

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 16-E-0060 – 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

CASE 16-G-0061 – 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

PACE ENERGY AND CLIMATE CENTER'S  
STATEMENT IN SUPPORT OF THE JOINT PROPOSAL

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In accordance with the Administrative Law Judge’s September 26, 2016 Ruling on Schedule, Pace Energy and Climate Center (“Pace”) hereby submits this statement in support of the Joint Proposal that Consolidated Edison Company of New York, Inc. (“Con Edison” or “the Company”), filed on September 20, 2016 (“Joint Proposal”).

## **Introduction**

On January 29, 2016, Con Edison filed tariff leaves and testimony with the New York State Public Service Commission (“the Commission”) in support of proposed increases to its electric and gas delivery revenues. The Company sought approval of a one-year rate plan with the intention of seeking a multi-year rate plan for electric and gas service in settlement discussions with Staff and other interested parties. The Company proposed 4.5% and 8.2% increases on electric and gas rates, respectively, with a plan to continue capital investments to maintain safety and reliability and add new investments that would contribute to the results of the Reforming the Energy Vision proceeding (“REV”) <sup>1</sup> and the 2015 New York State Energy Plan.<sup>2</sup>

Two administrative law judges (“ALJs”) were appointed to preside over the rate proceedings and parties engaged in discovery. A procedural conference was held at the Commission’s offices in New York City on March 2, 2016. The procedural conference was followed by a technical presentation by the Company on various aspects of the filing. The Commission issued a ruling on the schedule and a ruling adopting the protective order and revising the schedule on March 11, 2016, and March 23, 2016, respectively.

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<sup>1</sup> A number of different dockets have been assigned to various aspects of the REV proceeding at the Commission, including, but not limited to, 14-M-0101; these dockets are collectively referred to herein as the “REV proceeding.”

<sup>2</sup> 2015 New York State Energy Plan, <https://energyplan.ny.gov/Plans/2015> <https://energyplan.ny.gov/-/media/nysenergyplan/2015-overview.pdf> (“New York State Energy Plan”).

A total of thirty-one parties intervened in this matter, including Pace Energy and Climate Center. On March 30, 2016, the Company filed a preliminary update to its filing. Pace and other parties filed direct testimony on May 27, 2016, and rebuttal testimony on June 17, 2016.

The Company notified parties of its intention to start settlement negotiations and settlement negotiations commenced on June 30, 2016. The Commission agreed to suspend the rate schedule and tariff leaves through August 17, 2016. The suspension period was extended further and ultimately through and including February 26, 2017, in order to facilitate further settlement discussions. All settlement negotiations were subject to the Commission's settlement rules<sup>3</sup>, and appropriate notices for negotiating sessions were provided.

After months of negotiations, in-person meetings, and conference calls, numerous parties finalized a Joint Proposal that resolves the Company's 2016 rate filing. Con Edison filed the Joint Proposal on September 20, 2016, to which Pace; New York State Department of Public Service Staff ("Staff"); the City of New York ("NYC"); New York Power Authority; Public Utility Law Project of New York, Inc.; County of Westchester; Consumer Power Advocates; Environmental Defense Fund; E-Cubed Company; Digital Energy Corporation; Community Housing Improvement Program; Association for Energy Affordability; Acadia Center; Metropolitan Transportation Authority; Energy Concepts Engineering PC; Great Eastern Energy; United States General Services Administration; Joint Supporters; North East Combined Heat and Power Initiative; Natural Resources Defense Council; the Real Estate Board of New York; and Time Warner Cable (collectively the "signatories") all joined. Pace recommends that the Commission adopt the Joint Proposal.

Pace Energy and Climate Center is a project of the Elizabeth Haub School of Law at Pace University. Pace's mission is to protect the earth's environment through solutions that transform

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<sup>3</sup> 16 NYCRR § 3.9.

the ways society supplies and consumes energy so as to minimize pollution, mitigate climate change, and enhance society's resilience to unavoidable climate change. Pace promotes energy efficiency, renewable energy, and clean distributed generation technologies—cost-effective resources that reduce the negative climate, air, water, land, and human health impacts that result from reliance on fossil fuel resources and traditional patterns of consumption. Pace also advocates for solutions that enhance community access to clean energy and energy choice.

For more than twenty-seven years, Pace has provided legal, policy, and stakeholder engagement leadership in New York State, the Northeast more broadly, and other jurisdictions. Pace is participating in the ongoing REV proceeding, both in its own right and as part of a broad coalition of environmental, consumer, and other stakeholders. Pace strongly supports the goals of the REV proceeding, which, if realized, will provide significant economic, environmental, and societal benefits to New York. In particular, Pace sees a vital and beneficial role for utilities, including Con Edison, as engaged, proactive distribution system platform (“DSP”) providers for Distributed Energy Resources (“DER”) as a result of REV reforms. Pace has filed written comments in the REV proceeding and participated in a range of REV-related activities.

