STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of Proactive Planning for Upgraded Electric Grid Infrastructure	)))	Case 24-E-0364

JOINT UTILITIES' PROACTIVE PLANNING URGENT UPGRADE PROJECTS EVALUATION AND FUNDING PROPOSAL

The dynamic policy environment and rapid pace of electrification requires a proactive approach to support areas of concentrated load growth and, subsequently, grid upgrades to accommodate these areas. Recognizing this new dynamic, the New York Public Service Commission's (Commission) *Order Establishing Proactive Planning Proceeding*[1] (Order) directs the Joint Utilities[2] to file (i) utility-specific proposals for urgent infrastructure upgrade projects (Urgent Upgrade Projects) to support customer building and vehicle electrification (Urgent Projects Filings) and (ii) a joint filing containing criteria for the Commission to evaluate and fund Urgent Upgrade Projects.

This *Joint Utilities' Proactive Planning Urgent Upgrade Projects Evaluation and Funding Proposal* contains a common approach to evaluating and funding urgent projects that require Construction-related Activities (described in section I (B) below) to begin before the first cycle of the comprehensive long-term proactive planning process that the Commission directed,[3] which will likely be completed around mid-2026.[4] Through the overall proactive planning

[1] Case 24-E-0364, *In the Matter of Proactive Planning for Upgraded Electric Grid Infrastructure* (Proactive Planning Proceeding), Order Establishing Proactive Planning Proceeding (issued August 15, 2024) (Order).

[2] The Joint Utilities are Central Hudson Gas & Electric Corp. (Central Hudson); Consolidated Edison Company of New York, Inc. (Con Edison); Niagara Mohawk Power Corporation d/b/a National Grid (National Grid); New York State Electric & Gas Corporation (NYSEG); Orange & Rockland Utilities, Inc. (O&R); and Rochester Gas and Electric Corporation (RG&E). Throughout this document, when referring to a single or generic company the term "utility" will not be capitalized.

[3] The Joint Utilities will address features of a systematic and recurring proactive planning process in the upcoming Long-Term Planning Framework filing, which will be filed in compliance with the Order. *See, Proactive Planning Proceeding,* Order, pp. 7-9.

[4] Proactive Planning Proceeding, Order, p 12.

process established by the Commission, the Joint Utilities will support achieving Statewide electrification targets and other policy goals.

I. Evaluation of Urgent Upgrade Projects Criteria

The Order directs the Joint Utilities to propose evaluation criteria for the expedited review of projects that must be undertaken to meet expected or realized transportation and building electrification load growth. The Joint Utilities propose four criteria and standards for the Commission to consider when reviewing company-specific Urgent Projects Filings for approval. These criteria provide a structure for demonstrating that projects should be done urgently and cannot or should not wait for either a pending or future rate case or the completion of the long-term planning framework. Simply put, if Construction-related Activities for these projects do not commence in a timely fashion, there may be a delay in customer electrification plans, and consequently, achievement of New York State's (the State) policy objectives.

The criteria described below in section I (A) are designed to: (i) demonstrate that projects are required to meet load growth from building and/or transportation electrification; (ii) justify the urgency of specific projects consistent with Order requirements; (iii) demonstrate a degree of certainty that load will materialize at the location, magnitude, and timing solved for by a utility's project proposal; and (iv) confirm that projects are designed to manage risks related to under- or over-building new infrastructure.

The Joint Utilities emphasize the importance of project timelines in the Urgent Upgrade Projects criteria. Many grid infrastructure projects – including projects designed to address transportation and building electrification – require both upfront work and capital investment prior to initiating physical construction, such as project engineering, design, equipment procurement, and permitting processes, including, for example, Article VII.[5]

A. Urgent Project Criteria

The project selection and evaluation criteria described here provide a comprehensive methodology for prioritizing urgent and necessary projects that meet the Order's Urgent Upgrade Projects requirements. In each utility's Urgent Projects Filing, the utility describes how proposed

[5] NY Public Service Law Article VII, Siting of Major Utility Transmission Facilities.

projects align with the evaluation criteria outlined below. These filings also include additional context and territory-specific information, such as rate case timing, specifics related to electric load forecasts or customer engagement, and features of electric system architecture that are important when evaluating the proposals.

