April 5, 2018

VIA ELECTRONIC DELIVERY

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

RE:  Matter 17-01276 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Value Stack

Matter 17-01277 – In the Matter of the Value of Distributed Energy Resources Working Group Regarding Rate Design

Joint Utilities’ Presentation for April 6, 2018 Meeting of the Value of Distributed Energy Resources (VDER) Value Stack and Rate Design Working Groups

Dear Secretary Burgess:

On behalf of Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., 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 (collectively, the “Joint Utilities”), attached please find for filing the Joint Utilities’ presentation entitled VDER Rate Design Working Group Process for Developing Rate Design Proposals for the subject April 6, 2018 meeting.

Thank you.

Respectfully submitted,

/s/ Janet M. Audunson

Janet M. Audunson
Senior Counsel II

Enc.
Agenda and Preliminary Matters

• Meeting Objective:
  The purpose of this presentation is to provide an overview of JU’s process to support the
development of Stakeholder Rate Design proposals

• Agenda:
  – Rate Design Proposal schedule
  – Rate Design Proposal Input worksheet
  – Rate Design Input Handbook
**Summary of Rate Design Support Process**

- The process that is provided in the table below will be used to develop the Rate Design Proposals.

<table>
<thead>
<tr>
<th>Responsibility / Task</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td><strong>1</strong> JU makes Rate Design Proposal presentation</td>
<td>April 6</td>
</tr>
<tr>
<td><strong>2</strong> JU distributes final Rate Design Input Worksheet and Handbook to Stakeholders</td>
<td>April 10</td>
</tr>
<tr>
<td><strong>3</strong> Stakeholders and JU submit final Rate Design Proposals</td>
<td>May 14</td>
</tr>
<tr>
<td><strong>4</strong> Stakeholders and JU make NEM Successor Proposal Presentations; Feedback provided by all parties</td>
<td>May 23</td>
</tr>
<tr>
<td><strong>5</strong> Staff to down select proposals based on application of rate design principles</td>
<td>June 4</td>
</tr>
<tr>
<td><strong>6</strong> JU calculates initial rates based on Stakeholder Rate Design Proposals; conducts discussions with each Stakeholder on the calculated rates associated with their Rate Design Proposal.</td>
<td>June 30</td>
</tr>
</tbody>
</table>

- JU has developed a Rate Design Tool – the Rate Design Proposal Input workbook – to ensure that all Stakeholders provide information and guidance on their rate design proposals in a consistent manner. Detailed instructions for filling out the Input Workbook are provided in the Rate Design Handbook.

- The Workbook and the Handbook will be distributed on April 10.

The following slides provide an introduction to the Rate Design Proposal Input workbook
Description of Input Workbook

The Rate Design Proposal Input Workbook consists of four sheets (tabs) to be completed by Stakeholders for each Rate Design Proposal. A companion document, the *Rate Design Handbook*, provides detailed instructions for filling out the Rate Design Proposal Input Workbook; the handbook also provides useful reference information concerning rate design, JU Residential SC-1 rates and Small Commercial Non-Demand rates, ECOS results, revenue requirements, load data and current billing determinants.

**Tab 1**  
**Stakeholder ID**  
- Stakeholder organization, designated contact info.  
- Organizations with the same or similar positions on rate design for VDER Phase Two rates are encouraged to collaborate in the development of joint rate design proposals.

**Tab 2**  
**Part A: Rate Structure**  
- Stakeholders are asked to indicate the rate design components of their Rate design proposal.  
- Based on the responses, Stakeholders will be directed to an area in Tab 3, Delivery, where they will be asked to provide quantification guidance for their rate design proposal.

**Tab 2**  
**Part B: Proposal Overview**  
- Stakeholders are asked to provide a description of the rate design proposal, including:  
  - Rate class (e.g., Res. SC-1)  
  - Overall objectives  
  - Stakeholders’ high priority Commission rate design principles addressed by proposal  
  - Benefits of proposal  
  - Other distinguishing features
**Description of Input Workbook**

In Tab 3 – Delivery - and Tab 4 – Supply - Stakeholders are asked to provide quantitative guidance for every relevant component of their proposed Rate Design

<table>
<thead>
<tr>
<th>Tab 3 Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Proposed customer charge guidance is expressed as &quot;percent of current customer charge&quot;</td>
</tr>
<tr>
<td>• Stakeholders are asked to define TOU periods, CPP details, how to measure demand</td>
</tr>
<tr>
<td>• Guidance on proposed kW, kWh charges is expressed as price ratios or allocation percents for every relevant component of Stakeholder’s proposed rate design</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tab 4 Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Stakeholders are asked to provide details of each rate structure component for Stakeholder’s supply rate proposal</td>
</tr>
<tr>
<td>• Depending on the proposed supply rate structure, Stakeholders are asked for guidance on the proposed supply rate design</td>
</tr>
</tbody>
</table>
Support for Stakeholders in Rate Design Proposal Process

• JU understands that this process is complicated – Rate Design is complicated.
  – To assist Stakeholders in this phase of the rate design process, JU will conduct training sessions on the Rate Design Input process.
  – We have also established a Help Desk to provide assistance until the rate design proposals are due on May 14.
    o The Help Desk email address is vderhelpdesk@ceadvisors.com
  – To prevent concerns of possible JU influence on Stakeholder proposals, advice on technical matters will not be provided at the training sessions or from the Help Desk
    o Examples of technical matters that will not be provided include: advice on “appropriate” rate structures, analyses that could be performed to support a Rate Design Proposal, and how to perform a specific analysis.
  – The Help Desk will not be able to provide billing determinants for a proposed rate structure – Billing determinants will be determined after June 4 for the rate structures that result from the Staff down select process.