Pace became an active party to these rate cases to address, among other things, Con Edison's proposals concerning Advanced Metering Infrastructure (“AMI”), Non-Wires Alternatives (“NWA”) projects, rate design, tracking of costs, microgrids, standby rate changes, energy efficiency, and plug-in electric vehicles (“PEV”), all of which interrelate with developments in the REV proceeding. While the Joint Proposal is necessarily a product of compromise and negotiation, and different parties may view individual provisions more or less favorably, Pace considers the Joint Proposal to represent a promising step forward toward full REV implementation, as it is consistent with the goals of REV. Taken as a whole, the Joint

Proposal compares favorably with the likely results of full litigation and is within the range of reasonable outcomes. Pace supports the adoption and approval of the Joint Proposal as the resolution of these cases. The comments below refer to parts of the Joint Proposal Pace considers to be of utmost significance.

## **STATEMENTS REGARDING SPECIFIC PROVISIONS OF THE JOINT PROPOSAL**

Pace submits the following statements on issues vital to Pace's decision to support the Joint Proposal.<sup>4</sup> Pursuant to the ALJ's instructions at the September 21, 2016 procedural conference, this statement in support, and the headings used throughout this document, follow the outline of topics set forth in the Joint Proposal's Table of Contents.

### **D. Capital Expenditures and Net Plant Reconciliation**

#### **Improved Tracking of Costs by Function**

As discussed in the Joint Proposal at page 28, footnote 36, and in Appendix 22, the Company agreed to track certain REV-related costs by function, as Pace witness Karl R. Rábago proposed in his direct testimony (discussed in greater detail below). Pace strongly supports this tracking of costs by function as it will help track REV-related investments, and provide the potential for targeted future incentives relating to these new investments.

The Company's original rate proposal and preliminary testimony details its efforts to prepare and implement its plans to transition into a DSP provider. These plans include REV-related efforts, such as demonstration projects, DSP development, and AMI, which will run in parallel to a wide range of Con Edison's normal activities of maintaining, upgrading, and

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<sup>4</sup> The following discussion is not intended to provide a comprehensive review of the Joint Proposal.

modernizing its system.<sup>5</sup> Although the Company has planned its investments in these parallel activities, it originally planned to use the same cost-allocation accounts and categories it has used in the past to allocate and track current and planned investments and spending. The Company made this decision without studying the impact that the costs and benefits of these activities, especially the REV-related activities, would have on electric and gas customer classes. In response to a Staff interrogatory, the Company stated “Con Edison does not yet know how customer behavior will be impacted by the implementation of AMI to enable the Company to develop meaningful demand and usage characteristics by class in order to allocate costs to the electric and gas customers.”<sup>6</sup> The Company made it clear that it did not have functionalization mechanisms for tracking, allocating, and assigning costs and benefits associated with distribution platform service provider costs, deploying AMI, and executing other REV-related initiatives, stating that

to the extent that the Company makes investments in enhanced functionality that allow our customers to manage their energy and demand usage, all customers will contribute to that enhanced functionality cost. It has not yet been determined how those costs would be allocated over the delivery charges in the customer bill and the Company does not have a specific proposal at this time.<sup>7</sup>

As Pace witness Karl R. Rábago stated in his direct testimony:

The Company will be assuming responsibility for an increasingly diverse range of functions in its role as a distributed system platform provider. Activities and functions that it will undertake, in addition to its current roles, will include increased delivery of energy efficiency, support for customer participation in self-generation and community-shared solar, community choice aggregation, demand response, and many other activities. . . . Company spending and benefits relating to these activities should be carefully allocated with more precision than the Company

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<sup>5</sup> Direct Test. of Karl R. Rábago (“KRR Direct”) at 12:14-21. A spreadsheet listing all of Pace’s filed testimony is attached hereto as Pace-1, and all such testimony is incorporated herein by reference for informational purposes to help show that the Joint Proposal is reasonable and falls within the realm of fully litigated outcomes.

<sup>6</sup> Staff Interrog. 19-485, attached hereto as Pace-2.