i. Upgrade Required to Enable Transportation or Building Electrification

Criteria	Demonstrate that an upgrade project is required to serve anticipated load with strong ties to transportation and/or building electrification.
How utilities can demonstrate criteria compliance	The utility will demonstrate that load growth is driven by building and/or electric vehicle load that existing infrastructure cannot accommodate. The utility will quantify the electrification load-related need projected to exist in a specific portion of its system through one or more of the following elements: • System forecast; • Granular load study;[6] or • Customer requests or electrification plans. The utility will indicate which of the three elements above form the basis for identifying the need addressed in each Urgent Projects Filing. It will also provide relevant supporting information.

ii. Urgency Determination

Criteria	Demonstrate that "Construction-related Activities" (described in section I (B) below) must commence by July 1, 2026 to avoid the risk of delay in connection of customer electrification load.
How utilities can demonstrate criteria compliance	To demonstrate that Construction-related Activities should be initiated by July 1, 2026, a utility's filing will: • Demonstrate a timeline for when infrastructure upgrades should be completed by forecasting the expected load to support customer requirements and/or meet policy targets, taking into consideration the existing load and the capability of existing infrastructure. The utility can demonstrate forecasted load through one or more of the following: sales targets and adoption curves, which may include targeting policy compliance in a given year (e.g., enabling Advanced Clean Cars II (ACC II)[7] and Advanced Clean Trucks

[6] Granular load studies refer to a bottoms-up approach to load expected to materialize, which starts by estimating load within a discrete area at the distribution level and aggregates upwards. This approach allows for increased precision in dealing with highly clustered load pockets and allows for more targeted investment identification that may not be well-captured in a traditional top-down load forecasting approach.

[7] *See,* 6 NYCRR Part 218.

(ACT)[8] compliance in 2030); the New York Independent System Operator (NYISO) forecast; granular load studies; system forecasts; customer requirements or information; or other approaches explained by the utility.

- Provide an estimated timeline for Construction-related Activities for the upgrades to address the need, considering dependencies, such as long lead time procurement timelines, permitting requests (with supporting data), interconnection timelines, and other factors which may impact project completion dates.[9] Wherever feasible, construction timelines should be designed to allow utility infrastructure to be ready ahead of the expected load.
- Determine when Construction-related Activities should begin to meet the identified need. A project will be considered "Urgent" if the beginning of Construction-related Activities and associated expenditures must occur by July 1, 2026 to avoid the risk of delay in connection of customer electrification load. This criteria is automatically met if there is a need for capacity by 2026.
- Explain the consequences of project delay (including negative customer impacts and obstacles to policy achievement) within each utility's Urgent Projects Filing.
- Describe relevant tools or processes used for project selection and prioritization.

iii. Degree of Certainty

Criteria	Demonstrate a high degree of certainty of the need for each project based on location, magnitude, and timing of expected load, and demonstrate how the utility proposal manages stranded asset risk.
How utilities can demonstrate criteria compliance	The utility will discuss assumptions and methodologies used to develop load projections, which may include: • Forecasting load that aligns with concrete policy mandates, such as ACC II and ACT regulations, and the New York State Clean School Bus Mandate;[10] • Clear and transparent load study assumptions; • Demonstrating reasonable efforts to incorporate granular information, such as traffic patterns, duty cycles, charging behavior, and depot locations; and/or

[8] *See,* 6 NYCRR Part 218-4.1.

[9] The utilities will provide examples in their Urgent Projects Filings.

[10] The New York State clean school bus mandate requires all school bus sales, starting July 1, 2027, to be zero-emissions vehicles (ZEV), and all fleets to convert their buses to ZEV by 2035. https://www.budget.ny.gov/pubs/press/2022/fy23-budget-clean-energy.html

- Incorporating information from customers, such as new business requests and customer-stated plans.

Each utility will address three characteristics of load uncertainty in their urgent project proposals: location, magnitude, and timing. In general, the load projection methodologies employed by the Joint Utilities (including system forecasts, granular bottom-up studies, and incorporating customer plans) appropriately project load, location, and magnitude, with the exact timing of the load being the largest uncertainty in the projections.

In addressing these three characteristics, the utility may justify the degree of certainty by providing information such as: volume and type of new business requests in a given area; existing electric capacity in a given area; impact of relevant laws, regulations, or codes; information supporting a location-specific need (such as proximity to major corridors or airports, site control by a state entity, industrial business zone, Disadvantaged Communities,[11] or inclusion in a State or Federal plan); and customer electrification plans that depend on the Urgent Upgrade Project, where available.

iv. Consideration of Risks and Benefits

Criteria

Demonstrate how an Urgent Upgrade Project (1) is appropriately sized to address risks of over- or underbuilding, and (2) minimizes risks of delayed action and/or considers benefits of early action in making proposed upgrades.

