



February 3, 2020

Hon. Michelle L. Phillips
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 19-M-0463 – In the Matter of Consolidated Billing for Distributed Energy Resources

Dear Secretary Phillips:

Pursuant to Ordering Clause 1 of the Commission's December 12, 2019 Order Regarding Consolidated Billing for Community Distributed Generation in Case 19-M-0463, Central Hudson hereby files its Implementation Plan for Community Distributed Generation Net Crediting.

Questions related to this submission should be directed to Stacy Powers at spowers@cenhud.com or (845) 486-6083.

Respectfully,

/s/ Paul A. Colbert

Paul A. Colbert
Associate General Counsel
Regulatory Affairs

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**In the Matter of the Value of Consolidated Billing for
Distributed Energy Resources**

Case 19-M-0463

**Net Crediting for Community Distributed Generation
Implementation Plan**

February 3, 2020

**CENTRAL HUDSON GAS & ELECTRIC CORPORATION
284 South Avenue
Poughkeepsie, N.Y. 12601**



I. Background

In March 2017, the Commission issued its *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters* in Cases 15-E-0751 et al. The Commission directed Department of Public Service Staff (Staff) to confer with the Joint Utilities and market participants and evaluate and report to the Commission on the following topics: (1) whether utilities should enable utility consolidated billing for Community Distributed Generation (CDG) projects; (2) the actions required to do so; and, (3) the conditions required to make such billing work properly and to ensure consumers and ratepayers are appropriately protected.

In its September 14, 2017 *Order on Phase One Value of Distributed Energy Resources Implementation Proposals, Cost Mitigation Issues, and Related Matters* issued in the same proceeding, the Commission directed the Joint Utilities to file, within 60 days, an automation and billing report which included an evaluation of practicality, cost, and timeline for implementing consolidated billing. As required, the Company filed its automation and billing report on November 13, 2017 in Case 15-E-0751.

On June 18, 2019, the Commission issued a Notice Seeking Comments Regarding Consolidated Billing for Community Distributed Generation in Case 19-M-0463, which requested comments on the development of consolidated billing for CDG. On September 3, 2019 the Joint Utilities filed a response in regard to this notice.

In its *Order Regarding Consolidated Billing for Community Distributed Generation* (“Consolidated Billing Order”) issued and effective December 12, 2019 in Case 19-M-0463, the Commission adopted the Net Crediting model of consolidated billing as an option for CDG projects. Under the Net Crediting model, CDG Hosts will collect subscription fees through the utility bill in lieu of a separate bill sent from the CDG Host to each subscriber. With Net Crediting, a CDG Host will designate a CDG Savings Rate, or specified percentage benefit, for each project enrolled in Net Crediting. The CDG Savings Rate represents the percent of a project’s generation credits subscribers will receive after subtracting the subscription charge which the utility will send to the CDG Host. To compensate the utility for performing the billing function for the CDG Host, the utility will retain 1% of the total value of the generation credits produced by the Host.

II. Introduction

This Implementation Plan reflects the Company’s initial vision for implementing Net Crediting. To the extent details proposed in this plan subsequently change as a result of later stages in this proceeding including the Net Crediting Agreement and collaborative process, Net Crediting Manual, tariff leaves, Billing Upgrade Report or other updated information, the Company reserves the right to refine the cost and time estimates provided herein.

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The full implementation of Net Crediting for CDGs will ultimately rely on the launch of the Company’s new Customer Information System (“CIS”; “CIS Modernization Project”) in order to automate CDG billing, and specifically the Net Crediting model. This Implementation Plan identifies an interim process to perform Net Crediting manually, on a limited scale, until such time that Net Crediting is fully automated in the new CIS. The complete proposed timeline for full scale Net Crediting implementation is as follows:

Process	Timeline
CDG credits reflected for budget billing customers	August 1, 2020
Manual Implementation of Net Crediting	January 1, 2021
Full Automation of Net Crediting	September 30, 2021

III. Current State

As of January 2020, Central Hudson had 18 active CDG projects with approximately 5,600 subscribers. Of the 18 active projects, 8 are compensated volumetrically (Tranche 0) and 10 are compensated via the Value Stack.

