

January 7, 2019

VIA ELECTRONIC DELIVERY

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

RE: Case 16-M-0429 – In the Matter of Earnings Adjustment Mechanism and Scorecard Reforms Supporting the Commission’s Reforming the Energy Vision

Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision

JOINT UTILITIES’ COMMENTS ON THE STAFF PROPOSAL ON INTERCONNECTION EARNINGS ADJUSTMENT MECHANISM

Dear Secretary Burgess:

In response to the notice published in the November 7, 2018 New York State Register (I.D. No. PSC-45-18-0003-P) inviting comments on the *Staff Proposal on Interconnection Earnings Adjustment Mechanism* filed by the New York State Department of Public Service Staff on October 24, 2018, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation (collectively, the “Joint Utilities”) hereby file their comments.

Respectfully submitted,

/s/ Janet M. Audunson

Janet M. Audunson
Assistant General Counsel

Enc.

cc: Bridget M. Woebbe, DPS Staff, w/enclosure (via electronic mail)

NEW YORK STATE
PUBLIC SERVICE COMMISSION

In the Matter of Earnings Adjustment
Mechanism and Scorecard Reforms
Supporting the Commission's Reforming
the Energy Vision

Case 16-M-0429

Proceeding on Motion of the
Commission in Regard to Reforming the
Energy Vision

Case 14-M-0101

**JOINT UTILITIES' COMMENTS ON THE STAFF PROPOSAL ON
INTERCONNECTION EARNINGS ADJUSTMENT MECHANISM**

On October 24, 2018, Department of Public Service Staff ("Staff") proposed to eliminate Interconnection Earnings Adjustment Mechanisms ("IEAMs").¹ Pursuant to the notice published in the New York State Register,² the Joint Utilities respectfully submit these comments in response to the Staff Proposal.³

I. COMMENTS OF THE JOINT UTILITIES

In its May 19, 2016 *Order Adopting a Ratemaking and Utility Revenue Model Policy Framework* ("REV Track Two Order"), the New York State Public Service Commission (the

¹ Case 16-M-0429, *In the Matter of Earnings Adjustment Mechanism and Scorecard Reforms Supporting the Commission's Reforming the Energy Vision*, Proposal on the Interconnection Earnings Adjustment Mechanism (filed October 24, 2018) ("Staff Proposal").

² New York State Register, *Eliminating a Financial Incentive for Utility Performance, the Interconnection Earnings Adjustment Mechanism*, I.D. No. PSC- 45-18-00003-P (issued November 7, 2018), p. 7.

³ The Joint Utilities are Central Hudson Gas & Electric Corporation ("Central Hudson"), Consolidated Edison Company of New York, Inc. ("Con Edison"), New York State Electric & Gas Corporation ("NYSEG"), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), Orange and Rockland Utilities, Inc. ("O&R"), and Rochester Gas and Electric Corporation ("RG&E").

“Commission”) identified the IEAM as a method to enhance efficiency in the processing of interconnection applications for distributed generation (“DG”) projects above 50 kW, which are subject to the New York State Standardized Interconnection Requirements (“SIR”).⁴ Pursuant to the REV Track Two Order, the Joint Utilities submitted IEAM proposals to establish a threshold for the right to earn the IEAM as well as a proposal for a common survey instrument.⁵ Further, each utility separately filed IEAM proposals building off the Joint Utilities’ filings.

For example, under the order issued in its last rate case, the Commission authorized Con Edison to earn an IEAM in rate years 2 and 3 for the interconnection of certain distributed generation (“DG”) facilities.⁶ Likewise, the joint proposal approved by the Commission in National Grid’s rate case included IEAM opportunities in calendar years 2018-2020.⁷ The Commission also approved Central Hudson’s IEAM proposal.⁸ NYSEG and RG&E submitted IEAM proposals on December 1, 2016 as part of a larger EAM proposal, but the Commission

⁴ Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision* (“REV Proceeding”), Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued May 19, 2016)(“REV Track Two Order”), pp. 85-87.

⁵ Case 16-M-0429, *In the Matter of Earnings Adjustment Mechanism and Scorecard Reforms Supporting the Commission’s Reforming the Energy Vision*, Interconnection Survey Process and Proposed Earning Adjustment Mechanism Filing of the Joint Utilities (filed September 2, 2016); Modified Interconnection Survey Process and Proposed Earning Adjustment Mechanism Filing of the Joint Utilities (filed May 8, 2017); Joint Utilities’ Supplemental Interconnection Earning Adjustment Mechanism Survey Instrument (filed August 28, 2017).

