

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on January 21, 2021

COMMISSIONERS PRESENT:

John B. Rhodes, Chair  
Diane X. Burman, concurring  
James S. Alesi  
Tracey A. Edwards  
John B. Howard

CASE 18-E-0130 - In the Matter of Energy Storage Deployment  
Program.

ORDER APPROVING TARIFF AMENDMENTS

(Issued and Effective January 21, 2021)

BY THE COMMISSION:

INTRODUCTION

The Public Service Commission's (Commission) December 13, 2018 Order Establishing Energy Storage Goal and Deployment Policy (Energy Storage Deployment Order)<sup>1</sup> directed Orange and Rockland Utilities, Inc. (O&R), Central Hudson Gas & Electric Corporation (Central Hudson), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid (National Grid) and Rochester Gas and Electric Corporation (RG&E) (together, the Companies) to file tariff amendments necessary to effectuate cost recovery of the contract costs for the direct procurement and deployment of at least 10

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<sup>1</sup> Case 18-E-0130, In the Matter of Energy Storage Deployment Program, Order Establishing Energy Storage Goal and Deployment Policy (issued December 13, 2018) (Energy Storage Deployment Order).

megawatts (MW) of qualified energy storage systems. The Energy Storage Deployment Order directed each of the Companies to competitively procure a minimum 10 MWS of scheduling and dispatching rights from bulk-level qualified energy storage systems to be operational by December 31, 2022, provided that the bids do not exceed a utility-specific defined ceiling.<sup>2</sup>

The Energy Storage Deployment Order required that the costs be recovered from all delivery customers using the same recovery mechanisms through which Non-Wires Alternatives (NWA) program costs are recovered.<sup>3</sup> To provide an incentive for the Companies to maximize the wholesale revenues of the storage asset, when wholesale revenues exceed contract costs on an annual basis, the Commission authorized revenue sharing of 30 percent to utility shareholders and 70 percent to ratepayers.<sup>4</sup> Furthermore, the Energy Storage Deployment Order directed that the Companies file cost recovery tariff amendments on not less than 30 days' notice,<sup>5</sup> to become effective on a temporary basis on June 1, 2019.<sup>6</sup> Central Hudson filed further revisions on December 1, 2020, to: provide a definition of net annual wholesale market revenue; revise the basis for the service class/sub-class allocation; and, specify that customers taking service under Service Classification No. 14 - Standby will be billed on a Contract Demand basis. National Grid submitted

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<sup>2</sup> Energy Storage Deployment Order, p. 55.

<sup>3</sup> Id.

<sup>4</sup> Id.

<sup>5</sup> Energy Storage Deployment Order, Ordering Clause 15.

<sup>6</sup> O&R filed tariff revisions in compliance with the Commission's Energy Storage Deployment Order on April 11, 2019, while Central Hudson, RG&E, NYSEG, and National Grid filed on May 2, 2019.

further revisions on July 19, 2019, and June 23, 2020, to provide more clarity regarding the costs to be included in the surcharge; O&R filed further revisions on May 27, 2020 and December 2, 2020, to indicate that, to the extent that net annual wholesale market revenues exceed the energy storage procurement contract costs on an annual basis, the excess revenues would be shared with 30 percent allocated to utility shareholders and 70 percent allocated to ratepayers; and, NYSEG and RG&E filed further revisions on May 28, 2020, and December 2, 2020, clarifying changes to its tariffs to describe the recovery of costs associated with procuring energy storage assets and to specify that to the extent that net annual wholesale market revenues exceed the energy storage procurement contract costs on an annual basis, the excess revenues would be shared with 30 percent allocated to utility shareholders and 70 percent allocated to ratepayers.

By this Order, the Commission approves the tariff amendments submitted as shown in the Appendix on a permanent basis as of the date of issuance of this Order.