<sup>7</sup> Pace Interrog. 1: 4-3, attached hereto as Pace-3.

currently applies.”<sup>8</sup> Further, Rábago stated, “[b]y functionalizing capital investments and benefits . . . these costs can be more precisely targeted for Earnings [Adjustment] Mechanisms and ultimately can support Market-Based Earnings for increasingly competitive service options.”<sup>9</sup>

The Joint Proposal now includes a functionalization structure that will enable Con Edison to track the costs of certain important REV-related activities. The Company plans to include capital and O&M expenditures and deferred amounts for AMI, REV demonstration projects, and Distributed System Implementation Plan (“DSIP”) implementation in its annual report on project and program expenditures during the prior year.<sup>10</sup> This functionalization structure represents a positive step toward an overall structure to functionalize and allocate costs and benefits related to the Company’s new role as a DSP provider. This structure will allow the Company to better track REV-related costs and benefits so as to inform potential future rate mechanisms, such as Earnings Adjustment Mechanisms, Returns on Equity, and Rate Allocation. Deploying a functionalization structure to track costs and benefits related to implementing REV-related activities increases economic efficiency, avoids unintended cross-subsidization, and supports business unit development and growth within the broader company structure.<sup>11</sup>

Pace thus supports the Company’s agreement to track costs by functionalization in the following categories: AMI, REV demonstration projects, and DSIP implementation.

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<sup>8</sup> See KRR Direct at 14:20-24, 15:2-4.

<sup>9</sup> KRR Direct at 17:1-5.

<sup>10</sup> See App. 22 at 2 of 11 (“This report will include the actual capital and O&M expenditures and deferred amounts, if applicable, during the prior calendar year for AMI, REV demonstration projects, and Distributed System Implementation Plan implementation. The actual expenditures will be presented in aggregate form, separately for capital and O&M expenditures, and for deferred amounts, if applicable, for each of the categories listed above (*i.e.*, AMI, REV demonstration projects, and DSIP implementation), except that for the REV demonstration projects, the actual expenditures will also be presented for each REV demonstration project.”).

<sup>11</sup> KRR Direct at 16:11, 16:17-19.

### **D.1.c. Non-Wires Alternative Adjustment Mechanism**

In the REV Track 2 Order, the Commission recognized the cost savings that the Brooklyn Queens Demand Management Program (“BQDM”) project—an NWA project that included 52 MW of non-traditional utility and customer-side demand reduction—produced, and permitted a return on expenditures and performance incentives tied to goals that will produce customer savings.<sup>12</sup> The Commission stated, “BQDM represents a new direction of aligning utility financial incentives with the best interests of customers.”<sup>13</sup>

The NWA provisions in the Joint Proposal are consistent with the REV Track 1 and Track 2 orders<sup>14</sup>, and Con Edison’s BQDM project, in that it aligns the customer’s interests with the utility sector by incenting NWAs that displace or defer planned capital improvement projects and credits customers with the savings from the deferred or eliminated capital improvement projects. Pace believes that utilities should receive incentives for the implementation of NWA projects that defer or eliminate the need for traditional infrastructure projects, and that such NWA projects should result in reductions in net plant targets. The net plant targets must be reduced because the Company will no longer need a capital improvement project or will have saved money by deferring a project. The Joint Proposal adopts these principles: “to the extent NWAs result in the Company displacing a capital project reflected in the Average Electric Plant In Service Balances, the balance(s) will be reduced to exclude the forecasted net plant associated with the displaced project . . .” and “[t]he Company will earn incentives for NWA

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<sup>12</sup> See May 19, 2016 Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (“REV Track 2”) (No. 14-M-0101) at 6.

<sup>13</sup> *Id.*

<sup>14</sup> See Feb. 26, 2015 Order Adopting Regulatory Policy Framework and Implementation Plan (“REV Track 1”) (No. 14-M-0101) and REV Track 2 Order.

implementation on the same terms and conditions as established by the Commission for incentives under the TDM program.”<sup>15</sup> Pace strongly supports these provisions.

### **G. Electric Revenue Allocation/Rate Design<sup>16</sup>**

#### **Proposed Allocation of Gas Infrastructure Costs to Electric Revenue Requirements.**

The Company’s initial testimony proposed to shift approximately 8% of gas infrastructure costs to electric revenue requirements.<sup>17</sup> Pace believes that the Company failed to sufficiently justify this shift from gas revenues to electric revenues, and also believes that the proposed shift is contrary to REV. The REV Track 2 Order states, “[r]ates should reflect cost causation, including embedded costs as well as long-run marginal and future costs.”<sup>18</sup> Con Edison’s original proposal to shift a portion of gas infrastructure costs to electric customers did not follow this principle. Gas infrastructure improvements and maintenance should only affect gas customers and related gas rates and charges. The addition or subtraction of electric customers does not affect the costs of gas transmission facilities or interstate pipe transportation fixed charges. Also, this proposed cost shift fails to positively impact electric customer behavior to engage in energy efficiency, decrease energy usage, or install DERs. Pace witness Karl R. Rábago states “there is no economic efficiency benefit in creating a price signal based on the Company’s cost structure where the customer has no meaningful way to respond to that

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<sup>15</sup> See Joint Proposal at 29-30, nn.39, 38.