How utilities can demonstrate criteria compliance

To demonstrate that risks related to project sizing have been appropriately managed, the utility's filing will:

1. Demonstrate that Urgent Upgrade Projects are appropriately sized to address initial requirements for load growth and that the utility solution anticipates additional capacity required to serve future expected load. Future load may include transportation and/or building electrification consistent with policy mandates and/or customer input, including consideration of a full electrification scenario and avoiding a piecemeal approach to infrastructure buildout. The utility may additionally demonstrate how the proposed solution considers interplay with other projects and expandability.
2. Discuss the risk of delayed or no action in making proposed upgrades, such as resulting delays in connecting customers who stand ready to electrify (potentially impacting their business priorities), the

[11] Disadvantaged Communities are "communities that bear burdens of negative public-health effects, environmental pollution, impacts of climate change, and possess certain socioeconomic criteria, or comprise high concentrations of low- and moderate-income households …" ECL § 75-0101(5).

The New York State Energy Research and Development Authority (NYSERDA) maintains the Disadvantaged Communities Map, https://www.nyserda.ny.gov/ny/Disadvantaged-Communities.

broader impact to the market of signaling the grid is not capable of supporting electrification projects, and obstacles to policy achievements of businesses and government agencies. The utility will also discuss the benefits of early action, such as improvements in reliability and creating capacity for other non-transportation or building electrification loads forecasted in the near term.

In addition to meeting urgent project criteria, the Joint Utilities will include the following project description elements for each proposed project:

- Consistency with the objectives of the Climate Leadership and Community Protection Act (CLCPA) and State electrification policies.
- Qualitative and/or quantitative project benefits: Where Urgent Upgrade Projects will affect one or more Disadvantaged Communities, the Joint Utilities will discuss how projects impact and benefit those communities (e.g., through capacity created for beneficial electrification, localized reductions in emissions, noise pollution abatement).
- Costs of each Urgent Upgrade Project, including initial capital and associated operating expenditures.
- Assessment of alternative designs or bridge-to-wires solutions[12] needed to support urgent project.
- Project timelines and financial information (e.g., cash flows/funding detail).

B. Construction-related Activities

The Order notes that "if an upgrade is identified as urgent… it must begin construction before the completion of the proposed planning process."[13] Given lengthy procurement timelines and the extensive activities required to make a site construction-ready, the Joint Utilities note that construction includes essential construction-related prerequisites, such as detailed design and engineering, permitting, equipment procurement, and site preparation. These construction activities need to begin before the completion of a Commission-approved long-term proactive planning process to enable a construction schedule consistent with timely delivery of the Urgent Upgrade Projects. These activities are referred to collectively as "Construction-related Activities."

[12] A bridge-to-wires solution is a temporary solution that enables partial or full service at a specific grid location while a more permanent solution is developed and implemented.

[13] Proactive Planning Proceeding, Order, p. 12.

Examples of actions that are Construction-related Activities:

- Incurring expenses toward project development such as, but not limited to, preliminary engineering, detailed engineering and design activities;
- Initiating procurement activities or execution of contracts for project-specific resources and equipment (e.g., downpayment for transformers, circuit breakers, switchgear, structures);
- Beginning site preparation activities (e.g., site clearing and grading, matting, access road construction);
- Placing permanent structures (e.g., footings, piles, slabs, poles, buildings);
- Beginning construction equipment staging; or
- Beginning work crew contracting or mobilization.

Figure 1, below, conveys a generalized project activities timeline, including when authorization is needed to start Construction-related Activities. The utility's Urgent Projects Filings are informed by preliminary or proof-of-concept designs, to be followed by detailed engineering designs (e.g., test pits, feeder routing, feasibility studies, load studies, layout drawings) conducted after regulatory approval.

