

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on May 18, 2005

COMMISSIONERS PRESENT:

William M. Flynn, Chairman  
Thomas J. Dunleavy  
Leonard A. Weiss  
Neal N. Galvin

CASE 04-G-0463 - Central Hudson Gas & Electric Corporation -  
Tariff Filing to Add Language Requiring  
Automated Meter Reading Recording Equipment for  
Interruptible Customers and to Modify Current  
Provisions Concerning Automated Meter Recording  
Equipment Requirements for Firm Transportation  
Customers.

CASE 00-G-1274 - Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of Central  
Hudson Gas & Electric Corporation for Gas  
Service.

ORDER ON REAL-TIME METERING AND DAILY BALANCING,  
AND NOTICE SOLICITING COMMENTS

(Issued and Effective June 1, 2005)

BY THE COMMISSION:

BACKGROUND

In an Untitled Order issued August 27, 2004 in Case  
04-G-0463 (the August 27 Order), it was decided that Central  
Hudson Gas & Electric Corporation (Central Hudson) would be  
allowed to require customers commencing service at interruptible  
rates to pay for the automatic meter reading devices that would  
be installed as a prerequisite to initiation of the service.  
These meters enable the company to collect, nearly  
instantaneously, real-time data on the customers' usage. The

August 27 Order also required Central Hudson to develop a plan for installing automatic metering devices for existing interruptible customers lacking that form of metering, and to file that plan by September 26, 2004.

Real-time metering would permit Central Hudson to determine if an interruptible customer has ceased burning gas when the company has directed it to do so. Currently, however, most Central Hudson customers taking interruptible gas service are not monitored by real-time metering equipment.<sup>1</sup> At the many locations where real-time devices have not been installed, Central Hudson manually reads meters immediately before and after an interruption is called, to determine if the customer impermissibly used any gas during the interruption period. Consequently, the company cannot verify customer compliance with an interruption directive until after the time of the interruption.

Real-time metering would also enable Central Hudson to implement daily balancing procedures for large customers.<sup>2</sup> Balancing is "the process of matching actual customer usage with the quantity of gas delivered," to the local distribution company (LDC) at the city gate, for the customer's account over a specified period of time.<sup>3</sup> The excesses or deficiencies in actual usage above or below the amount delivered are managed by

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<sup>1</sup> Interruptible customers are served at Service Classification No. 8 (S.C. 8) or S.C. 9; of the 72 large customers taking this service, only 11 are monitored with real-time metering.

<sup>2</sup> In addition to the 72 large interruptible customers, Central Hudson serves five additional large customers at its S.C. 11 rate for firm transportation.

<sup>3</sup> Case 93-G-0932, Restructuring the Emerging Competitive Natural Gas Market, Order Concerning Compliance Filings (issued March 28, 1996)(Gas Market Compliance Order), p. 13.

Central Hudson through the deployment of its storage arrangements. The cost of those differences, either positive or negative, are recovered through cashout procedures, which reconcile imbalances at the end of a time period through charges for amounts over- or under-delivered to the LDC.<sup>4</sup>

The cashout charges are based on the principle that the LDC's commodity sales customers should not be harmed by delivery-only customers' deviations in actual usage from the amount delivered. The charges also should act to deter customer reliance on arrangements for delivery of gas that are irresponsible or unreliable. To accomplish that objective, cashout provisions are generally structured as a series of tiering charges, which rise as the magnitude of the balancing over- or under-delivery grows. These tiering provisions create an incentive for customers to make the most accurate arrangements feasible for delivery of gas to the LDC.

Balancing and cashout procedures for Central Hudson were addressed in the Rate Plan Order,<sup>5</sup> where the company was directed to develop appropriate procedures in collaboration with energy services companies (ESCOs). When small customers of an ESCO, in the aggregate, use more or less gas than the ESCO has had delivered on its behalf to the LDC at the city gate, it is necessary, as with large customers, to balance the amount delivered to the LDC against actual usage, and cashout over- and under-deliveries. In addition to the discussions in the Collaborative on the balancing procedures properly applicable to ESCOs, the balancing procedures relevant to large customers that might purchase gas directly without the involvement of an ESCO were also considered. While daily balancing has been proposed

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<sup>4</sup> Gas Marketing Compliance Order, p. 16.

