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Hudson Yards Microgrid: Case 13-E-0030 Standby Rates Proposal

Related Companies and Bernhard Energy are encouraged by the impact of the Standby Rates Proposal offered by DPS Staff and fully endorse their adoption. These modifications to the existing tariff make significant progress in reducing the economic barrier that Standby Rates currently represent and are well suited to advancing the broader adoption of distributed generation resources contemplated under REV.

Project Background

Related Companies and Oxford Properties ("Related"), in partnership with Bernhard Energy ("Bernhard"), are developing a microgrid at Hudson Yards ("HY") to serve, at minimum, the five buildings of the Eastern Rail Yards ("ERY")¹. The major components of the microgrid are a 13.3 MW tri-generation plant and a thermal exchange loop through which thermal output from the tri-generation plant will be distributed to plants in each of the five ERY buildings. The tri-generation plant thermal output will reduce the need to run building chillers and boilers.

The five ERY buildings amount to 7.7M SF of mixed use development, including residential condo, affordable rental, retail and commercial office space.

Standby Rate Proposal Analysis

Under the current ERY loads selected for incorporation into the Offset Tariff, Hudson Yards is projected to spend approximately **\$3.9M** in delivery charges under the current Standby Rates (SC8 & SC9 Rate V). Under the modifications proposed by DPS Staff, Hudson Yards is projected to save **\$2.3M** in delivery charges as outlined below:

- 1. <u>Modify calculation of the Monthly Adjustment Clause (MAC) for Standby customers to</u> <u>\$/kWh as is done with all other customers</u>
- 2. <u>Assess the SBC, RPS, and MAC Adjustment (all \$/kWh) charges to be based on the customer's usage net of generation</u>

Taken together, these modifications are projected to save the project **\$1.16M** in expenses annually.

3. <u>Standby customers earn credits against their contract demand charges based on</u> <u>performance of their generating units.</u>

This modification is projected to save the project **\$1.14M** in expenses annually. Furthermore, establishing the Contract Demand Credit as the difference between Contract Demand and Maximum Net On Peak Demand offers Customers substantially

¹ The campus development has two additional commercial buildings in the first phase that could be included in the Offset Tariff at a later date. The modeling of these buildings' electrical and thermal load has not yet been included in the HY Microgrid analysis.

more flexibility in achieving the credit than if established off the minimum generator output.

Additional Proposals

In addition to the modifications proposed by DPS Staff, Related and Bernhard suggest the following proposals:

1. Establish a rate structure for Customers who have paid for the installation of High Tension (LT) and Low Tension (LT) electrical distribution infrastructure but are billed under the LT Tariff.

Accommodation Customers who have paid the cost for electrical distribution infrastructure will find billing under LT (which is designed to recover utility capital costs for distribution infrastructure) inequitable. Currently, tariff is predicated on whether or not the Customer is metered at LT or HT without consideration of the capital costs borne by the Customer. DPS Staff should establish a separate "LT for Accommodation Customers" rate that reflects an equitable allocation of these costs. At Hudson Yards, shifting those ERY accounts served by distribution infrastructure paid for by Related from LT to HT would save the project **\$275,000** annually.

2. For Offset Tariff Customers, base Contract Demand charges on generator output, not building load.

This modification would have two distinct benefits:

- a. Decouples Contract Demand charges from the selection of loads for Offset Tariff customers, simplifying the selection of loads and improving generator utilization. Due to the current basis for Contract Demand, Hudson Yards has selected fewer Offset Accounts than for which the trigen plant has generation capacity, and thus the plant at Hudson Yards will throttle down while buildings at Hudson Yards still have excess demand. This prohibits Related from realizing the full value of its plant. Reducing the plant size does not alleviate this issue, as fewer Offset Accounts would also be selected to balance revenues with Contract Demand expense.
- b. Simplify the determination of Contract Demand for Customers and offer greater certainty around the cost of Contract Demand charges.

Related Companies and Bernhard Energy appreciate the focused engagement by DPS Staff on the topic of Standby Rates and the improvements reflected in their proposal. We look forward to continued interaction on this topic and welcome any questions that you may have.