October 9, 2018

VIA EMAIL

Mr, Theodore Kelly
Assistant Counsel
New York State Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

RE: 17-01277 -- Value of Distributed Energy Resources Working Group Regarding Rate Design

Case 15-E-0751 – Value of Distributed Energy Resources

Dear Mr. Kelly:

On June 29, 2018 Department of Public Service Staff (“DPS Staff or Staff”) filed a letter formally recognizing the rate design proposals selected for further evaluation by staff and the Joint Utilities. The June 29, 2018 DPS Staff letter outlined various stakeholder proposals, with some modifications. Following this letter, on August 18, 2018 the Utilities filed workpapers and summaries of the rates for each customer class under different stakeholder proposals. The workpapers and summaries relied on DPS Staff guidance to develop revenue neutral rates. The rates and underlying methods were the subject of a September 7, 2018 webinar.

These comments are specific to the Clean Energy Parties (“CEP”) proposals and do not directly address other stakeholder proposals.

The CEP requests that further evaluation to rate design proposals, including the bill impacts and alleged cost shift analyses, include a CEP proposal that matches the requested rate designs outlined in our May 29, 2018 filing. The modifications made by Staff to the CEP proposal (referred to as “the modified CEP TOU proposal”) no longer represent a CEP endorsed proposal and should not be identified as such.

Here we will provide rationale for why we seek an updated proposal, which should be used by the utilities to determine rates that can be used for subsequent analyses.
1. Applicability

The modified CEP TOU proposal assumes the tariff would be mandatory for all residential and small commercial non-demand NEM customers. As the CEP made clear in the May 29, 2018 comments, and in several stakeholder meetings, we do not support any proposal that segregates distributed generation customers into a separate rate class.\(^1\) A mandatory rate for NEM customers would require a separate tariff for these customers, thereby making the rate discriminatory by segregating NEM customers into a separate customer class.

We assert that a separate customer class for NEM customers is discriminatory as it is not based on principles of cost causation, and may eventually lead to punitive rate designs intended to slow or stunt the growth of the distributed generation market. The legality of this discriminatory approach has been challenged in several jurisdictions.

One of the central themes of our May 29, 2018 proposal is choice and options for customers, which is consistent with REV principles. We outlined four specific rate design options for consideration. By design, none of these options required a mandatory rate for any group of customers.

We request that further analyses and evaluation of rate design options for NEM customers moving forward assume a blend of rate design options for customers.

For instance, one such scenario may assume 75% of customers move to a TOU rate, while the remaining 25% stay on a seasonal two-part rate. This approach will provide more coherent and thorough information to the Commission as it decides applicability. Assuming a mandatory rate limits options for the Commission to consider. Options and choice are more in line with the stepwise approach taken in all dockets associated with the Reforming the Energy Vision (REV) effort.

2. Distribution rates – TOU periods

In our May 29, 2018 proposal, CEP proposed TOU periods of four hours in the summer and six hours in the winter. However, as we noted in our proposal, these values should be updated based actual data.

Following the September 7th webinar, CEP issued a series of questions to the Joint Utilities to the data necessary to determine the time periods and length of time window to enhance our estimates. The Joint Utilities issued a response refusing to provide these data, claiming the load research samples are “beyond the scope” of this proceeding.

This data is essential to review rate design proposals, as the load research samples are the foundation for all analysis in this proceeding. While the Joint Utilities have provided some degree of aggregated data that can be used to validate the math, the underlying load research data is also needed to understand how the aggregated data was constructed and to understand how the rate designs would impact different sizes and types of mass market customers.

Without this information, it is not possible for CEP to adjust its proposal in light of the potential impacts it might have on different customers. For instance, if rates constructed from the aggregated load research data subsequently showed a disproportionate impact on small customers, CEP might want to adjust its proposal. The Joint Utilities refusal to provide the underlying data for the analysis in this proceeding limits the ability of other parties to validate assumptions and conduct independent analysis.

