

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on May 16, 2024

COMMISSIONERS PRESENT:

Rory M. Christian, Chair
James S. Alesi
David J. Valesky
John B. Maggiore
Uchenna S. Bright
Denise M. Sheehan

CASE 23-E-0394 - Tariff Filing by Fishers Island Electric Corporation to Modify Its Electric Tariff Schedule, P.S.C. No. 2, to include Rules and Regulations Governing the Purchase of Renewable Energy from New Distributed Generators.

ORDER AUTHORIZING TARIFF AMENDMENTS WITH MODIFICATIONS

(Issued and Effective May 17, 2024)

BY THE COMMISSION:

INTRODUCTION

On July 17, 2023, Fishers Island Electric Corporation (FIEC or the Company) filed proposed tariff amendments to modify its electric schedule, P.S.C. No. 2 - Electricity, to establish rules and regulations governing the purchase of renewable energy from solar and solar paired with energy storage systems.¹ The proposed amendments would implement net energy metering for distributed energy resources (DERs) that are located and used on customers' premises. The also Company filed an Addendum to its

¹ The proposed tariff amendments had an initial effective date of December 1, 2023, but were postponed to June 1, 2024.

tariff that provides the proposed rules of the program as well as the proposed compensation methodologies.

On November 14, 2023, FIEC filed further revisions to provide a more detailed description of the proposed compensation mechanism for interconnected projects below 10 kW. On February 26, 2024, at the request of Department of Public Service staff (Staff), FIEC filed a further revised Addendum-SIR. By this Order, the Commission authorizes the Company's proposed tariff amendments, as modified herein, and Addendum-SIR to become effective on June 1, 2024.

BACKGROUND

FIEC is an electric corporation² that serves Fishers Island, which has a year-round population of 236 residents. During the summer months, the number of residents on Fishers Island increases to approximately 3,000. The Company has 773 electric meters, which consist of 653 residential, 87 commercial and 33 public authority meters. Generally, the electric power provided by FIEC is purchased from Groton Utilities, a publicly owned utility in Connecticut. In addition, electric power is periodically supplied by a diesel generator located on Fishers Island, which is owned and dispatched by Connecticut Municipal Electric Energy Cooperative.

Public Service Law (PSL) §66-j requires electric corporations to enable interconnection and net energy metering for renewable energy generating equipment owned or operated by a customer-generator.³ PSL §66-j(3)(a)(iii) specifies that

² Public Service Law (PSL) §2(13).

³ PSL §66-j allows net energy metering for residential solar, farm waste, non-residential solar electric generating systems, micro-combined heat and power generating equipment, fuel cell electric generating equipment, and micro-hydroelectric generating equipment.

electric corporations are to make up to one percent of their electric demand (from the year 2005) available to customer generators with designated technologies on a first-come, first-served basis. The Commission may allow electric corporations to connect net energy metered generation to its system beyond the one percent cap pursuant to PSL §66-j(3)(b).⁴

TARIFF FILING

FIEC's proposed tariff amendments would allow customers to own and operate solar electric generating equipment, either paired with energy storage or without. Residential and non-residential customers may qualify for the Purchase of Renewable Energy from New Distributed Generators Program (DG Program). The amendments include provisions for eligibility, interconnection costs, metering, customer charges, customer credits, and requirements for interconnection that must be made in compliance with the Addendum-SIR.⁵ The program would be available to qualifying customers on a first-come, first-served basis until the total nameplate generating capacity limit of 30 kW is reached.⁶

The program would be limited to a total rated capacity of 30 kilowatts (kW). FIEC proposed that qualifying customers

⁴ Case 12-E-0343, Petition of Hudson Valley Clean Energy, Inc. to Increase Central Hudson Gas & Electric Corporation's Net Metering Limit, Order Raising Net Metering Limit (issued October 22, 2012).

⁵ The New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators and/or Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems (New York State SIR). Available at: <https://dps.ny.gov/system/files/documents/2023/07/may-2023-sir-final.pdf>.

