

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
New York on December 15, 2016

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Gregg C. Sayre
Diane X. Burman, concurring

CASE 16-M-0430 - In the Matter of Rate Design Reforms Supporting
the Commission's Reforming the Energy Vision.

ORDER APPROVING STANDBY SERVICE TARIFF
AMENDMENTS WITH MODIFICATIONS

(Issued and Effective December 19, 2016)

BY THE COMMISSION:

INTRODUCTION

On May 19, 2016, the Commission issued its REV Track Two Order¹ and directed the major electric utilities,² other than Consolidated Edison Company of New York, Inc. (Con Edison), to file revisions to their standby service rates to implement offset tariff and reliability credit provisions. NYSEG and RG&E filed their reliability credit tariff provisions as part of

¹ Case 14-M-0101, Reforming the Energy Vision, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued May 19, 2016) (REV Track Two Order).

² Central Hudson Gas and Electric Corporation (Central Hudson), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid (National Grid), Orange and Rockland Utilities, Inc. (O&R) and Rochester Gas and Electric Corporation (RG&E) (collectively, the Companies).

their compliance filings made pursuant to the Commission's Rate Order in Case 15-E-0283, et al.,³ and filed their offset tariff as part of this proceeding. Con Edison was directed to incorporate revisions regarding the reliability credit in its current rate proceeding.⁴

On August 1, 2016, the Companies filed their respective tariff amendments with an effective date of December 1, 2016. Central Hudson's filing has an effective date of January 1, 2017.

BACKGROUND

On July 28, 2015, Department of Public Service Staff (Staff) issued a White Paper⁵ for comment and discussion. The Staff White Paper discussed an extensive set of issues relating to ratemaking in the context of REV, and included recommendations ranging from incremental near-term measures to far-reaching changes in the regulatory direction. Staff's near-term recommendations included implementation of: (1) single and multi-party campus tariffs; and (2) reliability credit tariff provisions for standby customers that are able to demonstrate that they can reduce their load below their contract demand over two consecutive summer periods. Staff recommended implementation of offset tariff provisions similar to Con Edison's offset tariff, modified in two ways: (1) the offset tariff should be available for multiple customers within the

³ Case 15-E-0283, et al., NYSEG and RG&E - Rates, Order Approving Electric and Gas Rate Plans in Accord with Joint Proposal (issued June 15, 2016).

⁴ Case 16-E-0060, Consolidated Edison Company of New York, Inc. - Rates.

⁵ Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision (issued July 28, 2015) (Staff White Paper).

same building; and (2) rather than using the maximum non-coincident peak demand for each account within the campus, the coincident demand of all accounts within the campus should be used to determine contract demand.

The REV Track Two Order directed the Companies to file revisions to their standby service tariffs to implement the standby reliability credit and standby offset tariff provisions as proposed in the Staff White Paper, with modifications. Regarding the campus offset tariff, the Commission rejected Staff's proposal to determine contract demand based on the coincident demand of a campus, and instead upheld the methodology currently in place at Con Edison of setting contract demand separately for each building on the campus based on each building's maximum non-coincident peak demand. With respect to the reliability credit, the Order required that the standby customers be allowed to exclude up to three Outage Events per year from the summer period. The Order indicated that the outage events be taken in minimum increments of 24 hours with up to no more than five 24-hour periods in total for each year. Customer load during these Outage Events will not be considered when determining the customer's reliability credit.

On August 1, 2016, the Companies other than Central Hudson filed their respective tariff amendments with an effective date of December 1, 2016 which were subsequently postponed to January 1, 2017. Central Hudson also filed its tariff amendments on August 1, 2016, with an effective date of January 1, 2017. These filings are discussed below.