A prototype of Tab 3, Delivery that shows an example of the requested quantitative and rate structure inputs for proposed Seasonal 3 Part TOU delivery rates is provided in the Presentation Appendix. This example, or other examples will be discussed at the training sessions
  – Training Session dates and times will be announced April 10
Description of Rate Design Handbook

- The Rate Design Handbook is a companion document to the Rate Design Input Workbook. The Handbook contains rate design reference information, including:
  - Instructions for Completing the Rate Design Input Worksheet
  - Reference Data
    - Fundamentals of Rate Design
    - ECOS Approach and Residential and Small Commercial Non-Demand Results by Company
    - Current Mass Market Residential and Small Commercial Non-Demand Rates
    - ECOS Residential and Small Commercial Non-Demand Summary Charts
    - SC-1 and SC-2 non-demand Billing determinants
    - JU load data
    - Current approach to recover ICAP costs in Supply rates
PROCESS FOR DEVELOPING RATE DESIGN PROPOSALS

Summary

• Meeting Objective:
  This presentation provided an overview of JU’s process to support the development of Stakeholder Rate Design proposals

• We reviewed:
  – Rate Design Proposal schedule
  – Rate Design Proposal Input worksheet
  – Rate Design Input Handbook
Prototype Input Workbook
RATE DESIGN PROPOSAL INPUT WORKSHEET

Rate Design Proposal Example

- This Rate Design Example demonstrates how the Rate Design Proposal Input Worksheet should be filled out for a hypothetical utility HG&E for proposed Seasonal 3 Part TOU delivery rates.
- The Seasonal 3 Part section of the Rate Design Proposal Input Worksheet will look like this when the file is first opened (the numbered boxes are added for this presentation):

**Customer Charge**
- 100% of current customer charge

**Per kWh Charge** (calculated by JU based on allocation inputs and per kWh price ratios, below.)
- Demand Charge (calculated by JU based on allocation inputs and per kWh price ratios, below.)

Of remaining class revenue requirement, what percentage should be recovered through

- Demand Charges
- Per kWh Charges

Please provide the following price ratios:

**Per kWh Charges** - to shape summer / non-summer per kWh rates
- Summer Peak: Non-Summer Peak
- Peak: Off Peak, Summer
- Peak: Off Peak, Non-Summer

**Demand Charges** - to shape summer / non-summer demand rates
- Summer Peak: Non-Summer Peak
- Peak: Off Peak, Summer
- Peak: Off Peak, Non-Summer

**Demand Measure**
- Peak Period Definition
- Peak period includes:

Duration of TOU periods
- Summer Months
  - Peak
  - Off Peak
- Non-Summer Months
  - Peak
  - Off Peak

In the Rate Design Input Workbook, cells that represent Stakeholder’s Rate Design inputs are highlighted in yellow (enter values) and blue (select from drop down menu).

Example Stakeholder Decision-making Process

1. Stakeholder X reviews the HG&E load data, and determines that the Summer Peak to non-Summer Peak energy price ratio should be set at 1.4:1.
2. Stakeholder X reviews the HG&E cost data and decides to propose that customer charge for the HG&E NEM replacement rate design should be cost-based. Stakeholder X determines that increasing the current customer charge by 120% will achieve their rate design objective.
3. To “shape” the seasonality of the energy rates, Stakeholder X reviews the HG&E load data, and determines that the Summer Peak to non-Summer Peak energy price ratio should be set at 1.4:1.
4. To “shape” the time varying component of the energy rates, Stakeholder X reviews the HG&E load data, and determines that the Peak to Off-peak energy price ratios should both be set at 2:1 for both summer and non-summer months.
5. To “shape” the seasonality of the demand rates, Stakeholder X reviews the HG&E load data, and determines that the Summer Peak to non-Summer Peak demand price ratio should be set at 1.2:1.
6. To “shape” the time varying component of the demand rates, Stakeholder X reviews the HG&E load data, and determines that the Peak to Off-peak demand price ratios should be set at 1.5:1 for both summer and non-summer months.
7. Stakeholder X decides to use monthly maximum coincident peak demand as the measure of billing demand.
8. Stakeholder X reviews the HG&E load data, and determines that the Summer Peak period should be 12 hours and the non-Summer Peak period should be 8 hours for non-holiday weekdays.