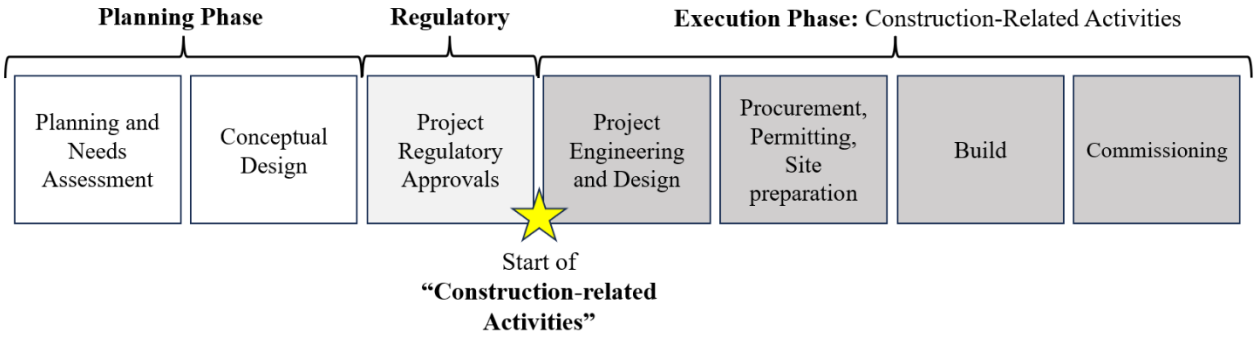

Figure 1: Generalized Timeline/Progress of Construction-related Activities[14]

The commencement of Construction-related Activities demonstrates the utility's commitment to an Urgent Upgrade Project and confidence that the project will proceed. Construction-related Activities may include expenditures related to acquiring real estate, beginning relevant permitting processes, or placing orders for long-lead time items, such as

[14] Exact names and steps differ by utility, and some may happen in parallel in certain cases; this figure represents a generalized view.

transformers. For some projects, these activities can take 4-8 years, indicating that Construction-related Activities need to begin immediately for timely execution of applicable Urgent Upgrade Projects. The Joint Utilities seek the Commission's approval for Urgent Projects before beginning Construction-related Activities.

Commission approval would provide the utilities with certainty of cost recovery, which is needed to allocate the resources required to proceed with Urgent Upgrade Projects in the necessary timeframes. Without funding approval, there is a risk that the projects will not be developed or developed on necessary timelines. This approach to approval in advance of making investments is consistent with the Commission's determinations in other proceedings. Additionally, the Commission's approval to proceed with projects and associated Construction-related Activities will provide confidence to utility customers that the proposed Urgent Upgrade Projects will be built, allowing for investments associated with electrification (e.g., procuring electric vehicle chargers or electric vehicles).

II. Urgent Project Funding and Cost Recovery

The Joint Utilities propose methods of cost allocation and recovery for investments that will produce timely execution of Urgent Projects.

A. Cost Allocation

The Joint Utilities propose maintaining cost allocation principles consistent with mechanisms under each utility's respective Commission rate case cost recovery requirements and/or tariffs. Each utility will propose more specific cost allocation details in its company-specific Urgent Projects filing.

B. Cost Recovery

The Joint Utilities propose that, no later than March 1, 2025, the Commission authorize cost recovery for the development and construction of the Urgent Upgrade Projects. Authorization will provide the utilities with the necessary assurances to begin the Urgent Upgrade Projects and deliver them in a timely manner. The Joint Utilities propose to recover the incremental revenue requirement associated with Urgent Upgrade Projects through a surcharge

mechanism.[15] Alternatively, utilities may seek to continue to recover costs through a surcharge. The Joint Utilities also propose to have the option to either 1) include 100% of Construction Work in Progress (CWIP) in rate base on a current basis (*i.e.*, as capital is spent), or 2) to accrue allowance for funds used during construction (AFUDC) until the project enters service.[16]

This approach will allow the Commission to enable the Joint Utilities to move forward expeditiously, consistent with the aims of the Order.

III. Conclusion

The Joint Utilities appreciate the opportunity to submit this *Joint Utility Urgent Projects Evaluation and Funding Proposal* and urge the Commission to approve the proposal as discussed herein. The Urgent Upgrade Project evaluation and funding approach described here is critical for timely execution of these Urgent Upgrade Projects.

Dated: November 13, 2024

Respectfully submitted,

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[15] For some utilities, a recovery mechanism may be needed between the effective date of this section and the conclusion of the utility's next rate case. This approach is consistent with the Commission's approval of cost-recovery approaches in other proceedings. See, for example, EV Make-Ready Program, Case 18-E-0138, Proceeding on Motion of the Commission Regarding Electric Vehicle Supply Equipment and Infrastructure*, Order Establishing Electric Vehicle Infrastructure Make-Ready Program and Other Programs,* July 16, 2020.

[16] Some utilities may pursue other mechanisms to accelerate cash recovery and will provide additional details in the utility's Urgent Projects Filing.

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