<sup>16</sup> See Joint Proposal at 56. Pace supports the adoption and approval of the Joint Proposal. However, for the reasons set forth in its filed testimony, Pace does not join in on sections G.1. and H.1. of the Joint Proposal pertaining to electric and gas revenue allocation and the use of the Company’s Electric and Gas Embedded Cost of Service Studies without modification of any of the allocations, especially as to the use of the alternative demand allocator to the demand portion of low-tension distribution plant (the D08 allocator) and the allocation of primary distribution infrastructure costs to the customer cost category.

<sup>17</sup> See Test. of Ivan Kimball – Gas Supply Test. at 43-46 (stating that Con Edison proposes to charge electric customers 8% of the costs of gas transmission facilities and 8% of interstate pipe transportation fixed charges).

<sup>18</sup> KRR Direct at 11:16-17, citing REV Track 2 Order *supra*, App. A at 122.

pricing.”<sup>19</sup> The fact that the Company has not included any shift of gas costs to electric customers in the Joint Proposal is an important reason Pace is signing onto the Joint Proposal.

### **G.3. Fixed Customer Charges**

The Joint Proposal does not increase customer charges for residential or small commercial electrical customer classes.<sup>20</sup> Pace supports not raising customer charges for these customer classes for the reasons set forth in the testimony of Mr. Rábago, including, but not limited to, the fact that unreasonably high fixed customer charges are “regressive”—a term used to describe an outcome that imposes greater economic impact, as a percentage, on the poor.<sup>21</sup> Increases in customer charges impose a higher percentage burden on low-volume users, and low-income customers are typically low-volume users of electricity.<sup>22</sup> Thus, increases in fixed customer charges are economically regressive. In addition, increasing fixed customer charges runs contrary to the REV goals of reducing energy usage as there is no efficiency in creating a price signal where the customer has no meaningful way to respond to that pricing.<sup>23</sup> That is, if there is a need to increase revenue requirements, it is better to increase volumetric charges than fixed customer charges, so that bills can be reduced through reductions in consumption.

### **G.6 Standby Service and Buyback Rates**

As discussed below, the standby provisions in the Joint Proposal are a vast improvement over the current standby tariff provisions, and are a critical part of the Joint Proposal.

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<sup>19</sup> KRR Direct at 9:8-10.

<sup>20</sup> The Joint Proposal also does not include any increases in gas minimum monthly charges for residential and small commercial customer classes, which Pace strongly supports for the same reasons that Pace supports no increases to the electric customer charges for residential or small commercial customer classes.

<sup>21</sup> KRR Direct at 10:8-13.

<sup>22</sup> *Id.* at 10:21-22, 11:1-2.

<sup>23</sup> *Id.* at 9:8-10.

### **G.6.a. Minimum Monthly Charge for Customers Exempt from Standby Rates**

The Joint Proposal allows standby customers in service classes 5, 8, 9, 12, and 13 that are exempt from standby rates to elect a one-time reduction in their minimum monthly charge contract demand amount.<sup>24</sup> If the customer installs distributed generation that qualifies as a designated technology that can be exempt from standby rates, requests and receives that exemption, and asks for a one-time reduction in its contract demand, the customer will be eligible for the reduction.<sup>25</sup> The reduction in the customer's contract demand will be equal to the generator nameplate rating.<sup>26</sup>

Pace supports these provisions of the Joint Proposal. Under the current tariff provisions, standby contract demand is based on historical peak demand and is set either by the customer or Con Edison.<sup>27</sup> However, such a process does not take into account DERs that the customer may have on their property and that can ensure that the customer will use less than their historical demand. Pace witness Thomas Bourgeois explained this in testimony with an illustrative example. He posited:

[s]uppose the customer's historic peak demand was 2,000 kW. Suppose further that this was the level of standby service contract demand that Con Edison would set at present . . . [under my proposal] the customer would have the option of demonstrating that an on-site technology or suite of technologies, perhaps battery storage or auto demand response, could ensure that a mutually agreed level of contract demand . . . would never be exceeded.<sup>28</sup>

Mr. Bourgeois proposed allowing a reduction in the customer's contract demand as a way to better integrate designated technologies and DER into Con Edison's service territory in line with

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<sup>24</sup> Joint Proposal at 57.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> Suppl. Test. of Thomas Bourgeois, (May 27, 2016) (No. 16-E-0060), at 2:17-22.

<sup>28</sup> *Id.* at 4:1-7.

the principles of REV.<sup>29</sup> Although the contract-demand-reducing standby provisions in the Joint Proposal do not go as far as Mr. Bourgeois has proposed—for instance, automated demand response does not qualify as a designated technology—Pace supports these provisions because (1) a customer that installs distributed generation that qualifies as a designated technology exempt from standby service rates can elect to reduce its contract demand by the generator nameplate rating; (2) battery storage is now defined as a “designated technology” (see discussion below) and should, if installed, arguably allow a customer to reduce its contract demand; and (3) these changes are a positive step in the right direction of encouraging DERs.

