STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on June 23, 2021

COMMISSIONER PRESENT:

John Howard, Interim Chair

CASE 19-G-0066 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service.

ORDER APPROVING WITH MODIFICATIONS THE REQUEST FOR FUNDING APPROVAL TO PURSUE ADDITIONAL SOLUTIONS FOR LOAD RELIEF

(Issued and Effective June 23, 2021)

INTRODUCTION

On August 3, 2020, Consolidated Edison Company of New York, Inc. (Con Edison or the Company), filed a Petition (Petition) requesting funding authorization to procure additional resources to help address peak day gas needs in the Westchester, New York portion of its service territory.[1] Specifically, the Company seeks funding in the amount of $7 million to support the implementation of three Non-Pipeline Alternative (NPA)[2] programs over three years, beginning in 2022. The Company proposes to recover these costs over ten years at

[1] Con Edison issued a Notice of Temporary Moratorium for Gas Service (Moratorium Notice) affecting most of its service territory in Westchester County on January 17, 2019. The temporary moratorium began March 15, 2019.

[2] While the Company refers to this component as “Non-Pipeline Solutions,” this Order will use the synonymous term “Non-Pipes Alternatives” for consistency with other similar programs statewide.

the rate of return as established in its then current rate plan to align cost recovery with the expected benefit period.[3]

The Company's proposed programs do not meet the criteria to be considered NPA projects because they do not replace or defer a traditional capital project.[4] Although the programs do not qualify as NPAs, Con Edison is authorized to implement two of its three proposed programs – the Behavioral Demand Response (BDR) Program, and the Heat as a Service Financing (HaaS Financing) Program – since these programs will help the Company reduce gas demand in a constrained portion of its service territory and simultaneously advance the State's energy policy goals. This Order authorizes Con Edison's proposed cost recovery mechanism to recover applicable BDR Program and HaaS Financing Program costs.

BACKGROUND

On September 29, 2017, Con Edison filed a petition seeking approval of its Natural Gas Smart Solutions Program,[5] a multi-pronged program to address its forecasted growing shortfall of peak day pipeline capacity. Through a series of Orders, the Commission approved a number of programs under the

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[3] Con Edison is currently in the second year of a three-year gas rate plan established by the Commission in the Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans, issued January 16, 2020, in this proceeding (2020 Rate Order).

[4] NPAs are defined as projects that are designed to defer or eliminate the need for traditional utility infrastructure-related capital expenditures through non-traditional load relief measures, such as energy efficiency, demand response, and heat pumps.

[5] Case 17-G-0606, Smart Solutions for Natural Gas Customers Program, Petition of Consolidated Edison Company of New York, Inc. for Approval of the Smart Solutions for Natural Gas Customers Program (filed September 29, 2017).

Natural Gas Smart Solutions Program, including an NPA Portfolio of non-traditional demand-side initiatives intended to reduce natural gas demand in its service territory.[6] Despite these efforts, on January 17, 2019, Con Edison issued the Moratorium Notice, which provided notice of its intent to enact a temporary moratorium on new natural gas customer connections in most of its Westchester County service area beginning March 15, 2019. The Company explained that the temporary moratorium would remain in effect until the Company can align existing demand with available supply.

Con Edison is required, pursuant to the terms of its current rate plan, to continuously monitor gas needs in its Westchester County service area and to consider and solicit procurement of innovative market solutions to address peak day gas requirements in areas of the County currently under the natural gas moratorium.[7] These solicitations were to consider new and emerging technologies that customers in Westchester would be inclined to adopt, renewable natural gas (RNG), and projects that would add storage to further alleviate peak load needs.

THE PETITION

In the Petition, Con Edison states that it issued a Request for Information (RFI) in January 2020 to pursue additional solutions for load relief within its natural gas

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[6] Case 17-G-0606, supra, Order Approving with Modification the Non-Pipeline Solutions Portfolio (issued February 7, 2019).

[7] Case 19-G-0606, Con Edison – Gas Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans (issued January 16, 2020) (2020 Rate Order). The 2020 Rate Order adopted the terms of the Joint Proposal, which contained a provision requiring Con Edison to consider such further solicitations. Case 19-G-0066, supra, Joint Proposal (filed October 18, 2019), pp. 94-95.

service territory. In accordance with the 2020 Rate Order, the RFI focused on new and emerging demand reduction technologies and RNG. Con Edison received 31 responses from various solution providers, with 18 targeting demand-side solutions and 13 targeting supply-side solutions. Con Edison states that it evaluated the solutions proposed for their ability to alleviate peak load needs and a number of other criteria, including the associated geographic relief zone, project cost, project risk and expected implementation challenges, vendor qualifications, community impacts, and the potential benefit or cost of the solution in meeting State and local policy objectives.