NOTICE OF PROPOSED RULEMAKING

On August 9, 2016, the Commission issued a Notice in Case 16-M-0430⁶ soliciting comments on the Companies' tariff filings by September 26, 2016 with reply comments due October 11, 2016. Also, pursuant to the State Administrative Procedure Act (SAPA) §202(1), Notices of Proposed Rulemaking were published in the State Register on August 24, 2016 [SAPA Nos. 16-M-0430SP1, 16-M-0430SP2, 16-M-0430SP3, 16-M-0430SP4, and 16-M-0430SP5]. The time for submission of comments pursuant to the SAPA notices expired on October 11, 2016. Comments received are addressed below. The REV Track Two Order waived the requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1 regarding newspaper publication for these tariff filings.

TARIFF FILINGS

Standby Offset Provisions

The REV Track Two Order directed the Companies to file tariff amendments to implement an offset tariff similar to Con Edison's offset tariff, with improvements as previously described. Con Edison's present offset tariff allows a customer with a private generating facility connected to the Company's distribution system to use the output of the generating system to supply two or more standby service accounts under the same customer's name (single-party offset). The single-party offset tariff provisions allow a customer to interconnect its Distributed Generation (DG) facility to the company's distribution system to serve one or more accounts in one or more buildings, under a single customer name provided the DG unit is rated between 2 MW and 20 MW, and meets the eligibility criteria

⁶ Case 16-M-0430, et al., Rate Design Reforms Supporting REV - Notice of New Case Number and Soliciting Comments on Rate Design Reforms (issued August 9, 2016).

for designation as an efficient Combined Heat and Power facility pursuant to the Commission's January 23, 2004 Order in Case 02-E-0780,⁷. Under a multi-party offset tariff a customer that owns a qualifying DG facility, the "sponsor" customer, is allowed to offset its own load as well as the loads from one or more other customer accounts under different names. As proposed in the Staff White Paper, the other customer accounts must be located in the same building as the sponsor.

Central Hudson and O&R filed tariff revisions reflecting both the single-party offset as well as the multi-party offset consistent with the directive of the Commission, as discussed in the REV Track Two Order. National Grid, NYSEG, and RG&E appropriately filed tariff revisions to reflect the single-party offset, however they did not file tariff revisions to effectuate a multi-party offset.

Reliability Credit

Pursuant to the REV Track Two Order, the Companies were directed to file tariff amendments to implement a reliability credit for standby customers that can reliably reduce their load below their contract demand during two consecutive summer periods. The credit is earned when a standby customer reduces their load below its contract demand over a defined Measurement Period. Per the tariff filings, the Measurement Period is defined as specific Measurement Hours⁸ during weekdays, excluding holidays, over the previous two

⁷ Case 02-E-0780, Order Directing Modifications to Standby Service Tariffs (issued January 23, 2004)

⁸ The Measurement Hours as proposed by the Companies are weekdays from 10 am to 10 pm for Central Hudson; 8 am to 10 pm for National Grid; 7 am to 11 pm for NYSEG and RG&E; and 8 am to 10 pm for O&R, during the Summer Period.

consecutive full summer periods.⁹ As per the Order, the Measurement Period excludes Outage Events which can be up to three time blocks for each summer period that, in aggregate, are comprised of no more than five 24-hour time periods, excluding weekends and holidays. For example, a single 24-hour period beginning on a Friday at 12 pm will continue until the following Monday at 12 pm.¹⁰ The reliability credit will be equal to the difference between the customer's contract demand in kW, and the customer's highest kW demand recorded on the customer's interval meter, net of generation, multiplied by the contract demand delivery charge per kW that is in effect on October 1 of the year in which the credit is determined. The credit will be applied to the customer's successive 12 monthly customer bills commencing in November until the following October. The Companies proposed that customers seeking credits must do so by October 1 of each year the credit is sought and they must specify the Outage Events to be excluded from the Measurement Period.

NYSEG and RG&E filed tariff amendments associated with their reliability credits in their rate case compliance filing. However, in that tariff filing they did not include amendments that would effectuate a reliability credit for customers under a multi-party offset arrangement and thus did not include multi-party reliability credit provisions. National Grid filed appropriate tariff amendments to implement a single-party offset and reliability credit, but did not file similar revisions to implement a multi-party offset arrangement or associated

⁹ The summer periods proposed by the Companies are June 15 through September 15, with the exception of O&R which proposed a Summer Period of June 1 through September 30.