⁶ Thirty kW is two percent of the Company's average annual system peak load.

must install and operate the DER in compliance with the Addendum entitled "Fishers Island Electric Corporation Standardized Interconnection Requirements and Application Process for New Distributed Generators and Energy Storage Systems 30 kilowatts (kW) or Less Connected in Parallel with Utility Distributed Systems" (Addendum-SIR).

FIEC proposes different delivery charges and compensation mechanisms for DERs based on the nameplate rating interconnected DER. Interconnected DERs below 10 kW⁷ would be charged and compensated using net energy metering rates and compensation as specified in PSL §66-j(4). As described in greater detail below, all other DERs, up to the 30 kW cap,⁸ would pay applicable delivery charges, less the base cost of purchased power, for the total energy consumed, and would be compensated for net injections at FIEC's Present Purchased Power Cost.⁹

For interconnected DERs below 10 kW, FIEC would provide one revenue grade meter for the purpose of billing. The meter would have bidirectional energy flow capability and would record energy delivered and received by FIEC as well as energy generated by the customer. For all other interconnected DERs up

⁷ As described in FIEC's tariff language, net energy metering compensation would be "[a]pplicable to all eligible Customer Generators installed if the total rated generating capacity for Solar and/or Energy Storage Electric Generating Equipment owned or operated by Customers in the FIEC's service territory and interconnected with FIEC's distribution network remains below 10 kW."

⁸ As described in FIEC's tariff language, these rates and compensation would be "[a]pplicable to all other Customer Generators installed in excess of the 10 kW capacity limitation" as described above.

⁹ The Present Purchased Power Cost is the total cost of all power and transmission costs billed to FIEC in the current billing period divided by the total kilowatt-hour (kWh) purchases in that month.

to the 30 kW cap, FIEC would provide two revenue grade meters for the purpose of billing. One meter would have bidirectional energy flow capability and record both energy delivered and received by FIEC. The second meter would record the energy generated by the customer.

FIEC proposes two different compensation methods for DERs based on generation capacity, with one method applicable to interconnected DERs below 10 kW and one for all other interconnected systems up to the cumulative 30 kW cap. For interconnected DERs below 10 kW, FIEC proposes net energy metering compensation. These customers would pay the rates and charges of the applicable Service Classification for the net energy delivered by FIEC, in a billing period.¹⁰ If a customer produces more electricity than it consumes, a kWh energy credit would be generated and carried forward until consumed, or until the end of a 12-month period, beginning from when the customer first began taking service as a DER. At the end of the 12-month period, if the customer has a remaining kWh credit balance, FIEC would issue a monetary credit. FIEC proposes to calculate the credit by multiplying the kWh balance by the average of the Present Purchased Power Cost during the preceding 12 months. Upon payment of the credit, the kWh credit balance would be reset to zero.

For interconnected DERs 10 kW and above up to the 30 kW cap, FIEC proposes that the customer pay the delivery rates and charges of the customer's applicable Service Classification, less the base cost of purchased power, for the

¹⁰ FIEC would assess demand charges, if applicable pursuant to the customer's service classification.

total energy consumed at the customer's premises.¹¹ FIEC would apply a credit to the customer's monthly bill for the net energy generated during the billing period.¹² The Company would calculate the credit by multiplying the net energy generated by the Present Purchased Power Cost for the relevant billing cycle.

The tariff amendments include a Requirements for Interconnection provision that would obligate any customer participating in the program to fund a system impact study conducted by FIEC or an FIEC contractor. Additionally, the Requirements for Interconnection provision would require the DER equipment to be designed, installed, interconnected, tested, and operated in accordance with government, industry, and FIEC's requirements as well as comply with the Addendum-SIR. The Company proposes that the output of any interconnected DER system would not be allowed to exceed 100 percent of the customer's average metered monthly energy consumption for the prior 12 months.