⁶ Cases 16-E-0060 *et al.*, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service*, Order Approving Electric and Gas Rate Plans (issued January 25, 2017), Attachment A, pp. 83-85.

⁷ Cases 17-E-0238 and 17-G-0239 *et al.*, *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 and Gas Service*, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans (issued March 15, 2018), at Joint Proposal, Appendix 7, p. 3.

⁸ Both Central Hudson and National Grid have basis points allocated to the IEAM, but the Commission has not approved corresponding metrics for either company, essentially eliminating the earnings opportunity.

has not yet acted on the proposals.⁹ The joint proposal filed in O&R’s current electric and gas base rate cases also includes an IEAM.¹⁰

The Staff Proposal concludes that IEAMs are unnecessary and should be eliminated. Staff states that collaboration among the Joint Utilities and stakeholders in the Interconnection Policy Working Group (“IPWG”) and Interconnection Technical Working Group (“ITWG”), detailed plans filed by the Joint Utilities in their respective Distributed System Implementation Plans (“DSIPs”), and enhancements to the SIR “have resulted in more efficient interconnection application processing and increased developer satisfaction.”¹¹ Staff further asserts that the interconnection resources, which were developed collaboratively, effectively improved the interconnection process obviating the need for an outcome-based IEAM.

The Joint Utilities appreciate Staff’s recognition of the progress made in addressing structural impediments to efficient processing of DER interconnection applications. IPWG and ITWG recommendations have improved DER applicant experiences throughout the interconnection process. That said, in evaluating the Staff Proposal, the Joint Utilities encourage the Commission to consider that any IEAM included in either a current rate plan or an agreed-upon joint proposal was carefully designed and negotiated as part of an overall package of EAMs designed to advance REV objectives. Eliminating the IEAM opportunity will serve to frustrate achievement of the overall strategy negotiated by the respective utilities in their rate proceedings.

⁹ Cases 15-E-0283 *et. al.*, *Proceeding on Motion of the Commission as to the Rates, Charges, and Regulations of New York State Electric & Gas Corporation for Electric Service*, Petition of New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation for Earning Adjustment Mechanism Implementation (filed December 1, 2016).

¹⁰ Cases 18-E-0067 *et al*, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Electric Service*, Joint Proposal (filed November 9, 2018).

¹¹ Staff Proposal, p. 4.

Therefore, the Joint Utilities recommend that earnings opportunities that had been allocated to the IEAM be reassigned to other existing EAMs for each remaining year of the applicable rate plans. In addition, if the Commission does reopen approved rate plans or agreed-upon joint proposals, it should make clear that its action is narrow, justified by the particular circumstances of the IEAM, and does not set a precedent that could upset settled expectations regarding rate plans.

The Joint Utilities have long supported the Commission's clean energy policies, including policies intended to increase the penetration of DER. In addition, the Joint Utilities support efforts by the Commission, Staff, and stakeholders to examine the suite of existing regulatory policies and provisions and make changes where warranted. However, changes in regulation must not inappropriately interfere with negotiations that resulted in earnings opportunities. As such, the Joint Utilities assert that current rate plans and negotiated joint proposals should maintain the respective utility's overall earnings opportunity in each year of the rate plan by permitting the reallocation of the IEAM opportunity to other existing EAMs. If authorized by the Commission, utilities will confer with Staff and other interested stakeholders regarding such reallocation. This would preserve the overall EAM opportunities that were negotiated among stakeholders. Eliminating, without reallocating, the earnings opportunities assigned to the IEAM in rate plans and negotiated joint proposals will undermine the delicate balance achieved by parties negotiating EAMs. Eliminating the IEAM in isolation will serve to impose uncertainty into the rate case process, and in particular to approved rate cases and/or joint proposals supported by groups of stakeholders. Utilities must be able to rely on the fact that their negotiations and agreements will remain intact so that they can plan investments and operations accordingly. A limited reallocation of the IEAM earning opportunity would equitably address

the concerns in the Staff Proposal while preserving the integrity of prior rate agreements and joint proposal negotiations.

II. CONCLUSION

Based on the foregoing, the Joint Utilities request that the Commission preserve the overall earnings opportunity in rate plans and filed joint proposals by allowing the reallocation of the IEAM earnings opportunity to other existing EAMs.

Dated: January 7, 2019

Respectfully submitted,

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