<sup>5</sup> Case 00-G-1274, et al., supra, Order Modifying Rate Plan (issued June 14, 2004).

for the large customers, monthly balancing is being explored for ESCO services to small customers.

Given the ongoing discussions in the Collaborative, Central Hudson, on September 17, 2004, requested that the September 26, 2004 filing date for its plan on the installation of real-time metering equipment for all interruptible customers be postponed until December 31, 2004. Central Hudson asserted that the postponement would afford it the time necessary to research the metering technology that would both permit it to verify if interruptible customers had ceased burning gas during interruptions, and also would yield the data necessary for initiating and performing daily balancing. The utility also claimed a delay in filing was appropriate so that it could avoid installing a metering technology for confirming interruptions only to find a different technology was needed for daily balancing purposes. This request for postponement was granted.<sup>6</sup>

Instead of filing a plan on December 31, 2004, however, Central Hudson, on December 10, 2004, again sought to postpone the date for filing. In its request, the utility cited the pendency of the ongoing Gas Competitive Metering proceeding,<sup>7</sup> arguing that the filing date for the Plan should be extended until an Order resolving that proceeding has been issued.

#### DISCUSSION AND CONCLUSION

Daily balancing provisions for large customers have been implemented in the service territories of nearly all of the larger LDCs. The primary obstacle stalling implementation of daily balancing at Central Hudson is that real-time gas meters

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<sup>6</sup> Case 04-G-0463, Central Hudson Gas & Electric Corporation, Untitled Order (issued November 12, 2004).

<sup>7</sup> Case 02-M-0514, Competitive Metering For Gas Service, Notice Seeking Comments (issued November 8, 2004) and Order Instituting Proceeding (issued May 1, 2002).

are not currently in place at most of its larger customers, unlike other service territories in New York where all or nearly all of the large gas customers are metered with real-time equipment. Installation of that equipment is a prerequisite to obtaining and transferring the data upon which daily balancing depends. Therefore, Central Hudson's request that consideration of a plan for installing real-time meters be postponed necessarily would also postpone implementation of daily balancing and cashout procedures for its large gas transportation customers, both interruptible and firm.<sup>8</sup>

The real-time metering of Central Hudson's large customers, however, would play a crucial role in preserving system reliability. Without real-time metering, it is difficult for Central Hudson to verify that large interruptible customers have complied with directives to cease burning gas. Because these customers burn large amounts of gas, a failure to halt gas consumption during times of system constraint can adversely impact the reliability of service to firm customers, such as residential customers who depend on gas heat. Moreover, the company must gather accurate data on the amount of gas that large customers use, because prompt recognition of the extent to which these customers' delivery arrangements have met, or failed to meet, their actual consumption requirements can affect the utility's ability to balance available gas supply against demand on a daily, and sometimes hourly, basis.

Upon installation of real-time metering, however, the implementation of daily balancing for large customers becomes feasible. Daily balancing is an important element to preserving the reliability of Central Hudson's distribution system, as it

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<sup>8</sup> The scope of this proceeding is expanded to include S.C. 11 firm transportation customers; real-time metering and daily balancing are just as necessary for the five customers taking service under S.C. 11 as they are for interruptible customers.

creates strong incentives for large delivery-only customers to arrange for the delivery of gas quantities that closely match their actual needs. Indeed, we have emphasized that:

the volatility of the gas demands...necessitates either on-system daily balancing or a city gate balancing requirement that specifies, in advance, the daily delivery quantity of gas to the city gate each day to avoid "gaming" deliveries based upon daily gas cost.<sup>9</sup>

Real-time metering and daily balancing also properly signal and allocate the accurate costs of serving large gas customers. Sending accurate pricing signals to these large customers through real-time metering and daily balancing facilitates the development of competitive markets. By creating incentives for the accurate matching of delivery against need, daily balancing procedures also prevent subsidization of service to large customers by other customers.

Therefore, real-time metering and daily balancing are important features of a competitive market for gas supply.<sup>10</sup> Accordingly, the installation of real-time metering for Central Hudson's larger customers cannot be postponed further without adversely affecting both gas system reliability and the growth of competitive markets for gas supply.

Central Hudson's relies upon the Competitive Gas Metering proceeding, as a reason for suspending the filing of

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<sup>9</sup> Gas Market Compliance Order, p. 15.