The proposed tariff amendments also include an Interconnection Costs provision, which specifies that the customer would be responsible for 100 percent of any necessary interconnection costs. FIEC would provide an estimate that contains costs associated with any required modifications to the utility system, including any dedicated transformer(s) and other safety equipment, administration, metering, or on-site verification testing. According to FIEC, this provision is

¹¹ FIEC defines energy consumed as the sum of energy delivered to the customer by FIEC and the energy generated by the customer less the energy received by FIEC from the customer.

¹² The net energy generated is defined as the energy generated less the energy consumed in a billing period. The billed energy will be a credit in months when the customer injections are greater than withdrawals and will be a charge in months when the customer withdrawals are greater than injections.

intended to ensure the safety and adequacy of electric service to other customers as required under the PSL.

FIEC's proposed Addendum-SIR, which provides the framework for processing applications from DERs, is a modified version of the New York State SIR (NYS SIR). FIEC's proposed Addendum-SIR contains modifications to the NYS SIR to match the size limitations included in FIEC's proposed tariff amendments and certain other modifications. Specifically, FIEC's proposed Addendum-SIR contains three modifications to Section I - Application Process; four modifications to Section II - Interconnection Requirements of the New York State SIR; and modifications to Appendices E and F of the NYS SIR.

Under Section I - Application Process, for its Addendum-SIR, in comparison to the NYS SIR, FIEC proposes the following revisions. First, FIEC proposes to modify the "Section B Application Process Steps for Systems 50 kW or Less" to be applicable to systems 10 kW and below. Second, FIEC proposes to modify the "Section C Application Process Steps for Systems Above 50 kW up to 5 MW" to be applicable to systems above 10 kW up to and including 30 kW. Third, FIEC proposes to eliminate the Section "G" requirement for Interconnection On-line Application Portal and instead require the application to be submitted via email.

Regarding Section II - Interconnection Requirements Section, for its Addendum-SIR, in comparison to the NYS SIR, FIEC proposes four changes. First, FIEC proposes to remove references to PSL §66-1 net energy metering rules for wind DERs. Second, FIEC proposes to remove the sentence from the NYS SIR that reads "A dedicated transformer is not required if the installation is designed and coordinated with the utility to protect the utility system and its customers adequately from potential detrimental net effects caused by the operation of the

generator.” Third, FIEC proposes to modify Section D - Disconnect Switch, to require that all DERs have isolation capability as compared to the NYS SIR, which requires such capability for systems sized larger than 25 kW and non-inverter based systems of 25 kW or less. Fourth, FIEC proposes to modify Section 7.1 - Insurance to be consistent with the insurance language from the most recent SIR for Plattsburgh Municipal Lighting Department in Case 19-E-0514.¹³

In addition, FIEC proposes that its Addendum-SIR reflect modifications as compared to the Appendices of the NYS SIR. Specifically, FIEC proposes modifications to Appendix E - Cost Sharing for System Modifications & Cost Responsibility for Dedicated Transformer(s) and Other Safety Equipment for Net Metered Customers of the New York State SIR to remove the cost sharing 2.0 language since only the six major investor-owned utilities were required to implement cost sharing 2.0 pursuant to Commission Order issued on July 16, 2021, in Case 20-E-0543.¹⁴ Finally, FIEC proposes modifying Appendix F - Application Package Checklist of the New York State SIR to require the addition of “[c]opies of applicable permits and consents.”

The Company has complied with newspaper publication requirements of Public Service Law (PSL) §66(12)(b) and 16 NYCRR §720-8.1.

¹³ Case 19-E-0514, Tariff Filing by Plattsburgh Municipal Lighting Dept. to Modify Its Electric Tariff Schedule, P.S.C. No. 1, to Include Rules and Regulations Governing the Purchase of Renewable Energy from New Distributed Generators, Order Approving Tariff Amendments (issued November 15, 2019).

¹⁴ Case 20-E-0543, Petition of Interconnection Policy Working Group Seeking a Cost-Sharing Amendment to the New York State Standardized Interconnection Requirements, Order Approving Cost-Sharing Mechanism and Making Other Findings (issued July 16, 2021).