#### TARIFF FILINGS

##### Central Hudson

Central Hudson proposes to recover the costs for the procurement of at least 10 MW of scheduling and dispatch rights from qualified energy storage systems in the same manner as NWA program costs are recovered. The energy storage contract and implementation costs would be recovered from customers taking delivery served under Service Classification (SC) Nos. 1 - Residential, 2 - General, 3 - Large Power Primary, 5 - Area Lighting, 6 - Residential Time-of-Use, 8 - Public Street and Highway Lighting, 9 - Traffic Signal, 13 - Large Power

Substation and Transmission, 14 - Standby. Customers taking service under Service Classification No. 14 would be billed the rate applicable to their Parent Service Classification.<sup>7</sup> These costs would be included in the Energy Cost Adjustment Mechanism and will be recovered over the life of the energy contract. For non-demand billed customers the costs would be included in the Miscellaneous Charges component of the bill. For demand billed customers the costs would be included in the Miscellaneous Charges II component of the bill. For Standby customers the rate would be applied to their Contract Demand. Central Hudson proposes to allocate the costs based on the transmission demand allocators from the most recent rate year proforma embedded cost of service study from the most recently concluded rate proceeding.<sup>8</sup>

Central Hudson proposes to recover costs through the Energy Storage Deployment Recovery component of the Miscellaneous Charge. Central Hudson's proposed cost recovery reflects the cost sharing methodology such that any net annual wholesale market revenues that exceed annual contract costs would be shared, with 70 percent to ratepayers and 30 percent to utility shareholders.

NYSEG and RG&E

NYSEG and RG&E both propose to recover their costs related to deploying qualified energy storage systems through their respective Transition Charge (Transition Charge Statement or TCS), consistent with how their NWA costs are recovered.

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<sup>7</sup> A Parent Service Classification is defined as: the Service Classification that the customer would otherwise qualify for based on the customer's usage characteristics, with the rate applied to demand-billed customers on a Contract Demand basis.

<sup>8</sup> Central Hudson's currently effective electric rate plan was approved in Case 17-E-0459.

NYSEG and RG&E propose to track contract costs for qualified energy storage assets separately from other costs included in the TCS via an Energy Storage Deployment Cost Recovery Statement. The energy storage contract and implementation costs would be recovered from all of NYSEG and RG&E's customers taking electric delivery service. NYSEG and RG&E's respective TCS would recover all costs over the life of the energy contract. For non-demand billed customers the charges would be assessed on a per kilowatt hour (kWh) basis. For demand customers the charges would be assessed on a per kW basis. For Standby customers the charges would be assessed on an As-Used Demand basis, which is the same methodology used to recover NWA costs. In addition, NYSEG and RG&E propose to allocate those costs to service classifications using the transmission demand allocator from the most recently concluded rate proceeding.<sup>9</sup> NYSEG's and RG&E's cost recovery methodology also reflects the cost sharing methodology to the extent that when net annual wholesale market revenues exceed annual contract costs, the excess would be shared with 70 percent to ratepayers and 30 percent to utility shareholders.

National Grid

National Grid proposes to establish Rule 56 - Energy Storage Surcharge (ES Surcharge) to describe the mechanism to recover the costs of deploying qualified energy storage systems from delivery customers. The ES Surcharge is designed to recover the energy storage costs from all delivery customers based on National Grid's transmission demand allocator. These

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<sup>9</sup> NYSEG's currently effective electric rate plan was approved in Case 19-E-0378; RG&E's currently effective electric rate plan was approved in Case 19-E-0380.