¹⁰ If, for example, the following Monday is designated as a holiday, the single 24-hour period will instead extend until Tuesday at 12 pm.

reliability credit. Central Hudson appropriately filed tariff amendments to effectuate the reliability credit for single-party and multi-party standby configurations, however, as discussed below, incorrectly calculates the reliability credit in the multi-party offset scenarios. Finally, O&R appropriately filed tariff amendments to effectuate the reliability credit in all standby offset configurations.

COMMENTS

Comments were received from Multiple Intervenors (MI) on September 26, 2016. MI's comments were directed at the tariff filing submitted by Central Hudson, National Grid, NYSEG, and RG&E (the Upstate Companies). MI took no position in regard to O&R's filing. MI raised concern over several specific issues, as described below.

Multi-Party Offset

MI takes note in its comments that Central Hudson is the only Upstate Company proposing a multi-party offset tariff that allows two or more customers to participate in a multi-party style offset arrangement. All other Companies, with the exception of O&R, only allow a single customer with multiple accounts to partake in the offset arrangements in their proposed tariffs. MI urges the Commission to direct NYSEG, RG&E, and Niagara Mohawk to file revised tariffs to effectuate a multi-party offset similar to Central Hudson.

Reliability Credit - Total Demand Reduction

MI urges the Commission to clarify that, in all standby configurations, the calculation of the reliability credit for all the Companies take into account not just the performance of the DG unit(s), but all means of responsive demand reduction. MI points out that in the REV Track Two Order the Commission rejected an argument posed by the Companies that

the reliability credit should take into account only the performance of the DG unit. The Commission decided in the REV Track Two Order that the Companies' argument ignored a central tenant of REV, which is that a variety of distributed energy resources (DER) and customer activities should be encouraged to produce desired outcomes. The Commission stated that a customer with a DG unit that is combined with storage, demand-reducing technology, or any other means of responsive demand reduction, produces reliability just as well as a 100% reliable generation unit. MI points out that when the Commission rejected this argument, it did not make a distinction between single-party and multi-party offset configuration with respect to the proper calculation of the reliability credit.

MI also states that, in its tariff filing, Central Hudson calculates the reliability credit differently for single-party offset and multi-party offset. MI claims that the multi-party offset methodology fails to take into account all sources of demand reduction. MI takes issue with the following Central Hudson tariff language, "If service is taken under the Multi-Party Offset of Special Provision 1.10, the Credit for any Measurement Period will be equal to the product of: (a) the lesser of the lowest kW recorded on the Output Meter during the Measurement Period or the aggregated Contract Demands of the Recipient Accounts as of October 1." MI States that this treatment ignores and contradicts the Commission's ruling in the Track Two Order that the reliability credit should not just be limited to the performance of the DG unit.

Errors in Calculation of Reliability Credit

MI identifies a number of errors with respect to the calculation of the reliability credit for both Central Hudson and National Grid, and requests that the Commission direct those companies to submit revised tariff language that addresses the

errors. First, MI discusses the errors in Central Hudson's tariff. Central Hudson's filed tariff Leaf No. 272.17.7 states, "the Credit will be equal to the difference between the Standby Customer's Contract Demand in kW, and their highest kW demand recorded on the Customer's interval meter (net of generation) during the previous two consecutive full Summer periods, multiplied by the Contract Demand Delivery Charge per kW that is in effect on October 1 of the year in which the credit is determined." MI states that the phrase "two consecutive full Summer Periods" should be replaced with "Measurement Period" because the REV Track Two Order directed each Company to allow the customer to exclude up to three outage events, regardless of cause, during each summer period, comprised of no more than five 24 hour weekday periods. MI states the Central Hudson's proposed tariff ignores this directive, which its proposed modification would correct.