#### **G.6.b. Exemptions from Standby Rates**

Under the current tariff, customers with “designated technologies” can be exempt from standby rates.<sup>30</sup> Designated technologies include Combined Heat and Power (“CHP”) that is “Efficient CHP” (i.e., 60% or greater “average annual efficiency”<sup>31</sup>), fuel cells, wind, solar thermal, photovoltaics, biomass, tidal, geothermal, and methane waste.<sup>32</sup> The Joint Proposal expands this definition to include Battery Storage up to 1 MW of inverter capability.<sup>33</sup> This change is consistent with the REV Track 2 Order, which states that a central tenet of REV is that “a variety of DER resources and customer activities should be encouraged, to produce desired outcomes.”<sup>34</sup> The inclusion of battery storage as a designated technology that can be exempt

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<sup>29</sup> *Id.* at 3:12-21. Staff has also argued that “the method for determining standby rates should be reevaluated in the context of a higher penetration of DER.” REV Track 2 Order at 126.

<sup>30</sup> Con Edison of New York, Inc., Schedule for Electricity Service, (initial effective date: Apr. 1, 2012, effective date: Dec. 8, 2015) (“Con Edison Tariff”), at leaf no. 162, <http://www.ConEd.com/documents/elecPSC10/GR1-23.pdf>.

<sup>31</sup> Average annual efficiency is also known as “annual overall efficiency.” The Joint Proposal does not change the existing Commission definitions of “annual overall efficiency,” nor how it is measured/determined. *See Id.* at leaf no. 162; Order of the New York State Public Service Commission, (Jan. 23, 2004) (Case No. 02-E-0781) (“2004 Standby Order”). However, as discussed below and in App. 20 of the Joint Proposal at 2, the Joint Proposal does impose certain higher “annual overall efficiency” percentages to qualify for longer standby exemptions in the standby pilot.

<sup>32</sup> *Id.*

<sup>33</sup> Joint Proposal at 58.

<sup>34</sup> REV Track 2 Order at 130.

from standby rates advances these REV goals, along with the clean energy initiatives outlined in the New York State Energy Plan.<sup>35</sup>

Another standby provision of the Joint Proposal that advances the State’s Energy Plan<sup>36</sup> is the change of the nitrogen oxides (“NOx”) emissions standard applicable to exemptions. Under the current tariff, qualifying CHP facilities cannot exceed 4.4 lbs/MWh in NOx emissions.<sup>37</sup> The Joint Proposal now provides that qualifying facilities that wish to be exempt from standby rates can only emit up to 1.6 lbs/MWh NOx.<sup>38</sup> This makes Con Ed’s standby NOx requirements consistent with current criteria for qualifying CHP equipment to receive New York State Energy Research & Development (NYSERDA) incentives.<sup>39</sup> In addition to helping attain the state achievement goal of 40% reduction in greenhouse gas emissions from 1990 levels,<sup>40</sup> this new NOx standard helps “ensure that future investment in CHP will flow to installations that meet the highest efficiency and pollution control standards.”<sup>41</sup>

### **G.6.c. Reliability Credit**

The Commission adopted a Standby Reliability Credit in the REV Track 2 Order as a near-term initiative to encourage increased penetration of DER in utility service territories<sup>42</sup> and now requires utilities to offer standby customers the option to recover reliability credits if their actual demand consistently falls below their contract demand.<sup>43</sup> Under the Order, the

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<sup>35</sup> New York State Energy Plan.

<sup>36</sup> *Id.*

<sup>37</sup> *See* Con Edison Tariff at leaf 162; 2004 Standby Order at 12.

<sup>38</sup> Joint Proposal at 58.

<sup>39</sup> EDF/Pace Standby Panel Direct Test. at 25:14-16.

<sup>40</sup> New York State Energy Plan.

<sup>41</sup> EDF/Pace Standby Panel Direct Test. at 25:17-20.

<sup>42</sup> REV Track 2 Order at 126.

<sup>43</sup> *Id.* at 4.

Commission directed Con Edison to implement the reliability credit into this rate filing effective January 1, 2017.<sup>44</sup>

Pace supports the Reliability Credit Mechanism for standby customers in the Joint Proposal because it effectively implements the reliability credit requirements of the Track 2 Order, and it incentivizes all varieties of DER and any other energy-reducing measures. Standby rates have historically focused on customers that generate much of their energy on-site, and have been designed to recover costs of back-up electrical service if this on-site generation does not perform. However, standby tariffs can serve as a barrier to increased penetration of other types of DERs, including demand response. The reliability credit mechanism in the Joint Proposal is designed to achieve the goals of REV by encouraging DERs of any type, or reductions in electrical usage through any other means. This benefits the distribution system, consistent with REV.<sup>45</sup> As a result, Pace supports the Reliability Credit Mechanism in the Joint Proposal.

