adopting Terms of Joint Proposal and Establishing Electric Rate Plan, (issued October 15, 2015) (“2015 Electric Rate Order”)

² O&R filed both the Pomona DER Program Implementation Plan and the GAP on December 15, 2015 in Case 14-E-0493.

1.0 Background

On October 16, 2015, the Commission approved the Program as part of the 2015 Electric Rate Order. The Company intends to delay construction of the Pomona Substation and associated facilities by implementing DER and DSM programs that will provide 6.0 MW of peak load reduction. This Report includes information on the Program including costs incurred by initiative, in-service dates for capital investments, and participation levels for customer DR and EE programs.

2.0 Program Status

2.1 Costs and Recovery

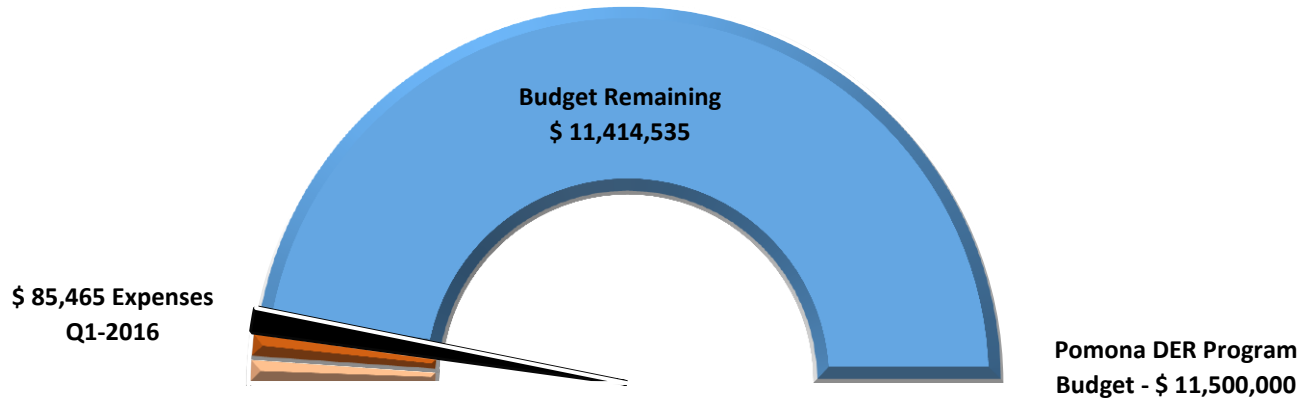
During the first reporting period, the Program incurred costs of \$85,465 (See Table 2-1 and Figure 2-1, below). All costs are associated with labor in the administration and planning stage of the Program. The Company will recover costs in base rates, adjusted semi-annually, up to \$380,000/12 per month. The Company incorporated recovery in base rates with tariffs effective November 1, 2015.

Table 2 – 1: Pomona DER Program Quarterly Cost

Programs / Projects	Nov 2015	Dec 2015	Jan 2016	TOTAL Q1 – 2016	Pomona DER Program Totals
Labor(\$)	22,170	18,256	45,039	85,465	85,465
TOTAL(\$)	22,170	18,256	45,039	85,465	85,465

* New Project this Quarter

FIGURE 2-1: Pomona DER Program Budget and Expenditures



The Company's GAP was finalized and filed with the Commission during the first reporting period. The Gap provides for treatment of costs and collections associated with the Program and established internal billing accounts to properly manage program expenses.

2.2 Operational Savings

The Company defines "operational savings" as reductions in costs incurred or expected to be incurred by the Company versus the construction of the Pomona Substation and associated facilities. The Program aims to achieve a minimum of 3.0 MW of peak load relief by 2019 and 6.0 MW by 2021, sufficient to delay construction of the Pomona Substation and associated facilities by three years. In accordance with the 2015 Electric Rate Order, the Company will annually report in the fourth quarter on DSM and capital investment operational savings as projects are designed and deployed.

2.3 Community Engagement and Outreach

The Company conducted DSM community engagement and outreach this period through bill inserts, meeting with municipal leaders, and the roll-out of the Company's Residential Customer Marketplace REV Demonstration project ("Marketplace"). This Demonstration project involves the implementation of an online Marketplace that encourages customer participation in DER and EE offerings and generates new utility opportunities through the engagement of third-party supplier installers. Targeted customers with higher energy usage within O&R's service territory received e-mails and were invited to purchase EE equipment directly through the Marketplace.

The Company met with the Mayor of the Village of Pomona to publicize the Program, obtain input, and exchange ideas on possible DER solution sites. In addition, the Company developed a Program marketing handout, highlighting the unique opportunity the Program offers and the innovative approach taken to address reliability and customer costs through a non-wires

alternative project. Through these various approaches, the Company is working to continuously enhance customer knowledge and tools to support effective management of their energy usage.

3.0 Program Activity

This section details activity within current deployed programs, a forecast of the next quarter's Program activity, and an update on the portfolio of DER solutions being evaluated, designed, and readied for deployment.

3.1 Deployed Programs

The Company currently has four existing EE and one DR customer incentive solution programs in use across its service territory. While these programs are already available in Pomona, beginning in the next reporting period, the Company will transition processes to fund targeted portions of the below mentioned programs through the Program. The Company expects to gain 1.5 MW in load reduction through these programs. The Company will continually monitor these programs for effectiveness, opportunities to expand offerings, program pricing, and opportunities for alignment with the Marketplace project to increase gains in MW load reduction.

