STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of Energy Storage Deployment Program **Case 18-E-0130**

INITIAL COMMENTS
OF
MULTIPLE INTERVENORS

Dated: February 24, 2025

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PRELIMINARY STATEMENT

Pursuant to the Notice Soliciting Comments issued by the New York State Public Service Commission ("Commission") in Case 18-E-0130, *In the Matter of Energy Storage Deployment Program*, on January 31, 2025, Multiple Intervenors hereby submits its Initial Comments on the "Joint Utilities' Study of Non-Market Transmission and Distribution Energy Storage Use Cases and Related Process Proposals" ("Study"). Multiple Intervenors is an unincorporated association of approximately 55 large industrial, commercial, and institutional energy consumers with manufacturing and other facilities located throughout New York State. For the reasons set forth below, Multiple Intervenors urges the Commission to reject or modify selected proposals advanced by the Joint Utilities within the Study.[1]

Initially, Multiple Intervenors concurs with the Joint Utilities that there may be circumstances where energy storage can provide certain non-market transmission and distribution ("T&D") services as an alternative to "traditional" electric infrastructure projects. That noted, electric delivery rates in New York already are too high and customers should not be forced to fund storage projects that are uneconomic, especially where traditional infrastructure projects can serve the same purposes at a lower cost. Thus, where storage can be utilized by a utility to provide T&D services at a lower financial cost than a comparable infrastructure project, a storage solution should be implemented. Conversely, however, where storage would represent a more costly option for customers, it should not be implemented.

In these Initial Comments, Multiple Intervenors advances the following positions:

[1] The Joint Utilities are comprised 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.

1. the Commission should prioritize cost minimization for customers;
2. storage as a non-market T&D service – referred to in the Study as "utility integrated storage" ("UIS") – should be evaluated alongside and in same manner as traditional T&D infrastructure projects; to wit: as part of a utility's proposed capital expenditures that are evaluated in rate proceedings;
3. the costs of UIS investments should be allocated to customer service classes in a manner consistent with cost causation principles, similar to other, more traditional electric infrastructure investments;
4. to the extent utilities realize revenues from UIS investments, 100 percent of such revenues should be returned to customers using a methodology consistent with how the costs of the underlying investment are allocated to service classes; and
5. the Joint Utilities' proposal to utilize surcharge mechanisms to recover the costs of UIS investments made outside of rate proceedings (Study at 45) should be rejected.

ARGUMENT

POINT I

THE COMMISSION SHOULD PRIORITIZE COST MINIMIZATION FOR CUSTOMERS

The cost of energy – and electricity in particular – is very high in New York. Many utilities recently have been awarded double-digit percentage delivery rate increases over multi-year periods. Additionally, customers currently are financially obligated to fund, *inter alia*: (a)

Clean Energy Fund programs; (b) subsidies/incentives for new renewable generation projects under Tier 1 of the Clean Energy Standard ("CES"); (c) subsidies/incentives for existing renewable generation projects under Tier 2 of the CES; (d) subsidies/incentives for existing nuclear generation projects under Tier 3 of the CES; (e) subsidies/incentives for new transmission projects intended to deliver renewable generation to New York City under Tier 4 of the CES; (e) subsidies/incentives for offshore wind generation projects; (f) large-scale, utility-administered electric efficiency programs; (g) large-scale, utility-administered electric heat pump programs; (h) large-scale utility-administered gas efficiency programs; (i) subsidies/incentives for electric vehicle infrastructure investments; (j) subsidies/incentives for electric storage investments by non-utility developers; (k) subsidies/incentives for distributed energy resources under the Value of Distributed Energy Resources initiative; (l) expensive public policy transmission planning projects to facilitate the deliverability of renewable energy; (l) expensive utility T&D projects to accelerate the deliverability of renewable energy; (m) rapidly-expanding low income assistance programs; and (n) the Electric Generation Facility Cessation Mitigation Program to subsidize municipalities that lose tax base from retiring electric generators during the State's energy transition.

Collectively, these costs are enormous and will place significant upward pressure on electric costs for years – if not decades – to come. In their filing, the Joint Utilities discuss a recent National Renewable Energy Laboratory report indicating that the system cost of a 60 MW four-hour duration battery would be over $100 million. (*See* Study at 42.) Thus, UIS investments, if not regulated effectively, could be exceedingly expensive for customers, pushing electricity costs further upwards. At a time when Governor Hochul is prioritizing energy affordability, the Commission must do the same. Where UIS investments legitimately can reduce customer costs, they should be explored and, where feasible, implemented. Significantly, however, to the extent

UIS investments are uneconomic and would raise costs to customers, the Commission should reject such proposals. Now is not the time to force customers to fund expensive experiments or pilot programs.