costs, including interest at the applicable customer deposit rate pre-tax weighted cost of capital rate in effect at the time, would be recovered in the subsequent annual period on a two-month lag and would be reconciled annually.<sup>10</sup> The energy storage costs would be recovered from all customers taking delivery service under P.S.C. No. 220 - Electricity in SC Nos.: 1 - Residential and Farm Service; 1C - Residential and Farm Service - Optional Large Time-of-Use Rate; 2ND - Small General Service Non Demand; 2D - Small General Service Demand; 3 - Large General Service; 3A - Large General Service Time-of-Use Rate; 4 - Untransformed Service to Customers Taking Replacement and/or Expansion Power from Niagara Project of the Power Authority of the State of New York; 7 - Standby; and, 12 - Special Contracts (in accordance with their individual contracts); all NYPA deliveries (including ReCharge New York Load); and all lighting classes under P.S.C. No. 214 - Schedule for Electric Service - Street, Highway, Roadway and Other Outdoor Lighting. National Grid proposes to exempt the qualifying load received by customers under the Company's Empire Zone Rider and Excelsior Jobs Program from being assessed the ES Surcharge on their delivery rates. National Grid proposes to recover energy storage costs over the term of the energy storage contract. For non-demand billed customers the charge would be assessed on a per kWh basis. For demand billed customers the charge would be assessed on a per kW basis; and, for Standby customers the charge would be assessed on a Contract Demand basis. The ES Surcharge as proposed would be included in the delivery line item on customer bills.

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<sup>10</sup> National Grid's currently effective electric rate plan was approved in Case 17-E-0238.

National Grid proposes to account for actual wholesale revenues earned from the energy storage asset as a benefit for customers; any profits dedicated to customers would be tracked and customer crediting would be deferred until the Company's subsequent rate case. When these revenues exceed contract costs on an annual basis, profits would be shared with 70 percent going to ratepayers and the remaining 30 percent to utility shareholders.

O&R

O&R proposes to recover the costs for the procurement of at least 10 MW of scheduling and dispatch rights from qualified energy storage systems in the same manner as NWA program costs are recovered via the Energy Cost Adjustment (ECA) mechanism. The proposed Energy Storage Cost Recovery Component of the ECA would be used to recover all contract costs, including implementation costs, incremental costs and carrying charges associated with the procurement of scheduling and dispatching rights of at least 10 MW of qualified energy storage systems. O&R proposes to allocate energy storage costs to service classes based on the transmission demand allocator. The energy storage costs would be recovered from all customers taking delivery service. O&R's proposal would group the various SCs into six groups as follows: Group 1 - SC-1 - Residential Service and SC-19 - Residential Optional Time-of-Use Service; Group 2: SC-2 General Secondary Non-Demand Billed; Group 3: SC-2 - General Secondary Demand Billed, SC-20 - General Secondary Optional Time-of-Use Service, and SC-25 - Standby Service - Rate I; Group 4: SC-2 - General Primary, SC-3 - General Primary, SC-21 - General Primary Optional Time-of-Use, and SC-25 - Standby Service Rate II; Group 5: SC-9 - General Commercial Service over 1000 kW, SC-22 - General Industrial Service over 1000 kW, and

SC-25 - Standby Service - Rates III and IV; Group 6: SC-4 - Public Street Lighting- Company Owned, SC-5 - Traffic Signal Lighting, SC-6 - Public Street Lighting - Customer Owned, and SC-16 - Private Area Lighting. The Standby customers in these groups are customers that would otherwise be eligible for service under one of the other classifications in the respective group. O&R proposes to assess storage costs on a per kWh basis for non-demand billed service classification groups and on a per kW basis for demand-billed service classification groups. For standby customers, the costs would be assessed on a per kW of Contract Demand basis. These costs would be amortized over the life of the contract with each developer or seven years for costs not associated with a specific developer contract, less any amounts received from the New York State Energy Research and Development Authority.

O&R proposes any wholesale revenues exceeding the contract costs would be shared with 70 percent accruing to customers and 30 percent to shareholder.<sup>11</sup>

#### LEGAL AUTHORITY

Pursuant to Public Service Law (PSL) §§5, 65(1) and (8), and 66 (1) and (12), the Commission has the authority to review proposed tariff leaves and to modify, reject or approve those tariff leaves. As such, the Commission has the legal authority to review the Companies' tariff filings and approve and effectuate, as described in this Order.

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<sup>11</sup> O&R's Implementation Plan stated that actual annual wholesale market revenues minus charging costs, NYISO fees, and other related costs would be included in the Energy Storage Cost Recovery component of the ECA.