#### **G.6.h. Standby/Export Pilot**

The standby/export pilot provisions in the Joint Proposal should incentivize significantly more DERs, including battery storage and new CHP installations that meet higher efficiency and pollution control standards, and test a number of possible new and improved rate structures. Appendix 20 of the Joint Proposal describes the standby rate pilot, which is designed to, among other things, test “1) differential levels of standby service by allowing customers to elect a level of Contract Demand; 2) more granular Daily As-Used Demand Charges that include locational

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<sup>44</sup> *Id.* at 132.

<sup>45</sup> In the REV Track 2 Order, the Commission stated :  
distributed generation that is integrated into system planning and operations will provide system benefits for all customers, and will result in fewer fixed or long term marginal utility costs and more short term operating expenses. Standby tariffs should allow for the potential of a customer actively engaged with the utility and contributing value to the distribution system.

REV Track 2 Order at 129.

and time-varying rates; and 3) payment for locational benefits for SC 11 customers that operate their generation assets to support the distribution system.”<sup>46</sup>

The Pilot provides two options for standby rate customers: (1) a targeted ten-year exemption or pilot rates available for up to 50 MW of new or expanded Efficient CHP facilities and up to 25 MW of battery storage, (2) new standby/export rates (developed by a new standby collaborative and Commission approved) available to standby customers for up to 125 MW with 75 MW reserved for customers that qualify under Option 1 and 50 MW for new or existing customers that do not qualify under Option 1.<sup>47</sup>

Option 1 also has incentives for more “Efficient CHP”—incenting new, cleaner CHP by increasing the exemption period for facilities operating at higher efficiencies, preventing fossil-fuel-powered generation from being installed in areas of already-bad air quality, and requiring more stringent NOx emission limits than currently required. This works by (1) requiring all participating CHP facilities to meet the more stringent NOx emissions standard of 1.6 lbs/MWh or less; (2) not allowing participation under this option to technologies that emit criteria air pollutants (*e.g.*, burn fossil fuels) at locations that are not in compliance with local air quality criteria established as part of the standby/export rates pilot collaborative described in the Joint Proposal; and (3) granting the longest standby exemption period (ten years) only for new CHP with 63% or higher average annual efficiency *and* 65% or higher peak efficiency.<sup>48</sup>

Option 2 involves a collaborative to develop and test proposed pilot rates that the Company will file with the Commission with a proposed effective date of January 1, 2018.

Option 2 is open to new and existing standby customers up to a cap.<sup>49</sup>

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<sup>46</sup> Joint Proposal, App. 20 at 3.

<sup>47</sup> *Id.* App. 20 at 1-3.

<sup>48</sup> *Id.* App. 20 at 2.

<sup>49</sup> *Id.* at 3-5.

The standby pilot and collaborative is consistent with the goals of REV and advances the State’s Clean Energy Initiatives. In the REV Track 2 Order, the Commission recognizes the limits of the current standby rate design models and encourages participants to further refine standby rate models developed more than ten years ago.<sup>50</sup> The Commission said “the development of the current rates did not contemplate the high levels of DER penetration and integration that are anticipated under REV.”<sup>51</sup> This pilot will allow Con Edison to study DER penetration and usage in its service territory while encouraging new clean energy CHP resources, and developing and testing rate structures that are consistent with REV goals and the current DER climate. Furthermore, with the requirements concerning more efficient CHP and more stringent NOx emissions limits, the new pilot advances the State Energy Plan’s reduction of GHG emissions by 40% in the state.<sup>52</sup>

## **J. Additional Electric Provisions**

### **J.1.a. System peak reduction programs,**

In the Joint Proposal, the Company’s System Peak Reduction Program consist of two components: (1) the system peak reduction program, and (2) the PEV Program. Pace believes that reducing system peaks is very important because peak demand drives many capital improvements, transmission and distribution investments, and system costs. Further, some of the generation that is only used during peak periods can have some of the highest rates of marginal pollutant emissions.

As part of its system peak reduction program, Con Edison will manage an Electric Vehicle program that will incent light-duty PEV owners to charge during off-peak hours to reduce system peak demand. In its filed testimony, the Company originally proposed only a

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<sup>50</sup> REV Track 2 Order at 127.

<sup>51</sup> *Id.* at 128.