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on August 16, 2023 [SAPA No. 23-E-0394SP1]. The time for submission of comments pursuant to the Notice expired on October 16, 2023. Because of the significant changes to the proposed tariff amendments included in FIEC's November 14, 2023 supplemental filing, a second Notice of Proposed Rulemaking was published in the State Register on December 6, 2023 [SAPA No. 23-E-0394SP2]. Comments were received from 103 commentors on SAPA No. 23-E-0394SP1 which are discussed below.¹⁵ One set of joint comments was filed in response to the supplemental filing on behalf of Fishers Island Community Center, Inc. and Brad Burnham (collectively, Community Center). FIEC filed a comment in reply to the Community Center comment.

COMMENTS

There were 103 comments filed by interested parties in this matter. 102 of those, of which nine were duplicates, were filed by FIEC customers in response to SAPA No. 23-E-0394SP1 and one was filed in response to SAPA No. 23-E-0394SP2. FIEC filed replies in response comments received for both SAPAs. Nine comments are generally supportive of the tariff amendments. Specifically, these comments support renewable energy and recommend that the cost burden to non-solar customers be considered for those customers who live on the island all year round. One of these comments expresses that without a fair rate schedule, residents who do not adopt solar would be forced to

¹⁵ One comment was filed a day after the expiration of the SAPA comment period, however, this comment has also been considered as it tends to improve the record in this proceeding.

pay higher rates for electricity. Two of the comments support FIEC's proposed modifications as a reasonable interim measure that allows for evaluation of a comprehensive overhaul of the tariff to address the impacts of customer self-generation on system costs and rates.

The remaining comments oppose certain aspects of FIEC's proposed tariff amendments and Addendum-SIR. Most notably, they object to the 30 kW cap as they claim it is too small. More specifically, the Community Center in their initial comments, explain that the nameplate rating of their two pending interconnections total approximately 24.6 kW. They explain further that the 30 kW cap, as proposed by FIEC, would likely allow only one additional customer to install solar panels.¹⁶ Additionally, the commenters opine that FIEC's utility operations and delays have discouraged solar installations on Fishers Island, thereby, not supporting the State's clean energy goals.

FIEC submitted reply comments on October 27, 2023. In its comments, FIEC states that the proposed tariff amendments are an interim measure specifically designed to accommodate DER while FIEC concludes several ongoing undertakings that will inform the continued deployment of customer-sited renewable generation. In addition, FIEC states it has no obligation to interconnect or net meter distributed generation above the 15 kW cap specified in PSL §66-j. FIEC explains that the statute allows utilities to voluntarily provide net energy metering to additional customers above the cap and the Commission may increase the limit should it determine that additional net

¹⁶ Fishers Island Community Center, Inc. and Brad Burnham's comments on Fishers Island Electric Corp.'s Proposed Tariff Modifications on Distributed Renewable Energy Resources, filed on October 16, 2023, pp. 17-18.

energy metering is in the public interest. According to FIEC, its proposed limit would allow it to accommodate all current applicants, while minimizing the cost shifts between net metered customers and non-net metered customers.

The Community Center filed the only comment in response to SAPA No. 23-E-0394SP2. The Community Center opposes the revisions stating that the revisions do not cure any of the defects identified by the comments submitted in response to SAPA No. 23-E-0394SP1. Specifically, the Community Center argues that the further revisions continue to violate the energy and environmental policies of New York State, including multiple sections of the PSL, and the Climate Leadership and Community Protection Act (CLCPA).¹⁷ The Community Center contends that the further revisions prohibit future development of customer-owned solar systems on Fishers Island. The Community Center asserts that FIEC ignores the fact that DER compensation should be consistent regardless of whether the injection is 1 kW or 20 kW. The Community Center also asserts that FIEC "maintained the improper two-tier compensation system and, contrary to FIEC's assertions, do not "clarify" anything". Additionally, the Community Center claims that the amendments are "improper, illogical, and/or incomprehensible."¹⁸ In this context, the Community Center questions the FIEC proposal to install two meters for customer owned generation in excess of 10 kW. The Community Center explains that it "appears the only reason FIEC proposes the second meter is to allow FIEC to monitor/record the energy generated and consumed by its customers."¹⁹ Finally, the Community Center proposes that the Commission issue an order

¹⁷ Comments of Fishers Island Community Center, Inc. and Brad Burnham, filed February 2, 2024, p. 2.

