

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 03-E-0640 - Proceeding on Motion of the Commission to Investigate Potential Electric Delivery Rate Disincentives Against the Promotion of Energy Efficiency, Renewable Technologies and Distributed Generation.

CASE 06-G-0746 - In the Matter of the Investigation of Potential Gas Delivery Rate Disincentives Against the Promotion of Energy Efficiency, Renewable Technologies and Distributed Generation.

NOTICE SOLICITING COMMENTS

(Issued June 26, 2006)

Since the last receipt of comments by the parties in Case 03-E-0640, some progress has been made by the electric delivery utilities in shifting recoveries from volumetric to fixed charges, however concerns remain that for at least some classes of customers, rate design could still discourage electric delivery utilities from promoting energy efficiency, renewable technologies and distributed generation. The disincentive volumetric based charges provide may be particularly affected by events like a significant increase in summer load which could have the effect of unusually high volumetric-based revenues and profits for electric delivery utilities. At this juncture, the Commission is interested in updating the record and expanding the inquiry to include natural gas by receiving additional comments on the following issues:

1. Do the current delivery rate structures of the electric and/or gas delivery utilities still contain a net lost revenue and profit effect that is significant enough to discourage some

or all electric and/or gas delivery utilities from promoting energy efficiency, renewable technologies and distributed generation? Or, conversely do the current rate structures in effect encourage the utilities to promote the incremental use of electricity?

2. To the extent that the current delivery rate structures of the electric and/or gas delivery utilities still contain a net lost revenue and profit effect that is significant enough to create these impacts, is the effect more predominant or more of a concern for particular types of customers (i.e., industrial and commercial general service versus smaller commercial and residential)?
3. In October 2001 the Commission issued an Opinion and Order in Case 99-E-1470 approving Guidelines for the design of Electric Standby Service Rates. As stated on page five of that Order, "...The Guidelines recommend fundamental cost-based rate design principles that in most cases avoid reliance on measurements of energy consumed (kWh) for charges for delivery service". In compliance with this Order, all major New York State regulated electric utilities filed class-revenue-neutral Electric Standby Delivery Service tariffs that were subsequently approved by the Commission and remain in effect today. Could the ratemaking principles reflected in the utilities' redesigned cost-based electric standby delivery rates be applied to standard delivery rates to address any existing disincentives, or be used as a target in setting future delivery rates, so as to eventually eliminate the net lost revenue and profit effect of current delivery rates? What would be the barriers to implementing such a methodology for setting future delivery rates?
4. Are there other approaches to redesigning delivery rates that should be considered to further these goals?

5. What changes, if any, in programs and rate provisions to protect low-usage and low-income customers should be considered in conjunction with any of these proposed changes in rate design?
6. If a utility revenue mechanism is necessary to offset a residual net lost revenue and profit effect that is still significant enough to discourage some electric and/or gas delivery utilities from promoting energy efficiency, renewable technologies and distributed generation, how might such a mechanism be designed to focus better on the desired objectives and minimize past flaws with general mechanisms of that type? What specific components are necessary to ensure that the mechanism only affects the efficiency disincentives, accounts for larger factors like weather and economic development/load growth, minimizes rate volatility, and minimizes or eliminates longer-term deferrals and true-ups? Are there models in place in other jurisdictions that have addressed these issues?
7. What changes, if any, to the rate of return for the utilities would be appropriate in connection with the implementation of such a mechanism?
8. For each rate class, how quickly could the necessary changes in rate design be put into place? Would interim steps in rate design change be necessary or desirable?

The comments shall be served on all active parties in these proceedings by August 28, 2006. Any reply comments shall be served on all active parties in these proceedings by September 11, 2006. An original and five copies of such comments shall be sent to Jaclyn A. Brilling, Secretary, New

CASES 03-E-0640 and 06-G-0746

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(SIGNED)

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Secretary

CASE 03-E-0640
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