<sup>52</sup> New York State Energy Plan.

stand-alone PEV rate structure that would apply to residents who own vehicles and their own garages (which is a small percentage of New York City residents) and, in and of itself, fails to broadly incent customers to utilize PEVs or allow many PEV customers to benefit from charging at off-peak hours.<sup>53</sup> The system peak reduction program for electric vehicles is a significant improvement over Con Edison's initially-proposed PEV rate provisions and, further, creates a collaborative for discussions with stakeholders on possible development of new service classifications, new rates, incentives, pilot programs for electric vehicles, etc.<sup>54</sup> The Company's system peak reduction program and collaborative are highly beneficial to customers and the environment. Pace fully supports these initiatives.

#### **J.1.b. Energy efficiency**

In the Joint Proposal, Con Edison commits to implementing energy efficiency plans with targets above the REV-required Energy Efficiency Transition Implementation Plan ("ETIP"). Rate year 1 has a planned reduction target of 178 GWh, 20 GWh above the ETIP levels.<sup>55</sup> Rate year 2 has a planned reduction target of 270 GWh, 90 GWh above ETIP levels; and Rate year 3 has a planned net load reduction target of 391 GWh, 211GWh above ETIP levels.<sup>56</sup> These measures are expected to yield more than 300 GWh of savings annually by 2019, and would continue to save customers that much each year for many years to come. These measures collectively move New York closer to the level of energy efficiency that will be required to help achieve the state's goals of 50% renewables by 2030, and a 600 trillion Btu increase in statewide energy efficiency.<sup>57</sup> Generally, the cost of producing one GW of traditional generation is much

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<sup>53</sup> KRR Direct at 21:12-15.

<sup>54</sup> *Id.* at 21:12-15. Pace witness Mr. Rábago stated in his testimony "the high monthly customer charge for stand-alone rate could constitute a barrier to adoption by customers with relatively short driving distances."

<sup>55</sup> Joint Proposal at 77.

<sup>56</sup> *Id.*

<sup>57</sup> New York State Energy Plan.

more than the cost to reduce energy usage by one GW. Thus, Con Edison's proposed energy efficiency measures should prove to be a very cost-effective approach, and benefit customers for years to come.

## **K. Additional Gas Provisions**

### **K.1 Methane Reduction Collaborative and K.2 Residential Methane Detector**

#### **Program**

Pace supports the Joint Proposal's provisions regarding a methane reduction collaborative and a residential methane detector program. A methane reduction collaborative was established in Con Edison's 2014 Gas Rate plan with an objective to address Type 3 leaks.<sup>58</sup> This collaborative includes a pilot for addressing Type 3 leaks that is scheduled to be completed this year, and signatories to the Joint Proposal recommended next steps in the program to further consider prioritization of Type 3 leak repairs using leak flow rate on an ongoing basis and to consider prioritization of pipe replacement activities using leak flow rate as a secondary factor.<sup>59</sup> Furthermore, the Company has committed to working with stakeholders to develop a residential methane detector program that will provide residents with no-cost methane detectors to install inside their homes. "The Company will file a plan with the Commission setting forth selection criteria, timing, reporting status, and administration by December 31, 2016."<sup>60</sup> Pace strongly supports these greenhouse gas emission-reducing initiatives, which will help achieve the New York State Energy Plan's greenhouse gas emission reduction goals.<sup>61</sup>

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<sup>58</sup> Joint Proposal at 86.

<sup>59</sup> *Id.*

<sup>60</sup> *Id.* at 87.

<sup>61</sup> New York State Energy Plan.

## **M. Advanced Metering Infrastructure**

### **M.1. AMI Scorecard**

On March 17, 2016, the Commission approved an AMI Business Plan for Con Edison that includes a six-year program to implement and fully deploy AMI systems throughout the Company's electric and gas service areas.<sup>62</sup> In the Order, the Commission recognizes that AMI deployment makes a significant contribution to the Company's assumption of the role of a DSP and empowers customers to become active in their energy usage through increased access to their usage information.<sup>63</sup> Furthermore, deployment of AMI is necessary to further the goals of REV. REV seeks to have utilities act as facilitators for customers who seek to better engage with the grid and become more involved in controlling their energy usage.<sup>64</sup> AMI provides both the Company and the customer with the necessary information to meet these goals.

Pace witnesses Daniel Leonhardt and Thomas Bourgeois ("Pace AMI Metrics Panel") commented on the need for various AMI metrics in addition to those that the Company initially proposed in its direct testimony, including metrics designed to measure and track customer outreach, education and training, energy usage reductions, number of customers sharing energy usage information through Green Button Connect, and evaluations of the effectiveness of AMI on low- and middle-income customers.<sup>65</sup> Witnesses Leonhardt and Bourgeois recommended additional metrics on the effectiveness of AMI in promoting DER, stating, "[t]he Company's investment in AMI is fundamental to the REV goal of enabling a variety of new grid markets and

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<sup>62</sup> Order Approving AMI Business Plan Subject to Conditions, (March 17, 2016) (No. 15-E-0050), at 4.