The Company requests that the Commission approve funding to support the implementation of three demand-side NPA programs over the three-year period of 2022 through 2024. The three NPA programs proposed are: a BDR Program, a HaaS Financing program, and a Solar Photo Voltaic Heat Recovery (SPVHR) program (collectively, the NPA Portfolio). The Company states that the benefits from the portfolio of solutions include a reduction in usage by participating customers on peak days without the need for additional investment or in-person interaction, the deployment of heating electrification without large initial capital investment, and the introduction of innovative new technology to the local market. The Company forecasts that the solutions proposed in this Petition will reduce peak day demand by approximately 3,600 dekatherms, and result in total annual gas energy savings of 86,323 dekatherms over the three-year period.

Behavioral Demand Response

The Company’s proposed BDR Program consists of communications to small customers immediately prior to peak winter days to encourage those customers to reduce energy usage. The Company states that the program would encourage participants to better manage their monthly bill by making manual adjustments, such as lowering their thermostat setpoints, and test customer willingness and ability to voluntarily participate in winter peak load reduction events. The BDR Program would provide enrolled participants with communications that include data visualizations to reinforce the behavior and encourage participants to further reduce usage on future peak days. The Company states that the BDR Program would allow customers who cannot afford or prefer not to install smart thermostats to participate in demand response events and requires no costly or time-consuming in-person interaction. Con Edison estimates that BDR messaging to up to 120,000 participating residential gas customers would save 930 dekatherms on a peak day.

Heat as a Service Financing

Under the HaaS Financing Program, the Company would implement marketing for third-party financing offers to customers and/or contractors for high-efficiency electric heating technologies. Participating technology vendors would invest the upfront capital to own clean heating systems, or components thereof, at a customer site and charge that customer a monthly fee to provide the site heating and cooling from the equipment. The service contract between participating customers and vendors would include maintenance to keep the system operating as expected for the duration of its expected useful life. Con Edison anticipates that this HaaS Financing Program would successfully reduce the significant cost barriers to the adoption of heating electrification technologies by reducing upfront costs to customers. The Company estimates that installations enabled by this program would result in a reduction of 2,654 dekatherms on a peak day.

Solar PV Heat Recovery

Under the SPVHR Program, the Company proposes to market SPVHR technologies for the electrification of large domestic water heating needs by providing outreach to large institutional customers and testing this technology in the New York market. This solution would make such customers aware of this new technology that is commercially available, which can be retrofitted on existing solar arrays to transfer waste heat energy through direct exchange to pre-heat storage tanks with the potential to offset peak domestic hot water loads. Con Edison anticipates that the SPVHR Program would provide a reduction of nine dekatherms on a peak day.

Costs, Cost Recovery, and Accounting Treatment

Con Edison requests that the Commission approve a $7 million budget - $4.2 million in 2021 and $1.4 million in both 2022 and 2023 –to fund these three NPA Portfolio programs.[8] Con Edison states that it is not seeking incremental labor costs associated with the NPA Portfolio as the Company plans to administer the proposed programs using existing resources.

The Company proposes to defer the costs of the NPA Portfolio at the rate of return as established in its then-current rate plan. The costs would be recovered over a ten-year period through an existing surcharge mechanism until the Company's next rate filing. Con Edison explains that this accounting treatment would align cost recovery of these programs with the expected benefit period and maintain consistency with the treatment of other energy efficiency and demand management initiatives.

[8] Department of Public Service Staff (Staff) reports that the Company expects the bill impact of this budget level to be *de minimus*.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on September 16, 2020 [SAPA No. 19-G-0066SP2]. The time for submission of comments pursuant to the Notice expired on November 16, 2020. No comments were received pursuant to this SAPA Notice.

LEGAL AUTHORITY

Pursuant to Public Service Law (PSL) §§5, 65 and 66, the Commission has the legal authority to review, as well as modify, reject, or approve, utility filings. Therefore, the Commission has the legal authority to review and make determinations considering Con Edison's Petition, as described in this Order.

DISCUSSION AND CONCLUSION

Con Edison continues to experience significant increases in natural gas demand due to several factors, including phase-outs of heating fuel oil by local municipalities, economic growth, and the current low price of natural gas relative to other fossil fuels. The Company, however, also continues to face obstacles in its efforts to satisfy this increased demand as a result of State energy policy objectives that require reduced reliance on fossil fuels, including natural gas, and substantial public opposition to planning and construction of new conventional natural gas supply and distribution infrastructure. Furthermore, Con Edison continues to face considerable constraints in pipeline capacity upstream of its distribution system. The situation in Westchester County, and the realities of State energy policy, require Con Edison to reassess its conventional business practices in addressing increased demand for natural gas and propose viable, cost-effective alternatives to mitigate supply constraint problems and maintain safe and reliable service to existing customers without relying on conventional infrastructure projects.

While the programs proposed in the Petition by Con Edison are non-infrastructure based programs that will help the Company to manage its peak day gas demand, they do not meet the criteria to be considered NPA projects.[9] The Company's proposed NPA Portfolio programs are undoubtably alternative methods for meeting gas peak demand needs which might otherwise require traditional infrastructure investments. However, the Company has not identified specific capital projects that would be avoided or delayed by the programs in this Portfolio. As NPA solutions receive special accounting treatment and are potentially eligible for shareholder incentives when successfully implemented, it is important to distinguish between projects and programs that qualify as NPAs and those that do not.