For the foregoing reasons, the Commission should prioritize cost minimization when evaluating utility UIS proposals.

POINT II

PROPOSED UIS PROJECTS SHOULD BE EVALUATED ALONGSIDE OTHER CAPITAL EXPENDITURE PROJECTS IN UTILITY RATE PROCEEDINGS

In the Study, the Joint Utilities propose a UIS approval process that can be employed outside of rate proceedings. (Study at 41-42.) The Joint Utilities assert that: "The flexibility to propose UIS projects within and outside the traditional rate case schedule is essential because there is no guarantee that beneficial UIS projects – stemming from rapidly evolving and uncertain supply and demand conditions – will align with rate case schedules and other proceedings." (*Id.* at 42; footnotes omitted.) Multiple Intervenors disagrees. Utilities should be evaluating their systems and comparing potential UIS projects to alternative infrastructure projects. Utilities are capable of anticipating future needs on their electric systems and advancing complete, multi-year capital expenditure plans in rate proceedings. There is no compelling reason why potential UIS projects should be addressed separate and apart from other capital expenditures, and there are at least several reasons why all types of capital expenditure projects should be addressed together, in utility rate proceedings.

Initially, UIS investments – particularly ones potentially costing tens or hundreds of millions of dollars – should not be evaluated in a vacuum, outside of the utility's other capital expenditures and outside of the normal ratemaking process. Utilities routinely advance for evaluation in rate proceedings complete, multi-year proposals of planned electric system capital expenditures totaling in the billions of dollars. Inasmuch as potential UIS projects would be advanced as alternatives to traditional capital expenditure projects, they should be evaluated alongside each other, in the same proceeding and as part of the same process. The Joint Utilities have not demonstrated that very expensive UIS projects will need to be evaluated under exigent circumstances outside of rate proceedings (and, should such circumstances ever arise, they would be the exception, not the norm, and are capable of being addressed via petition).

Second, it is critical that the Commission, parties to rate proceedings, and especially customers, be aware of potential rate impacts when evaluating proposed utility expenditures. Under the Joint Utilities' proposal, parties could spend months conducting discovery on, testifying about, cross-examining witnesses on, and/or negotiating the scope and the magnitude of utility capital expenditure projects and budgets. During this process, which historically has taken place in rate proceedings, efforts are expended to prioritize spending to ensure that safe and reliable electric service will be provided at just and reasonable rates. Such process is thwarted, however, if only certain proposed capital projects are evaluated, and utilities are free to advance additional, and expensive, capital projects outside of rate proceedings. Under such scenario, the Commission and other parties would be forced to evaluate proposed capital expenditure budgets without knowing what might be coming next and how additional UIS proposals may impact overall spending and rate levels.

Third, over the past several decades, the Commission has exhibited a preference for multi-year settlements and rate plans. From the customer perspective, one of the key benefits of a multi-year plan is rate certainty – *i.e.*, knowing what rate levels will be for several years and being able to plan and budget accordingly. Such benefit is weakened or lost, however, if utilities routinely are allowed to increase spending levels – and collections from customers – outside of rate proceedings.

For the foregoing reasons, the Commission should reject this aspect of the Joint Utilities' Study and, instead, direct that proposed UIS investments be evaluated within rate proceedings alongside traditional capital expenditure proposals and budgets. To the extent a utility claims that (i) it could not foresee the need for a proposed UIS project in its last rate proceeding and (ii) it cannot wait until its next rate proceeding to have such a project evaluated, such circumstances should be severely limited and constitute an exception, not the norm. Under such limited circumstances, the utility could file a petition with the Commission seeking special consideration of its allegedly-exigent UIS project. The vast majority of potential UIS projects, however, can and should be evaluated within utility rate proceedings.

POINT III

THE COSTS OF UIS INVESTMENTS SHOULD BE ALLOCATED TO CUSTOMER SERVICE CLASSES CONSISTENT WITH COST CAUSATION PRINCIPLES

Irrespective of whether they are evaluated and authorized within or outside of the ratemaking process, the costs associated with UIS investments should be allocated to the responsible customer service classes in a manner consistent with cost causation principles. There is no compelling justification for allocating UIS investments differently than traditional electric infrastructure projects.

As indicated above, Multiple Intervenors supports utilities evaluating potential UIS investments as alternatives to traditional infrastructure investments, and moving forward with storage projects where less costly to customers. Importantly, however, UIS investments should be allocated consistently with the infrastructure investments that they would supplant. The most equitable way of allocating infrastructure investments – whether storage-related or otherwise – is in accordance with cost causation principles.