<sup>63</sup> *Id.* at 19.

<sup>64</sup> *See, e.g.* REV Track 1 Order at 35, 58-60.

<sup>65</sup> Pace AMI Metrics Panel Test. at 13:18-20. *See also id.* at 8: 20-21, 9:1-2 ("we strongly support the inclusion of metrics to measure low-income customer engagement in, and benefits from the AMI program, and we are encouraged by the additional opportunities for serving LMI customers that the AMI project represents").

grid capabilities that will permit DERs to play a far greater role in system planning and operation[.]<sup>66</sup>

Pace supports the Joint Proposal provisions requiring the Company to develop metrics for AMI “that can be used by the Commission to monitor the success of this AMI project based on Con Edison’s purported benefits related to system operation, outage management, and billing errors.”<sup>67</sup> These metrics include monitoring customers using the AMI portal (with a separate metric for monitoring low-income users), customers being targeted with energy-saving messaging, customers with access to near real-time energy use data, customer awareness, the number of customers who share their data via Green Button Connect, the number of customers with AMI meters who adopt a time-of-use or time-variable pricing tariff, and metrics measuring the number of customers that install DER technologies after their AMI meters are in place.<sup>68</sup>

Pace supports the strong AMI metrics in the Joint Proposal, which include the additional metrics Pace recommended in its testimony. The AMI metrics will evaluate the effectiveness of the AMI rollout, outreach, and education, and AMI meters’ role in meeting REV-related goals (including additional DER penetration and energy usage reductions) among all customer segments, including low- and moderate-income customers.

## **O. Studies and Collaboratives**

### **O.1. Interconnection Procedures Collaborative**

Under the Joint Proposal, Con Edison will hold a meeting prior to the effective date of the rate plan to review its microgrid interconnection specifications with interested parties and developers to receive their input before issuing revised specifications; if necessary, the Company

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<sup>66</sup> *Id.* at 13:18-20.

<sup>67</sup> Joint Proposal at 96.

<sup>68</sup> *See* Joint Proposal, App. 18.

will hold an additional meeting after the rate plan effective date to receive additional input.<sup>69</sup>

Pace originally proposed this in its direct testimony, and supports the Joint Proposal's provisions for collaborative development of updated standards and specifications for microgrids.<sup>70</sup>

### **O.6. Climate Change Vulnerability Study**

In 2014, the Company was ordered to complete a climate change vulnerability study in relation to the work it is doing in the Storm Hardening Collaborative.<sup>71</sup> The Company originally made no commitments to begin or complete the study within this rate plan, claiming that the Commission had not yet authorized funding for this study. The Joint Proposal now provides funding for this important study and requires the Company to complete the study by December 31, 2019. Pace supports these provisions as they are in line with the goals of REV, Commission Orders, and the testimony of Pace witness Michael Gerrard.<sup>72</sup>

### **Conclusion**

For the foregoing reasons, Pace recommends that the Commission adopt and approve the Joint Proposal.

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<sup>69</sup> See Joint Proposal at 107-9, n.91.

<sup>70</sup> See, e.g., Test. of Jordan Gerow at 9 (“I am further recommending that the Company engage with third-party microgrid developers and interested parties in the development of updated standards and specifications for microgrids.”).

<sup>71</sup> See Test. of Pace Witness Michael Gerrard at 3; Order Approving Electric, Gas and Steam Rate Plans in Accord with Joint Proposal, (13-E-0030) (Feb. 21, 2014), at 71.

<sup>72</sup> See, e.g., Test. of Michael Gerrard at 4-5 (“no one has yet conducted a comprehensive examination of the ways in which the electricity infrastructure maintained by ConEd is vulnerable to climate change impacts. See Storm Hardening and Resiliency Collaborative Phase III Report, at 119–20 (Sept. 2015). This gap helps explain why the Commission has itself acknowledged the Study’s importance and urgency. See Case 13-E-0030, Order Adopting Storm Hardening and Resiliency Collaborative Phase Two Report Subject to Modifications, at 22 (Feb. 5, 2015) (“While the Commission recognizes that the science of climate change is developing and the Climate Change Vulnerability Study is a substantial undertaking for the Company, it must be available for the Commission’s use by March 2019 (five years after the issuance of the 2014 Rate Order).”).

Respectfully Submitted,

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**Certificate of Service**

The undersigned certifies that a true and correct copy of the foregoing document was served via electronic mail on all parties to the proceeding on this 14th day of October, 2016.

/s/ Willard Burns