The CEP further request that the Joint Utilities provide a detailed description of how the load research samples were conducted and tested for representativeness to the customer classes. To provide the Commission with a transparent and thorough recommendation of a potential alternative rate approach for NEM customers, it is critical that all parties have access to the same data and information. Transparency and thoroughness that is data driven are principles consistent with REV and its larger goals.

The Joint Utilities were also non-responsive to several other questions in the CEP data request following the August 17 initial utility rate filings. Specifically, the Joint Utilities refused to provide an explanation of how the on peak windows were determined (and also refused to provide the underlying data that would be necessary to test these assumptions). The size and timing of the on peak windows are of critical importance to this proceeding and have significant implications on the rest of the analysis. To move forward in this proceeding, the CEP require the underlying load data and details of how the utility specific considerations factored into the on peak window determinations.

In addition to reiterating our previous request, we request the opportunity to provide updated values for the length of time of use period and the window of time for each season.

For the utilities that have provided 8,760 class and system data:
- Please provide the underlying load research data that was used to construct the aggregated class data

For the utilities that have provided monthly class data:
- If 8,760 data is available, please provide it
- Please provide the underlying load research data that was used to construct the aggregated class data

For utilities that purchase load data
- If load data was purchased at a more granular level (such as class strata data or multiple representative customers), please provide it.
- If load data was not purchased at a more granular level, please provide a narrative description on how the company performs bill impact analyses in its rate case proceedings.

3. Distribution rates – Customer charge

The modified CEP proposal relies on the current customer charges (as of July 1, 2018) for distribution rates. Table 1 shows the customer charges for residential customers, as calculated and presented by utilities in August 18. 2018 workpapers. In our proposal, we requested that utilities rely on the basic customer method to determine the customer charges. This method should produce a customer charge in the range of $5 to $8 per month, which is far below the current customer charges.
The basic customer method is a nationally accepted cost-based approach for determining the customer charge. This method only includes costs that vary with the number of customers on the system, and includes meters, customer service, billing, and the service drop. This method does not include any costs associated with shared distribution infrastructure.²

Table 1. Residential customer charges in Aug 18 Joint Utility Worksheets

<table>
<thead>
<tr>
<th>Utility</th>
<th>Alternate</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>RG&amp;E</td>
<td>12.89</td>
<td>$22.10</td>
</tr>
<tr>
<td>OR</td>
<td>16.02</td>
<td>$20.00</td>
</tr>
<tr>
<td>CE</td>
<td>12.26</td>
<td>$15.76</td>
</tr>
<tr>
<td>NYSEG</td>
<td>12.72</td>
<td>$15.92</td>
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<tr>
<td>NG</td>
<td>15.01</td>
<td>$17.00</td>
</tr>
<tr>
<td>CHGE</td>
<td>16.52</td>
<td>$24.00</td>
</tr>
</tbody>
</table>

The Joint Utilities also provided alternate scenarios with lower customer charges. However, the alternate scenario customer charges are still significantly higher than our initial proposal. Consistent with the principle of transparency, the CEP again request utilities provide rate worksheets for residential and small commercial customers using the basic customer method. If this approach is overly burdensome, we propose using $7 per month as the customer charge for both customer classes.

Recommendations and Next Steps

Based on our review of the initial rates, we request DPS staff to allow time to update our proposal to align with our original intent, as filed May 29, 2018. This includes updates on TOU peak time periods, applicability of rates, and customer charges. These updates are necessary to provide the Commission with a range of potential rate design options to consider under this docket.

Sincerely yours,

David Gahl
Director of State Affairs, Northeast Solar Energy Industries Association

² These costs include any costs in accounts 364-368. These accounts do not include costs that vary directly with the number of customers on the system. Some utilities have previously included some of these costs in calculating the customer charge, but we reject this approach because it is not a reasonable cost-based method.
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cc. Kevin Lucas, SEIA, Director of Rate Design
    Warren Myers, Department of Public Service
    Marco Padula, Department of Public Service