While the Company's proposed programs are not NPAs by definition, there remain a number of reasons why certain of the programs are meritorious and should be pursued. Con Edison's proposals may not avoid any specific infrastructure investments at the present time; however, certain of the programs, if implemented at scale, would be worthwhile additions to help the Company to manage distribution system needs and upstream capacity obligations. Therefore, the Company's BDR and HaaS Financing Program proposals are approved. Like other pilot

[9] It should be noted that this issue will be more completely addressed in Case 20-G-0131, commonly referred to as the Generic Gas Planning Proceeding. Case 20-G-0131, Proceeding on Motion of the Commission in Regard to Gas Planning Procedures.

programs, Con Edison shall consult with Staff to develop and file an implementation plan detailing key program provisions, timelines, and planned activities. The Company shall file its implementation plan no later than 60 days after the effective date of this Order.

To track utility expenditures and progress, and to ensure that other utilities and stakeholders may also benefit from the lessons learned while implementing these programs, Con Edison shall annually report on program activities, expenditures, outcomes, and lessons learned. For the BDR Program, the Company shall include such information as part of the Company's existing obligations related to its Commercial Gas Demand Response Pilot[10] on or before July 1 of each year, beginning in 2022. Con Edison shall file its annual report on HaaS Financing Program activities contemporaneously with the BDR Program, that is, on or before July 1 of each year, beginning in 2022.

The BDR Program proposed by the Company builds on Con Edison's previous experience with its Commercial Demand Response Pilot, which was the first gas demand response program of its kind in New York State. Like the Commercial Demand Response Pilot, the BDR Program will test customer willingness and ability to voluntarily participate in winter peak load reduction events. However, unlike the Commercial Demand Response Pilot, the present proposal will allow customers who cannot afford or prefer not to install smart thermostats to participate in demand response events. Moreover, implementation of the BDR Program will not require any costly or time-consuming in-person interaction and the Company expects rapid implementation and

[10] Case 17-G-0606, Con Edison Smart Solutions, Order Approving with Modifications Gas Demand Response Pilot (issued August 9, 2018).

efficient scalability. Finally, the BDR Program is an important component of the Company's program to allow the installation of natural gas fired emergency electric generators in the moratorium area of its service territory, a location that has recently seen significant electric outages as the result of Tropical Storm Isaias and other storm events. As noted by the Company, BDR can be effective in reducing short-term peak day consumption and has been successful in other jurisdictions. The BDR Program should provide considerable experience and information that the Company can use to continue to improve demand response program designs and increase penetration of the demand response programs.

With its HaaS Financing proposal, Con Edison has developed an innovative solution to the significant upfront-cost barriers to the adoption of heating electrification technologies. Moreover, the HaaS Financing Program will work in conjunction with the New York Clean Heat Program, filling in gaps in program coverage. If successful, the HaaS Financing Program will further build the heat pump market by making the technology available to a larger population of customers. The Company's HaaS Financing proposal is comparable to the service fee business model that has been employed with success in the solar industry. The proposal will support the New York State Clean Heat program and the carbon reduction objectives of the Climate Leadership and Community Protection Act, as well as other State energy initiatives.

While there is some merit in the Company's proposal to provide outreach on SPVHR technologies in the electrification of domestic water heating needs of large institutional customers, the anticipated reduction of nine peak-day dekatherms is not substantial enough to justify the SPVHR proposal. On a per-peak day dekatherm basis, the SPVHR proposal is approximately 73 times more expensive than the BDR and HaaS proposals. Therefore, the SPVHR proposal and the associated budget requested by the Company are denied.

Costs, Cost Recovery, and Accounting Treatment

As described above, the Company's proposed BDR and HaaS Financing Programs are approved. Con Edison is, therefore, authorized to spend up to $5.9 million over the two-year term of 2022 and 2023 on costs related to these programs. The Company's proposed cost recovery, and related accounting treatment, for these costs is reasonable as it is consistent with the treatment of comparable energy efficiency, heat pump, and demand management initiatives approved in the 2020 Rate Order.

It is ordered:

1. Consolidated Edison Company of New York, Inc., is authorized to spend up to $5.9 million between 2021 and 2023 on the Behavioral Demand Response Program and Heat as a Service Financing Program, and to defer such costs for recovery over a ten-year period, as described in the body of this Order.

2. Consolidated Edison Company of New York, Inc. is directed to develop an implementation plan in consultation with Department of Public Service Staff, as described in the body of this Order, and file such plan no later than 60 days after the effective date of this Order.

3. Consolidated Edison Company of New York, Inc. is directed to file annual reports detailing the program activities and results related to the Behavioral Demand Response Program and Heat as a Service Financing Program, as described in the body of this Order, on or before July 1 of each year beginning in 2022.

4. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an

extension must be in writing, must include a justification for the extension, and must be filed at least three days prior to the affected deadline.

5. This proceeding is continued.

(SIGNED) __________________________

Commissioner