

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

-----X
Proceeding to Implement the
Utility Thermal Energy Network
And Jobs Act
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Case 22-M-0429

**PETITION OF ROCHESTER GAS AND ELECTRIC CORPORATION
FOR NYS PUBLIC SERVICE COMMISSION AUTHORIZATION TO
RECOVER NECESSARY UTILITY THERMAL ENERGY NETWORK PILOT
STAGE 2 COSTS**

I. Introduction

In September 2023, the New York Public Service Commission (“Commission”) issued a guidance order (“Guidance Order”) that outlined a “stage-gating” approach for the development of the Utility Thermal Energy Network (“UTEN”) pilot projects.¹ Stage 2 is the Pilot Project Engineering Design and Customer Protection Plan stage, which includes a ten (10) percent spending cap based on each of the total pilot project cost estimates that were initially estimated in January 2023.² Accordingly, the Guidance Order authorized Rochester Gas and Electric Corporation (“RG&E”, or the “Company”) pilot project funding through Stage 2: \$1.3 million for RG&E’s proposed pilot in Rochester.³ Later, in April 2024, Department of Public Service Staff (“Staff”) issued a compliance letter stating the Rochester pilot is approved to proceed to Stage 2.⁴

¹ Case 22-M-0429, *Proceeding on Motion of the Commission to Implement the Requirements of the Utility Thermal Energy Network and Jobs Act* (UTEN Proceeding), Order Providing Guidance on Development of Utility Thermal Energy Network Pilot Projects (issued September 14, 2023) (Guidance Order).

² Guidance Order, Appendix A pg. 1; Case 22-M-0429, Case 22-M-0429, *Proceeding on Motion of the Commission to Implement the Requirements of the Utility Thermal Energy Network and Jobs Act*, Rochester Gas and Electric Corporation’s Proposals for Thermal Energy Network Pilots (filed January 9, 2023).

³ UTEN Proceeding, Guidance Order, Appendix A, p. 1.

⁴ Case 22-M-0429, *Proceeding on Motion of the Commission to Implement the Requirements of the Utility Thermal Energy Network and Jobs Act*, Rochester Pilot Stage 2 Approval Letter (issued April 9, 2024).

As the Company has continued development of the pilot into Stage 2, there is now a better understanding of the Stage 2 scope and associated costs. It is now clear that the funding authorized by the Guidance Order is insufficient for the required project activities through Stage 2.⁵ More funding is needed, particularly for internal labor and engineering-related costs. These necessary Stage 2 costs are further detailed in this petition and the attached Appendix A.

Accordingly, with approval to move to Stage 2 for the Rochester pilot, the Company now seeks authorization to spend a total of \$3.4 million through Stage 2 for the Rochester pilot, which is an additional \$2.1 million more than the funding authorized by the Guidance Order.⁶ The Commission's approval of this additional funding request will enable the Company to complete Stage 2 of the UTEN pilot. Therefore, the Company respectfully requests that the Commission approve this additional funding request prior to expected exhaustion of the currently authorized funding in Q4 2024.⁷

⁵ As the Company initially noted, the Guidance Order's authorized funding would be insufficient. *Rochester Gas and Electric Corporation's Final Rochester Utility Thermal Energy Network Pilot Project Proposal* (filed December 15, 2023) pgs. 19-20,30.

⁶ RG&E now estimates the overall project costs will be greater than the initial project estimate, as such, the funding now request through Stage 2 would be within 10% of the new total project cost estimate.

⁷ Case 22-M-0429, *Rochester Gas and Electric Corporation's Final Rochester Utility Thermal Energy Network Pilot Project Proposal* (filed December 15, 2023) pg. 30.

II. Funding Request

To complete Stage 2, RG&E forecasts a total need of \$3.4 million for the Rochester pilot, which is \$2.1 million more than the \$1.3 million previously authorized by the Guidance Order.

This additional funding is needed for internal labor and engineering-related services through Stage 2 of the UTEN pilot, which represent an entirely new utility service. Per the Guidance Order requirements, in Stage 2 the Company must develop the UTEN final project engineering designs, construction documents, operational requirements, emergency plan, damage prevention program, cost recovery approach, performance metrics and other data collection and reporting structures, and a project-specific Final Customer Protection Plan. The Guidance Order also requires the Company to acquire permits and identify the training and qualification programs and activities that will be required to ensure the integrity of the system. The Guidance Order further requires implementation of the Customer Engagement Plan. To accomplish these requirements, the Company forecasts the need for the additional funding for internal labor costs and engineering-related costs in Stage 2 as summarized in Table 1 below. These labor and engineering-related costs include incremental labor; overheads; allowance for funds used during construction (AFUDC); and third-party services including but not limited to engineering and engineering related services.

Table 1. Summary of Funding Needs Through Stage 2 of the RG&E Rochester Pilot.

Stage 2 Funding Category	RG&E - Rochester (\$Million)
Internal Labor Funding Needed	\$1.23
Engineering-Related Funding Needed	\$2.17
Total Funding Needed (Internal Labor + Engineering-Related)	\$3.40
Total Funding Already Authorized by the Guidance Order	\$1.30
Total Additional Funding Requested	\$2.10

A. Internal Labor Funding Request

The labor request covers a total of four (4) full time equivalents (“FTEs”), which are additional/incremental to labor funded through the RG&E’s rate plan.⁸ This is consistent with the Stage 1 filings’ anticipated need for additional incremental FTEs.⁹ Initial roles and responsibilities of these four FTEs are summarized in Table 2 below.

⁸ Case 22-E-0317 et. al. *Order Adopting Joint Proposal* (issued and effective October 12, 2023).

⁹ Case 22-M-0429, *Rochester Gas and Electric Corporation’s Final Rochester Utility Thermal Energy Network Pilot Project Proposal* (filed December 15, 2023) pg. 53 (“The Companies will develop a comprehensive staffing plan outlining the number of FTEs needed, their roles, and the duration of their involvement which will be included in a subsequent filing made with the Commission”).

Table 2. Initial Roles and Responsibilities of Internal Labor Needed Through Stage 2

Role	Responsibility	Total FTEs
Project Manager	Manage project schedules, project financing, forecasting, expense tracking and financial reporting. Identify and plan company trainings. Oversee workforce development	1
Lead Engineer	Oversee third party engineering design, development of standards, emergency operations plan, damage protection plan	1
Regulatory Project Manager	Oversee policy and regulatory frameworks for UTEN and Customer Protection Plan development. Manage integration of performance metrics	1
Customer & Community Outreach Lead	Implement Customer Engagement Plan. Inform, educate, recruit, and maintain relationships with proposed UTEN customers and the community. Prepare project communications	1

Funding for these requested roles encompass a wide range of labor necessary to support overall design and development of the Company’s pilot through Stage 2 as required by the Guidance Order. As the pilot continues to advance, the roles and responsibilities for the four FTEs may be further defined.

B. Engineering-Related Funding Request

Significant engineering-related costs, such as permitting; easements and land purchases; and expanded third party services, which include but are not limited to well test drilling and

development of operational requirements, emergency plan, and damage prevention program are also needed to meet the Stage 2 requirements. As the Rochester pilot advanced into Stage 2, the scope and cost of the engineering-related work has become better understood. The additional engineering-related costs are represented in Appendix A.

III. Need for Expedited Review and Approval

For the reasons outlined above, the Company respectfully seeks the Commission's favorable approval of this petition for additional funding. The Company also respectfully requests that the approval be granted prior to the exhaustion of the Company's currently approved Stage 2 funding, which is projected to be in Q4 2024.

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