A. Current Billing System

The current legacy CIS does not allow for automated CDG billing and crediting. It is estimated that automation, including requirements for Net Crediting, would take 600-800 hours of development time plus up to 300 hours of additional user testing. This complex work effort would require a significant amount of time from the Company’s limited highly skilled developers, as many internal developer resources are dedicated to the CIS Modernization Project. With the Company’s CIS Modernization Project on the horizon in the next few years, it is not realistic for the Company to dedicate this time and limited resources to programming the legacy CIS – especially given the duplicative nature of programming a system that will no longer be used.

B. Current CDG Billing/Crediting

Today, CDG billing is a manual process for projects compensated both volumetrically and via the Value Stack and is maintained in spreadsheets by the billing department. Each month, every subscriber account is manually assessed multiple times to track each subscriber’s bill amount, calculate the subscriber’s allocated credit and then post the CDG credits to each subscriber’s account and each manual transaction is then reviewed by a second individual for accuracy. The manual work required for the current composition of CDG projects in Central Hudson’s service territory requires two full time equivalent positions.

IV. Net Crediting Participation

Upon implementation of Net Crediting, once enrolled in the program a Host's generation credits will be allocated between the CDG Host and subscribers consistent with the principles of the VDER framework and the CDG Savings Rate and utility discount rate will be applied consistent with the Commission's directives in the Consolidated Billing Order.

The Consolidated Billing Order requested utilities to consider the details of net crediting participation along the parameters discussed below. The Company offers these initial comments on the details of net crediting participation and anticipates these details will be further refined through the development of the Net Crediting Agreement, Net Crediting Manual and tariff leaves required per the Consolidated Billing Order.

A. Timeline for Onboarding

At this time, the Company proposes that the timeline for onboarding CDG Hosts participating in Net Crediting should be no less than the existing timeline for any other CDG Host. Specifically, these requirements specify that CDG Hosts must submit their initial enrollment form at least 60 days before commencing service as a CDG Host and any changes in allocation or participation must be submitted no less than 30 days before the CDG Host's cycle billing date.

B. Exclusion of Anchor Customer from Net Crediting

At this time, the Company believes that it will be able to include the option for a CDG Host to exclude one large, anchor customer from a project's net crediting arrangement without significantly increasing the implementation timeline or costs. With respect to this option, Central Hudson would limit the exclusion to one customer per project and would require the customer to subscribe to at least ten percent of the project's exports in keeping with the intent that this provision be available to a large, anchor customer.

C. Treatment of Banked Host Credits

Under current CDG rules, which will continue with Net Crediting, CDG Hosts may allocate a portion of their net energy output to themselves, or in the instance of a Host's Allocation Request Form totaling less than 100.000% the balance will be retained by the CDG Host. In these instances, the CDG Host must submit written instructions to the Company for allocating any remaining credits to one or more CDG satellite accounts. With the introduction of Net Crediting, rules must be established for when the discount rate and CDG savings rate will be applied to such credits. While the Company believes these details must be worked out in later stages of this proceeding including the discussions surrounding the Net Crediting Agreement, Net Crediting Manual and tariff leaves it offers an initial proposal that the timing of treatment may need to be differentiated by Host compensation type.

D. Waiting Period to Re-establish Net Crediting

In order to facilitate tracking and limit continuous movement in to and out of the Net Crediting program, the Company proposes that CDG Hosts that cease participation in Net Crediting must wait one full year before returning to the program. Similarly, CDG Hosts electing to participate in Net Crediting must do so for a full year and annual periods thereafter. This is consistent with several of the Company's other tariff provisions where customers opting in to a particular rate must remain on that rate for one year.

E. Additional Participation Details

As stated in the Consolidated Billing Order, all existing rules for CDG projects, including minimum membership and subscription size, maximum allocation and credit banking process restrictions will continue to apply to CDG projects participating in Net Crediting.

The Company also offers the following proposed details as they pertain to Net Crediting participation:

- Hosts participating in Net Crediting will receive a paper check from the Company each month; and,
- The Net Credit amount will appear on a subscriber's bill in the payments and adjustments section similar to the location and manner in which current CDG credits appear.

V. Timeline for Implementation

A. Manual Billing and Crediting

Given the current composition of CDG projects as well as future projects in the interconnection queue, the Company proposes to limit Net Crediting participation to only those CDG Hosts compensated via the Value Stack until Net Crediting is fully automated in the new CIS.