¹⁸ Id.

¹⁹ Id.

that rejects the tariff amendments, rejects the proposed modifications to the NYS SIR, and directs FIEC to file amendments that comply with PSL and Commission precedent.

On February 15, 2024, FIEC filed reply comments in response to the Community Center's second set of comments. FIEC's reply comments argue that the Community Center's comments repeat its original position, as filed in response to the SAPA No. 23-E-0394SP1, and continue to "misstate the law and distort the facts, and therefore, should be rejected".²⁰ As such, FIEC requests that the Commission approve FIEC's tariff filings without modification. FIEC's reply comments also reiterate that FIEC's statutory obligation is to provide net energy metering to customers until the total generation interconnected to FIEC's distribution network reaches one percent of its system demand, or 15 kW. FIEC asserts that customers who interconnect until this limit is reached would be compensated based on statutory net energy metering. FIEC further explains that customers interconnected after the one percent threshold is exceeded would be compensated through a different mechanism. Such customers would be compensated at FIEC's Present Purchased Power Cost, which FIEC claims to be its avoided cost.

Furthermore, FIEC states that the Community Center is incorrect in its claim that the tariff proposal "would effectively prohibit future development of customer-owned solar photovoltaic (PV) systems on Fishers Island." FIEC's comments reiterate its comment submitted October 27, 2024, in which FIEC explained that the tariff proposal is an interim measure, which is designed to accommodate the Community Center's two solar projects while FIEC modernizes its electric system and updates its rate structure.

²⁰ Reply Comments of FIEC, filed February 15, 2024, p. 1.

LEGAL AUTHORITY

Pursuant to PSL §§5, 65(1), 66(1), and 66(12)(b), the Commission has the legal authority to review proposed tariff changes, as well as modify, reject, or approve such filed tariffs to ensure that the rates and services governed by those tariffs are just and reasonable and otherwise consistent with law. As such, the Commission has the legal authority to review the Company's filing and approve tariff amendments as prescribed in this Order. Furthermore, PSL §66-j requires electric corporations to provide for the interconnection of one percent of a utility's 2005 electric demand for designated technologies and provides the Commission with broad discretion to direct the treatment of such technologies by electric corporations as well as to determine what level of net energy metering above one percent is in the public interest.

DISCUSSION

Designated Technologies

FIEC proposes to limit eligible technologies in the DG Program to solar and solar paired with storage. However, PSL 66-j requires the electric corporations to offer net energy metering for residential solar, farm waste, non-residential solar, micro-combined heat and power equipment, fuel cell, fuel-flexible linear generators, and micro-hydroelectric generating equipment. There are no farms in FIEC's service territory or land available to operate a farm on the island. In addition, there is no natural gas service, which is required for the installation and operation of fuel cells, micro-combined heat and power equipment, and fuel-flexible linear generators, on the island. Finally, FIEC customers do not have the ability to install micro-hydroelectric generating equipment since the required water resources are not available on the island.

Therefore, it is reasonable to limit FIEC's DG Program to solar or solar combined with energy storage systems.