MI cites another error in Central Hudson's filing on Leaf No. 272.17.8, by which the Measurement Period is defined as "weekdays from 10 a.m. to 10 p.m. during the previous two consecutive full Summer Periods. The measurement period would exclude Outage Events, regardless of cause, as selected by the Customer, as well as holidays (i.e., Independence Day (observed) if it falls on a weekday and Labor Day)." MI states this definition would require Central Hudson's customers to wait until two full years' worth of data is collected before being eligible to earn a reliability credit; and that this language is contrary to the tariffs proposed by the other Companies. MI states the first sentence should be modified to state "weekdays from 10 a.m. to 10 p.m. during the previous two consecutive full Summer Periods provided, however, that the first year in which a Customer seeks a Credit, the Measurement Period is from 10 a.m. to 10 p.m. during the previous full Summer Period only." MI

believes that this added clarification would ensure that Central Hudson customers are not forced to wait two years before becoming eligible for the reliability credit.

Second, MI addresses errors in National Grid's filed tariff leaf 440 which includes the following language: "The Credit for any Defined Measurement Period will be equal to the difference between the Customers' contract demand in kW, and the Customer's highest kW demand recorded on the Customer's output meter (net of generation)". MI recommends that the phrase "output meter" be replaced with "interval meter(s)." MI explains that the "output meter" is used to record generator output. MI further states that with this language change, National Grid's method for calculating the reliability credit would be consistent with the tariffs of the other Upstate Companies.

DISCUSSION AND CONCLUSION

The Companies have amended their standby tariffs to include standby offset provisions and reliability credit provisions in compliance with the REV Track Two Order. However, as stated by MI, National Grid, NYSEG, and RG&E did not include the multi-party offset provisions that were required by the Commission in the REV Track Two Order. This improvement allows different customers in the same building to benefit from shared use of a common DER. The REV Track Two Order requires that the Companies implement an offset tariff allowing for multiple customer use within the same building. The only utilities that proposed such tariff amendments were Central Hudson and O&R. Therefore, the Commission directs National Grid, NYSEG, and RG&E to file further revisions to effectuate this multi-party offset. National Grid, NYSEG, and RG&E should structure their respective multi-party offset tariffs similarly to that proposed by O&R,

which correctly implements the multi-party offset tariff as envisioned by the Commission.

MI also correctly points out that in the REV Track Two Order, the Commission rejected the utilities' proposal to base the reliability credit solely on the performance of the DG unit, as doing such ignores the other DERs and actions a customer may undertake to achieve the desired outcome of reducing demand on the utility system during peak periods. The Commission did not make a distinction between single-party and multi-party offset configuration with respect to the calculation of the reliability credit, and, furthermore, no compelling evidence has been presented as to why customers in the single-party offset or multi-party offset configuration should be treated differently. The Commission clarifies that for both the single-party offset and multi-party offset, any reduction in demand should be counted towards the reduction in the customer(s) demand, regardless of cause. Therefore, the Commission directs Central Hudson to modify its tariff provisions for the multi-party offset reliability credit calculation to take into account all means of demand reduction from customers that partake in a multi-party offset. National Grid, NYSEG and RG&E are also directed to file such provisions in their further revisions. O&R correctly applies this principle in its tariff implementing the multi-party offset, and may, therefore, be used as a model for the other utilities.

MI also correctly cites multiple errors in calculating the reliability credit in both Central Hudson and National Grid's proposed tariffs. The Commission directs Central Hudson and National Grid to file further modifications correcting the errors discussed above.

Further, all of the Companies, with the exception of Central Hudson, filed Measurement Period hours based on the

hours for which their daily as-used demand is measured. Central Hudson filed measurement period hours consistent with the Con Edison's performance credit measurement hours. The performance credits is similar to the reliability credit but performance is based solely on minimum generator output. The performance credit measurement period hours of 10 AM to 10 PM were established in a negotiated rate case proceeding specific to Con Edison. The measurement hours used for the purposes of the reliability credit should be based on the principles of cost causation and should be set to the same hours as when the Daily As-Used Demand for standby customers is measured. Therefore, the measurement hours for use in Central Hudson should be aligned with Central Hudson's tariff, from 7 AM to 11 PM.