In order to implement Net Crediting on a limited, manual, basis the Company must perform a number of initial steps including, but not limited to: modifying the CDG allocation form, modifying existing manual processes to accommodate the Net Crediting model, testing the modified manual processes for accuracy with all possible scenarios, developing procedures, creating and testing new transactions, and training employee(s). Furthermore, many of the employees from the billing department who will be performing these functions will also be needed to develop requirements for the CIS Modernization Project.

Given that the Company does not foresee the final details of Net Crediting being established until the final Net Crediting Agreement and tariff leaves are filed as required by June 1, 2020 in this

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proceeding, and to allow time for the aforementioned processes once the final details are established, the Company proposes to implement Net Crediting for CDG Hosts compensated via the Value Stack on January 1, 2021.

B. Full Automation

Initial, high level requirements have been reviewed by the CIS developers and at this time, the Company anticipates being able to implement fully automated Net Crediting no later than the third quarter of 2021.

C. Budget Billing

Currently, the Company's legacy CIS does not allow for customers on budget billing to see an immediate reduction in their monthly bill when a generation credit is applied to their bill. Instead, the generation credit reduces the annual amount due to the Company and upon their annual budget billing anniversary the customer would realize the benefit of those credits when the sum of the monthly budget installments is compared to the actual annual amount due to determine an over- or under-payment.

The Company is currently reviewing programming requirements to modify this logic and anticipates being able to implement changes within six months of the filing date of this plan to allow budget billing customers to see an immediate reduction in their monthly bill (the monthly amount owed to Central Hudson) upon application of a generation credit.

VI. Cost Estimate

The costs outlined below reflect the Company's initial assessment of potential incremental costs related to the implementation of Net Crediting. As the details of Net Crediting are further refined the Company reserves the right to identify additional incremental costs related to Net Crediting and such costs would be identified in the annual reporting discussed in Section VIII, below.

A. Manual Billing Costs

At this time, the Company anticipates hiring a temporary employee(s) from October 2020 through September 2021 to handle the incremental workload related to Net Crediting including, but not limited to:

- Creating a new CIS account for each Host participating in Net Crediting in order to process payments to the Host;
- Processing Host payments each billing cycle; and,
- Tracking Host credits.

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The estimated cost of a full time temporary employee is \$100,000 and, depending on the level of adoption of Net Crediting, the temporary employee(s) may need to be supplemented with overtime from the existing complement of billing technicians – all of which are incremental costs above those currently reflected in rates.

B. Automation - Upfront Costs

The rough order of magnitude initial estimates for automating Net Crediting in the new CIS are approximately \$400,000 - \$700,000 of incremental capital and expense. These costs will be further refined as more detailed requirements are provided to the CIS developers. Additionally, this effort will require incremental time from management employees across all functions of the Company

Type of Cost	Cost (\$000)	Capital / Expense
External Programming	\$300 – \$500	Capital
Internal Resources	\$110 – \$190	Expense

C. Ongoing Operating Costs

As the Company further refines the details of implementing Net Crediting and begins to establish procedures, additional operating costs may be identified. These types of costs could include, but are not limited to, additional time from Contact Center employees responding to customer inquiries on their bill or extra pages in the bill.

VII. Accounting Plan

As identified above, in order to implement Net Crediting – both on a manual basis and on a fully automated basis – the Company will incur incremental costs above those currently reflected in rates. The Consolidated Billing Order authorizes utilities to defer the revenue requirement impact of prudent, necessary, and incremental costs incurred before billing starts or ongoing costs in excess of recovery through the discount rate.

In order to track deferred incremental costs and recovery through the discount rate, the Company will establish a new regulatory asset account with separate work orders to track 1) the incremental revenue requirement effect of related operating expenses and capital costs (i.e., return on investment and depreciation) and 2) discount revenues retained by the Company. Additionally, a regulatory asset account will be established to accrue interest at the other customer provided capital rate on the net of tax deferred amounts in excess of recovery through the discount rate.

As directed in the Consolidated Billing Order, after the implementation of Net Crediting, and based on actual costs and cost recovery, the Company may propose a change to the discount rate or

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may address any unrecovered deferred costs and associated carrying charges, as well as any over-recoveries through the discount rate, in subsequent rate cases.

VIII. Reporting

As directed by the Consolidated Billing Order, the Company will report by March 31 of each year, beginning with March 31, 2021, costs associated with the implementation and operation of the net crediting model as well as the amount recovered through the discount rate. In addition this reporting will contain the number of CDG Hosts participating in net crediting, the number and capacity of projects and the number of participating customers.