DISCUSSION AND CONCLUSION

The proposed tariff amendments, which are necessary to effectuate cost recovery of the contract costs for the direct procurement and deployment of at least 10 MW of qualified energy storage systems, as proposed by the Companies are consistent with Commission directives in the Energy Storage Deployment Order and the Company specific cost recovery for NWA projects. Cost recovery for NWA projects, however, is not consistent across all the Companies, which subsequently carries over to energy storage deployment cost recovery. This creates three areas that require further Commission consideration. Specifically, for Standby customers NYSEG and RG&E propose to recover energy storage costs on an As-Used Demand basis, whereas the other utilities recover costs on a Contract Demand basis. However, since all of the Companies proposed to recover costs using the Commission's approved methodologies for NWA project cost recovery, the Companies are in compliance with the Energy Storage Deployment Order and no further modifications are warranted for Standby customers.

In addition, O&R proposes to amortize costs not associated with a specific developer contract over the life of the contract with each developer or seven years. This is consistent to how Consolidated Edison of New York, Inc. proposes to recover these costs. However, National Grid, Central Hudson, NYSEG and RG&E all propose to recover the costs not associated with a specific developer contract as they are incurred. Even though there are inconsistencies on a statewide basis regarding the methodologies used to recover costs not associated with a specific developer contract, the Commission finds the Companies' proposals to be reasonable and finds that no changes are

warranted since these costs are unknown. This is an area that could be revisited based on the cost incurred.

National Grid is the only utility that exempts its Empire Zone Rider and Excelsior Jobs Program customers from having NWA costs assessed and subsequently recovered from the Empire Zone Rider and Excelsior Jobs Program delivery loads. Even though National Grid's energy storage cost recovery proposal is in line with their NWA cost recovery per the Commission's directive, the inconsistency among the Companies resulting from the exemptions from energy storage cost recovery for Empire Zone Rider and Excelsior Jobs Program load is problematic. This issue should be further explored, and a proposal that considers whether modifications to National Grid's electric tariff are required to further standardize both the NWA and Energy Storage Deployment Order cost recovery mechanisms shall be brought before the Commission for consideration, as part of National Grid's ongoing rate proceeding in Case 20-E-0380. If the issue is not addressed in the ongoing proceeding National Grid shall include a proposal to address the assessment of energy storage costs on Empire Zone Rider and Excelsior Jobs Program load in its next rate filing.

Therefore, the tariff amendments as shown in Appendix A are approved on a permanent basis. As these proposed tariff modifications represent no change to the system or customers, consistent with the Commission's prior directive in Ordering Clause No. 15 of the Energy Storage Deployment Order waiving the requirements related to newspaper publication for these tariff filings, the Commission waives the newspaper publication requirements per PSL §66(12)(b) and 16 NYCRR §720-8.1.

Furthermore, the Commission directs the Companies to file, on not less than three days' notice, annual energy storage

workpapers supporting the cost recovery of energy storage contract and implementation costs beginning January 1, 2022, and annually on January 1<sup>st</sup> thereafter until directed to discontinue the filings by the Commission. The workpapers shall include calculations and verifiable links to the source documents used to arrive at the corresponding energy storage contract and implementation costs included in the monthly surcharge or delivery line items on customer bills.

The Commission orders:

1. The tariff amendments by Orange and Rockland Utilities, Inc., Central Hudson Gas & Electric Corporation, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, and Rochester Gas and Electric Corporation listed in the Appendix shall become effective on a permanent basis upon the date of issuance of this Order.

2. Niagara Mohawk Power Corporation d/b/a National Grid shall include a proposal regarding the assessment of energy storage costs on Empire Zone Rider and Excelsior Jobs Program load in its ongoing or subsequent rate filing.