Customer Charges and Compensation

Pursuant to FIEC's proposal, interconnected DERs of below 10 kW would be charged and compensated using net energy metering, referred to herein as NEM Compensation. All other interconnected DERs would be compensated for net injections at FIEC's Present Purchased Power Cost, referred to herein as Avoided Cost Compensation. FIEC asserts its avoided costs to be its Present Purchased Power Costs. NEM Compensation provides participants with compensation for both supply and delivery. However, Avoided Cost Compensation is provided only for supply related costs. As noted by the Community Center, credit provisions proposed by FIEC are different for DERs depending on the interconnected generating capacity. As explained in further detail below, we direct FIEC to revise the thresholds for NEM Compensation. We also direct a minor revision to the proposed compensation method for both NEM Compensation and Avoided Cost Compensation to provide DG Program participants with compensation that accounts for line losses.²¹

PSL §66-j requires electric corporations to allow one percent of their 2005 electric demand be made available for customer generators with designated technologies to interconnect to their systems on a first come, first served basis. While FIEC's proposal allows up to 30 kW of DERs to interconnect to its system, only the first 10 kW would receive the NEM Compensation prescribed under 66-j(4), which is less than the required one percent of the 2005 peak load. Therefore, FIEC is

²¹ FIEC multiplies its power costs by a Factor of Adjustment (FOA) to account for line losses. The FOA is determined in rate cases.

directed to revise leaf 86 to make NEM Compensation available to 15 kW of interconnected DERs,²² for generators with a nameplate rating of 10 kW and below.²³ If a project individually has a nameplate rating of 10 kW or below, but which, if installed would bring the total interconnected capacity on FIEC's system above the 15 kW cap for NEM Compensation, the project would receive Avoided Cost Compensation, provided that the project is below the total DG Program cap, since a project cannot be partially compensated under both mechanisms.

Next, FIEC's customer crediting language is insufficient as proposed for interconnected DGs with a nameplate rating of less than 10 kW. FIEC does not clearly specify that a customer's energy bank will be used to offset consumption in future months. Therefore, FIEC is directed to revise provision A. 3) 1. - Customer Credit - on leaf 87 to specify that customer's energy bank will be used to offset energy consumption in excess of generation in future billing cycles. Likewise, FIEC's provisions detailing customer charges and compensation are ambiguous. The proposed tariff amendments do not specify that charges to these customers will be based on net energy delivered by FIEC inclusive of withdrawals from the customer's bank in each monthly billing cycle. Therefore, FIEC is directed to revise the customer charges language in provision A. 2) - Customer Charges- on leaf 86 to specify that charges will be based on net energy delivery by FIEC in the billing cycle.

Finally, FIEC proposes to provide a monetary credit to NEM Compensation in the event the customer has a remaining kWh

²² As required in PSL §66-j(3)(iii).

²³ Since the total capacity cap for NEM Compensation authorized by this Order is below the photovoltaic systems rated capacity requirements specified in PSL §66-j(d) 10 kW is an appropriate nameplate capacity limit for DG Program participants to receive NEM Compensation.

credit balance at the end of each year they are in the DG Program. FIEC proposes to calculate the credit by multiplying the kWh balance by the average of the Present Purchased Power Cost during the preceding 12 months. This credit, however, does not adequately account for avoided losses. Instead, FIEC should provide a monetary credit that includes compensation of losses multiplying the kWh balance by the average of the Present Purchased Power Cost during the preceding 12 months times the FOA. Therefore, FIEC is directed to revise provision A. 3) 2. - Customer Credit - on leaf 87 to specify that FIEC will calculate the year-end monetary credit by multiplying the kWh credit balance by the average of the Present Purchased Power Cost from the Purchased Power Adjustment Statement, as filed during the preceding 12 months, multiplied by the current FOA.