Decisions by a utility to propose – and the Commission to approve – UIS investments should not impact cost allocation. If infrastructure investments are being made to address certain specific system needs, the costs of those investments should be allocated to service classes in accordance with cost causation principles, and such allocations should not vary based on whether the investment is storage related or traditional infrastructure. Individual service classes should neither benefit nor be harmed based on whether the solution to a system need is storage or traditional infrastructure. Thus, although not addressed specifically in the Study, the Commission should direct that utilities allocate the cost of UIS investments consistently with traditional capital expenditures in accordance with cost causation principles.

POINT IV

REVENUES REALIZED BY UTILITIES FROM UIS INVESTMENTS SHOULD BE ALLOCATED CONSISTENTLY WITH THE COSTS OF THE INVESTMENTS

As explained in the Study, potential UIS investments can take many forms and serve multiple purposes related to the provision of T&D service. While not driven by the economics of wholesale electricity markets, to the extent utilities do realize market revenues from UIS investments, such revenues should be returned to customers in a manner consistent with how the costs of the responsible UIS investments are being allocated and recovered.

While not addressed in the Study, it should be beyond dispute that if and to the extent utilities realize revenues from UIS investments that are funded by customers, 100 percent of such revenues should be utilized for the benefit of customers. Utilities implementing UIS projects presumably will be accorded an opportunity to earn a return of and on their investments and, therefore, there is no plausible rationale for also allowing them to retain revenues realized from UIS investments funded by customers.[2]

Importantly, revenues from UIS projects, if realized, should be allocated to customer service classes in accordance with how the underlying project costs are allocated to them. For instance, if a UIS investment is needed to resolve a distribution system issue, the costs for such investment should not be allocated to customers served off of the transmission system and such customers should not share in any offsetting revenues. Alternatively, if the costs of a UIS investment made to meet growing demand are allocated to all service classes in accordance with a demand-based allocator, then any revenues realized from operation of that investment should be allocated to all classes using the same allocator.

The objective of ensuring an equitable allocation of the costs of any authorized UIS investments also applies to how revenues realized by utilities from such investments should be allocated and returned for the benefit of customers.

[2] If and to the extent utilities bear a portion of the costs associated with UIS investments, a sharing of resulting revenues seemingly would be appropriate.

POINT V

THE JOINT UTILITIES' PROPOSAL TO UTILIZE SURCHARGE MECHANISMS OUTSIDE OF RATE PROCEEDINGS TO RECOVER UIS INVESTMENT COSTS SHOULD BE REJECTED

In the Study, the Joint Utilities propose the use of surcharge mechanisms to recover the costs associated with approved UIS projects until the time that rates are next reset for the subject utility. (Study at 45.) This proposal should be rejected. For the reasons set forth in Point II, *supra*, potential UIS investments should be evaluated in rate proceedings alongside other proposed electric capital expenditures. Additionally, there is no compelling reason to impose yet another surcharge on customers; cost recovery for UIS projects entering service in between rate proceedings should be deferred until rates are next reset. UIS projects should be treated comparably to other capital expenditures; they do not warrant separate and special ratemaking treatment. Moreover, total customer rate impacts should continue to be evaluated in rate proceedings. It defeats one of the primary benefits of a multi-year settlement and plan – *i.e.*, rate certainty – to negotiate outcomes with specific delivery rate impacts in mind and then potentially have those anticipated impacts rendered meaningless by the imposition of new and material surcharges during the term of a rate plan.

Although not addressed with specificity in the Study, if, *arguendo*, the Commission approves surcharge recovery for UIS investments, any surcharge imposed on customers should reflect cost causation and be implemented in a manner similar to how those costs would be allocated by the utility in a cost-of-service study and recovered in base delivery rates. For instance, a UIS project intended to expand the capability of a utility's transmission system should be allocated to all customer service classes on a demand basis in the same manner that similar, traditional capital expenditures are allocated, and then recovered from demand-metered customers on a per kW basis. If a UIS project is intended to address a system issue specific to the distribution system, then the costs should not be allocated to customers served off of the transmission system, irrespective of whether such costs are recovered via base delivery rates or a surcharge mechanism. Thus, if the Commission approves the use of surcharges by the Joint Utilities to recover UIS-related costs notwithstanding Multiple Intervenors' opposition thereto, it should direct that such surcharges be structured to allocate costs to service classes and recover costs from individual customers in a manner consistent with cost causation principles and how similar infrastructure investments would be allocated and recovered in base delivery rates.

CONCLUSION

For all the foregoing reasons, Multiple Intervenors urges the Commission to rule on the Joint Utilities' Study, and the proposals advanced therein, in accordance with these Initial Comments.

Dated: February 24, 2025
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Respectfully submitted,

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