Finally, for consistency among the Companies, we direct NYSEG, RG&E, National Grid and Central Hudson to file further modifications to their definitions of "Summer Periods" such that the summer period be defined as June 1 through September 30. This will make the summer periods across the State consistent, as well as account for unusual weather that can occur in early and late summer when demands on the system can be high. The Commission anticipates that controlling demands during early June and late September will become increasingly important, and it is therefore reasonable to define the Summer Period to provide incentives for customers to control their demands during these periods. With this change the Commission will require the Companies to modify the date by which the customers must request the reliability credit, from October 1 to October 14 each year, in order to give customers a reasonable amount of time to select which Outage Events to exclude from measurement each summer.

The further amendments as discussed herein will effectuate standby offset tariff provisions for both single-

party and multi-party configurations, as well as the reliability credit as envisioned in the Staff White Paper and the REV Track Two Order. The Commission anticipates that these modified tariffs will overcome some of the barriers identified by customers and DER developers due to the present standby rate design, and help further the expansion of DER throughout the State. The Companies are directed make the modifications discussed herein no later than December 22, 2016, to become effective on January 1, 2017. Since the tariff modifications required in compliance with this Order are relatively minor, and are well discussed herein, the Companies' requirement for newspaper publication of these tariff changes is waived.

The Commission orders:

1. The tariff amendments filed by Central Hudson Gas and Electric Corporation, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation and listed in the Appendix shall go into effect on January 1, 2017 provided each utility files further revisions as discussed in the body of this Order by no later than December 22, 2016, to become effective on January 1, 2017.

2. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1 as to newspaper publication with respect to the tariff amendments directed in Clause 1 above are waived.

3. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

4. This proceeding is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary

SUBJECT: Filing by CENTRAL HUDSON GAS AND ELECTRIC CORPORATION

Amendments to Schedule P.S.C. No. 15 - Electricity

Original Leaves Nos. 272.17.1, 272.17.2,
272.17.3, 272.17.4, 272.17.5, 272.17.6, 272.17.7,
272.17.8, 272.18.1

Issued: August 1, 2016 Effective: January 1, 2017

SAPA: 16-M-0430SP1 - STATE REGISTER - August 24, 2016

NEWSPAPER PUBLICATION: Waived

SUBJECT: Filing by NEW YORK STATE ELECTRIC & GAS CORPORATION

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

Original Leaves Nos. 294.13, 294.14, 294.15,
294.16

Issued: August 1, 2016 Effective: December 1, 2016
Postponed to January 1, 2017.

SAPA: 16-M-0430SP2 - STATE REGISTER - August 24, 2016

NEWSPAPER PUBLICATION: Waived

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

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

Second Revised Leaves Nos. 435, 437, 440
Fourth Revised Leaf No. 436
Fifth Revised Leaf No. 441

Issued: August 1, 2016 Effective: December 1, 2016
Postponed to January 1, 2017.

SAPA: 16-M-0430SP3 - STATE REGISTER - August 24, 2016

NEWSPAPER PUBLICATION: Waived

SUBJECT: Filing by ORANGE AND ROCKLAND UTILITIES, INC.

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

Original Leaves Nos. 393, 394, 395, 396, 397, 398

Third Revised Leaves Nos. 391, 392

Fourth Revised Leaves Nos. 251, 390

Issued: August 1, 2016 Effective: December 1, 2016
Postponed to January 1, 2017.

SAPA: 16-M-0430SP4 - STATE REGISTER - August 24, 2016

NEWSPAPER PUBLICATION: Waived

SUBJECT: Filing by ROCHESTER GAS AND ELECTRIC CORPORATION

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

Original Leaves Nos. 252, 253, 254

First Revised Leaf No. 251

Issued: August 1, 2016 Effective: December 1, 2016
Postponed to January 1, 2017.

SAPA: 16-M-0430SP5 - STATE REGISTER - August 24, 2016

NEWSPAPER PUBLICATION: Waived

CASE 16-M-0430

Commissioner Diane X. Burman, concurring:

As reflected in my comments made at the December 15, 2016 session, I concur on this item.