<sup>10</sup> Notwithstanding that daily balancing procedures for large customers have been under consideration in the Collaborative, all issues related to daily balancing are transferred to this proceeding; ESCO monthly balancing issues shall remain under consideration in the Collaborative, as discussed in the Order Accepting Retail Access Plan, Modifying Rate Plan and Establishing Further Procedures, issued today in Case 05-M-0332.

its metering installation plan and the implementation of daily balancing. The company posits that the proceeding raises questions, such as third-party ownership of gas meters, that will remain open until the proceeding is resolved, and could lead to postponement of metering upgrades.

While non-utility ownership of gas meters is an issue in the Gas Competitive Metering proceeding, neither the Order initiating that proceeding nor the November 2004 Notice present detailed proposals on that form of ownership. The primary focus of that proceeding is instead on the provision of competitive meter data services, which can be readily accomplished by using the real-time gas metering devices Central Hudson would install at its large gas customers. In fact, installation of such metering equipment could foster the growth of third party data service providers, and minimize the cost of information system enhancements that might otherwise be required.

Even if Central Hudson were to experience impacts or incremental costs arising out of the Gas Competitive Metering proceeding, those outcomes could be addressed on their merits upon the filing of a petition by the company after the facts and circumstances are known. Moreover, reductions to the costs of manual meter reading that Central Hudson will experience upon the installation of real-time metering devices will assist in offsetting installation costs. As a result, the Gas Competitive Metering proceeding is not an obstacle to Central Hudson's implementation of a plan for installing real-time meters for its larger gas customers, and for implementing the attendant daily balancing and cashout procedures. Therefore, Central Hudson's petition to delay the filing of its plan for the installation of this metering equipment is denied, except to the extent it shall file a plan for installing real-time metering at all its large customers by August 8, 2005.

The implementation of daily balancing and cashout procedures must also proceed on a more rapid track. Proposed balancing and cashout procedures for daily metered customers are attached at Appendix 1. The proposed procedures generally reflect those in effect at other combination gas and electric utilities and large LDCs. Parties are invited to comment on these proposed procedures, by August 8, 2005.

The Commission orders:

1. The petition of Central Hudson Gas & Electric Corporation requesting postponement of the filing date for its plan to install for its large gas customers advanced metering devices that yield real-time data is denied, except to the extent that it shall file such a plan by August 8, 2005, as or as the Secretary may require.

2. The scope of these proceedings is expanded to address the installation of real-time gas metering devices, for all large gas customers of Central Hudson Gas & Electric Corporation, firm as well as interruptible, under Service Classifications Nos. 8, 9, and 11, and to address the procedures for daily balancing and cashout those meters make possible.

3. Parties are invited to comment on the daily balancing and cashout procedures set forth in Appendix 1, by submitting, no later than August 8, 2005, or as the Secretary may require, an original and five copies of comments to Jaclyn A. Brillling, Secretary, Department of Public Service, Three Empire State Plaza, Albany, New York 12223-1350.

4. These proceedings are continued.

By the Commission,

(SIGNED)

JACLYN A. BRILLING  
Secretary



**Cases 04-G-0463 & 00-G-1274**  
**Central Hudson**  
**Proposed Balancing & Cashout Procedures**

**Tiering & Pricing**

Daily Balancing - overdeliveries

- 0-10% - No cashout.
- 10-15% - 90% of the midpoint price posted in Natural Gas Week for Texas Offshore and Onshore and Louisiana Offshore and onshore price plus Tennessee Gas Pipeline's FT transportation costs and equivalent fuel costs from zone 0 and Zone 1 to Zone 5, for the applicable month.
- 15-20% - 85% of above index price.
- > 20% - 60% (70% in summer) of above index price.

Daily Balancing - underdeliveries

- 0-10% - No cashout.
- 10-15% - 110% of midpoint price posted at NYC city gate.
- 15-20% - 115% of above index price.
- > 20% - 140% (130% in summer) of above index price.

Daily Balancing - Monthly overdeliveries (within tolerance band)

100% of average midpoint weekly gas price posted in Natural Gas Week for Tennessee's weighted average Zone 0 and Zone 1 prices plus Tennessee's FT transportation charges and the equivalent fuel costs from Zone 0 and Zone 1 to Zone 5 during the applicable month.

Daily Balancing - Monthly underdeliveries (within tolerance band)

100% of average midpoint price posted at NYC city gate during the applicable month.