3. Orange and Rockland Utilities, Inc., Central Hudson Gas & Electric Corporation, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid and Rochester Gas and Electric Corporation are directed to file workpapers to support the cost recovery of energy storage contract and implementation costs included in the surcharge or delivery line item of customer bills beginning January 1, 2022, and annually on January 1<sup>st</sup> thereafter until directed to discontinue the filings by the Commission. The workpapers should shall include calculations and verifiable links to the source documents used to arrive at the corresponding energy

storage contract and implementation costs included in the monthly surcharge or delivery line items on customer bills.

4. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1, related to newspaper publication of the tariff amendments described by Ordering Clause No. 1, are waived.

5. This proceeding is continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS  
Secretary

SUBJECT: Filing by ORANGE AND ROCKLAND UTILITIES, INC.

Amendments to P.S.C. No. 3 - Electricity

Original Leaf No. 252.3  
First Revised Leaf No. 252.2  
Second Revised Leaf No. 252.1  
Seventh Revised Leaf No. 250

Issued: April 11, 2019                      Effective on a temporary  
basis on June 1, 2019.

Fourth Revised Leaf No. 252.1

Issued: May 27, 2020                      Effective on a temporary  
basis on July 1, 2020.

Fifth Revised Leaf No. 252.1  
Second Revised Leaf No. 252.2

Issued: December 2, 2020                  Effective on a temporary  
basis on January 1, 2021.

SUBJECT: Filing by CENTRAL HUDSON GAS & ELECTRIC CORPORATION

Amendment to P.S.C. No. 15 - Electricity

Original Leaf No. 106.1.7

Issued: May 2, 2019                      Effective on a temporary basis  
on June 1, 2019.

Original Leaf No. 106.1.8  
First Revised Leaf No. 106.1.7  
Third Revised Leaf No. 106.1

Issued: December 1, 2020                  Effective on a temporary  
basis on January 1, 2021.

SUBJECT: Filing by NEW YORK STATE ELECTRIC AND GAS CORPORATION

Amendments to P.S.C. No. 120 - Electricity

First Revised Leaf No. 117.46.24

Issued: May 2, 2019      Effective on a temporary basis  
on June 1, 2019.

Twenty-fifth Revised Leaf No. 2.1  
Twenty-first Revised Leaf No. 117.8  
Second Revised Leaf No. 117.46.2  
Original Leaf No. 117.52

Issued: May 28, 2020      Effective on a temporary basis  
on July 1, 2020.

Third Revised Leaf No. 117.52  
Twenty-Third Revised Leaf No. 117.9

Issued: December 2, 2020      Effective on a temporary  
basis on January 1, 2021.

SUBJECT: Filing by NIAGARA MOHAWK POWER CORPORATION D/B/A  
NATIONAL GRID

Amendments to P.S.C. No. 220 - Electricity

Tenth Revised Leaf No. 263.1  
Nineteenth Revised Leaf No. 3

Issued: May 2, 2019      Effective on a temporary basis  
on June 1, 2019.

Eleventh Revised Leaf No. 263.1

Issued: July 19, 2019      Effective on a temporary basis  
on August 19, 2019.

Twelfth Revised Leaf No. 263.1

Issued: June 22, 2020      Effective on a temporary basis  
on August 1, 2020.

SUBJECT: Filing by ROCHESTER GAS AND ELECTRIC CORPORATION

Amendments to P.S.C. No. 19 - Electricity

First Revised Leaf No. 160.39.19

Issued: May 2, 2019      Effective on a temporary basis  
on June 1, 2019.

Twenty-sixth Revised Leaf No. 2

Fourth Revised Leaf No. 4.3

Nineteenth Revised Leaf No. 160.26.1

Second Revised Leaf No. 160.39.19

Original Leaf No. 160.40

Issued: May 28, 2020      Effective on a temporary basis  
on July 1, 2020.

Second Revised Leaves Nos. 160.26.1.0.1, 160.40

Issued: December 2, 2020      Effective on a temporary  
basis on January 1, 2021.

NEWSPAPER PUBLICATION: Waived