Small Business Direct Install ("SBDI"): The Company's SBDI program provides small businesses, with an average peak demand of less than 110 kW, with a free on-site energy savings evaluation and an incentive of up to 70% to conduct recommended EE upgrades. These include high-efficiency lighting upgrades, heating, ventilation, and cooling system tune-ups, and refrigeration upgrades. This program continues to be a viable means for promoting energy efficiency. As part of the Outreach and Engagement Plan, the Company meets with the local chamber of commerce and markets this program through direct mailings to eligible customers. In addition, the Company conducts follow-up engagements to reinforce the program value and assesses the need for program modifications.

The Company proposes to implement an EE program focusing on demand reduction with enhanced rebate offerings for participation in Pomona, i.e., the Commercial Direct Install ("CDI"), which will offer a free on site savings evaluation and an increased incentive toward the installed cost of the measures. Each business will be evaluated on a case-by-case basis and not subject to a minimum average peak demand criteria.

Direct Load Control - Bring Your Own Thermostat (“BYOT”): This program targets residential customers and offers them an opportunity to become active managers of their energy usage. The Company incentivizes customers to purchase smart thermostats. This is achieved through multiple channels. Customers are informed of opportunities through direct mailings, education and outreach programs, hyperlinks on the O&R website to residential incentives and rebates, and the newest opportunity through the Marketplace project. The Company provides both a discounted price on smart thermostats along with an added rebate for enrolling in the Company’s direct load control program. Residents agree to participate in up to ten events and one test from May 1 through September 30 (“Capability Period”). Events consist of brief, limited adjustments to a central air-conditioner setting, conducted by O&R during the Capability Period, not-to-exceed four hours, between 11:30 a.m. and 11:00 p.m. Customers also receive an annual incentive to participate in the program. The Company is planning to issue a RFP seeking a DR implementation contractor. The Company plans on achieving 0.5 MW load reduction through the Direct Load Control program.

Commercial and Industrial (“C&I”) DR - Commercial System Relief Program (“CSR”) & Distribution Load Relief Program (“DLRP”): The Company will offer two C&I DR programs within its service territory, to include the Pomona area, targeting commercial and industrial customers. These programs were initiated in 2015. Customers participating in the CSR and DLRP receive a monthly incentive payment based on kW and kWh pledged along with a payment for demonstrated load reduction during an event. Customers have the opportunity to participate voluntarily in either program. Voluntary participation provides a customer more flexibility with an incentive focused solely on the kWh reduced during a DR event. The DLRP provides customers at least two hours advance notice to respond, while the CSR provides customers at least 21 hours advance notice. The Company projects increased participation will be achieved through outreach and marketing, to include bill-inserts, direct mailers, e-blasts, informational webinars and in-person meetings.

3.2 Project Deployment Forecast – Next Quarter

In the second quarter reporting period of 2016, the Company will continue to focus on encouraging participation in the Company’s DSM programs in Pomona. In addition, the Company expects to evaluate responses to a Company issued RFI for Innovative Energy Storage Models as a REV Demonstration project. If O&R does move forward with a utility scale energy storage REV Demonstration project, there is a potential for it to be deployed in the Pomona area as part of the portfolio of solutions.

The Company, through the Portfolio Development Process, will develop a prioritized list of potential DER solutions to enter the design phase as potential deployable solutions. Solutions will include both customer incentive and capital investment solutions.

The focus on encouraging participation in the proposed O&R DSM programs will consist of increased marketing and customer outreach, meeting with county officials, supervisors and mayors. Over the next year, the Company expects to achieve 1.5 MW of peak load reduction through DSM programs.

3.3 Portfolio Development Update

The Company is currently evaluating DER solution options for design and deployment that will account for the remaining 4.5 MW of required load reduction. The Company received thirty RFI responses in 2015, prior to the 2015 Electric Rate Order, during initial program evaluation. The Company is reviewing and evaluating these responses as potential deployment options, as part of the Solution Development Process. Key to the process is determining variations in peak load among the various customer demographics (e.g., residential, commercial, and industrial) and aligning solutions to target the appropriate customers and load. In addition, the Company must balance solutions with cost. After accounting for labor, approximately \$10.6 million (equating to approximately \$1.7 million/MW) will be available to achieve the 6.0 MW peak load reduction through 2023. Through the establishment of both a cross-functional project team and evaluation committee within O&R, the Company will develop a prioritized list of deployment options and will begin refining solutions through a design process in preparation for a request for proposal(s) and future deployment.

4.0 Summary

Going into the Q2-2016, the Program is proceeding in accordance with the Implementation Plan. The Company expects to have in place the 1.5 MW of peak load savings from DSM programs and transition those efforts to maintaining gains and exploring opportunities to expand into new programs and effectively engage customers through the Marketplace. This will demonstrate the viability of long-term gains that can be achieved through DSM programs and the opportunity for the Company to gain benefits across its service territory. As the Company refines customer demographic load profiles, it will develop an initial DER solutions prioritization list which will focus the Company's design and deployment efforts. The Company expects a mixture of customer incentive and capital investment solutions as an outcome of the Portfolio development process. These programs will be designed and developed over the next year, with deployments occurring through 2019, to reach the initial 3.0 MW peak load reduction required and eventual 6.0 MW peak load reduction by 2021.