We now turn to FIEC's proposed charges and compensation mechanisms for DERs with a nameplate rating above 10 kW up to and including 30 kW based on net injections at its Present Purchased Power Cost. Such customers would pay the rates and charges of the customer's applicable service classification for the total energy, less the base cost of purchased power, delivered at the customer premises in each month. These customers would be credited for net injections based on FIEC's Present Purchased Power Cost. The Community Center claims that the customer charges and crediting mechanisms are much more complicated for this group of customers. While the language is complicated, it generally provides customers with a credit for their generation at FIEC's Present Purchased Power Cost. However, like FIEC's proposal for year-end monetary credit discussed above applicable to NEM Compensation, this method does not adequately account for avoided losses. Therefore, FIEC is directed to revise provision B. 2) iii. 2. - Customer Charges - on leaf 87 to specify that the energy billed

rate will be the customer's otherwise applicable Kilowatt-hour Charge as listed for the Customer's Service Classification less the Base Purchased Power Cost per kWh, as listed on Line 2 of the FIEC Purchased Power Adjustment Statement multiplied by the current FOA. Additionally, the customer credit for net injections (in months where the customer's injections are greater than withdrawals) as detailed in provision 3) Customer Credit is to be modified to include an adjustment for the current FOA. We find this compensation method to be appropriate at this time given that nearly all the costs of operating and maintaining electric utility systems are fixed, this crediting method provides for compensation at FIEC's avoided cost.

Metering

As noted by the Community Center, FIEC's proposed metering provisions are different based on the nameplate rating of participant's generation systems. FIEC's differing metering requirements are necessary due to the billing and compensation mechanisms proposed by the Company. Therefore, we will not require any modifications to FIEC's metering provisions.

For customers with systems sized below 10 kW, FIEC proposes to use one bi-directional flow advanced metering infrastructure (AMI) meter, which has the capability of measuring and recording the consumption and injection of electricity. This meter allows FIEC to compensate such customers using net energy metering. For customers with systems sized over 10 kW, FIEC would require two meters. One meter would be used to determine the customers withdrawals and injections of electricity to the FIEC system and the other will record the customer's generation. This approach is necessary to enable the customer charges and compensation mechanisms proposed by FIEC.

Reliability

In 2021, the Commission directed FIEC to install AMI and conduct an Engineering Study to assess the feasibility of integrating renewable generation into its system across the entire island.²⁴ The Engineering study has not yet been completed. The impact of installing DERs more generally on the safety and reliability of the existing electrical system must be evaluated prior to broader scale deployment.

FIEC has also not undertaken studies to determine the impact that broad scale integration of solar and/or solar paired with energy storage systems would have on its system. However, FIEC's Addendum-SIR would require a customer-funded System Impact Study for each proposed interconnection. As such, system reliability will be evaluated prior to interconnecting DERs under the DG Program.

Despite this needed work to assess feasibility and impact of broad-scale integration solar and/or solar paired with energy storage systems, the Commission acknowledges the commenters' concerns regarding FIEC's proposed 30 kW cap. The Community Center explains that its projects are approximately 20 kW and 4.56 kW. As explained earlier, 15 kW of DG will be eligible to interconnect to FIEC's system and receive NEM Compensation. In order to allow the 20 kW project to interconnect, we direct FIEC to increase the total DG Program size limit to 40 kW. The Community Center's 20 kW project will be eligible for compensation at FIEC's avoided costs as described above.

²⁴ Case 21-E-0580, Petition of Fishers Island Electric Corporation for Authority to Impose a System Improvement Charge and to Incur Indebtedness for a Term in Excess of Twelve Months, Order Authorizing System Improvement Charge and Authority to Enter Into a Lease (issued September 16, 2021) (AMI Order).

Rate Impact on Non-Participants

Nearly all the costs of operating and maintaining electric utility systems are fixed. Under the current rate structure, costs associated with operating and maintaining the distribution system are allocated to customers based on the electricity consumption by service class. However, when a customer with solar and/or solar paired with energy storage is interconnected, it reduces that customer's consumption of electricity from FIEC. Therefore, a customer who installs a DER contributes less to system operations and maintenance. This can result in non-solar customers subsidizing solar customers. In the AMI Order, the Commission required a comprehensive rate study to determine what tariff revisions will be necessary to maintain an economically sustainable and fair electrical service to the island community.

While FIEC's program as revised by this Order would make 40 kW available under the DG Program, only 15 kW of interconnected generation would be eligible for NEM Compensation as required under PSL 66-j. The DG Program, as revised by this Order, will have minimal financial impacts other customers since FIEC would compensate the larger DG at its Present Purchased Power cost thereby making other customers indifferent to the supply source from a financial perspective.

Reporting

To assist the Commission in determining whether the 40 kW cap can and should be increased, FIEC is directed to file a report with the Secretary to the Commission. FIEC will have 12 months of AMI data by August 2024. To provide FIEC time to compile the AMI data, FIEC shall file the report on or before March 1, 2025. The report shall identify, at minimum, whether:

- (1) electric system safety and reliability would be maintained

and/or impacted given the addition of solar and/or solar paired with energy storage systems interconnected under the proposed tariff amendments and Addendum-SIR beyond the 40 kW cap, (2) an estimate of rate impacts on non-participants of the existing program as well as for various potential cumulative kW caps of the DER program, and (3) the whether the 40 kW cap can be increased, and if so, to what level.

Miscellaneous Tariff Revisions

FIEC's proposed tariff amendments refer to its Addendum-SIR at the New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators Connected in Parallel with Utility Distribution Systems. However, FIEC proposes to change the name of the Addendum-SIR to the Fishers Island Electric Corporation Standardized Interconnection Requirements and Application Process for New Distributed Generators Connected in Parallel with Utility Distribution Systems. FIEC is directed to file tariff revisions to change the name of the Addendum-SIR accordingly.

Finally, FIECs current tariff specifies that Present Purchased Power Cost shall equal the total cost of all power and transmission costs billed to FIEC in the current billing period, plus the current annual reconciliation, divided by the total kWh purchases in that month.²⁵ This provision does not allow FIEC to recover the cost associated with payments made to DG Program participants. Therefore, FIEC is directed to revise provision 1.b) - Present Purchased Power Cost - on leaf 57 to include payments for injections made to DG Program participants.

²⁵ Leaf 57, Provision 1. b).

Finally, the requirements of Public Service Law §66(12)(b) and 16 NYCRR §720.8.1 as to newspaper publication for the tariff modifications directed in this Order are waived, as FIEC will notify its customers by posting tariff amendments on its website.

CONCLUSION

With the modifications directed above, FIEC's proposed DG Program is in the public interest and appropriate. The DG Program will assist with furthering the State's renewable electricity energy goals by allowing customers to install solar or solar paired with energy storage systems. Therefore, FIEC is directed to file tariff amendments to effectuate the revisions discussed in this body of this Order, on not less than five days' notice, to become effective on June 1, 2024.

The Commission orders:

1. Fishers Island Electric Corporation is directed to file tariff amendments, on not less than five days' notice, to become effective on June 1, 2024, incorporating the revisions as described and directed in the body of this Order.

2. Fishers Island Electric Corporation's SIR - Fishers Island Electric Corporation Standardized Interconnection Requirements and Application Process for New Distributed Generators Connected in Parallel with Utility Distribution Systems is approved to become effective on June 1, 2024, as filed.

3. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720.8.1 as to newspaper publication for the modifications in Ordering Clause No. 1 are waived.

4. As discussed in the body of this Order, Fishers Island Electric Corporation shall file a report with the

Secretary to the Commission on or before March 1, 2025, after Fishers Island Electric Corporation has compiled a full 12-month period of advanced metering infrastructure data to determine whether the cap set in this Order should be increased and whether system reliability would be maintained given the addition of solar or solar paired with energy storage systems beyond those that are interconnected under the tariff amendments and addendum authorized by this Order.

5. 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 three days prior to the affected deadline.

6. This proceeding is closed pending compliance with Ordering Clause Nos. 1, 2, and 4.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS
Secretary

SUBJECT: Filings by FISHERS ISLAND ELECTRIC CORPORATION

Amendments to Schedule P.S.C. No. 2 - Electricity

Original Leaves Nos. 86, 87

SIR Addendum No. 1

Issued: July 17, 2023 Effective: December 1, 2023
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