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June 29, 2018

Via Email

Janet M. Audunson
Niagara Mohawk Power Corporation d/b/a
National Grid

Paul A. Colbert
Central Hudson Gas & Electric Corporation

David Gahl
Solar Energy Industries Association

Cullen Howe
Acadia Center

Ryan Katofsky
AEE Institute

Mark Marini
New York State Electric & Gas Corporation
and Rochester Gas & Electric Corporation

Susan J. Vercheak
Consolidated Edison Company of New
York, Inc. and Orange & Rockland Utilities,
Inc.

Re: Value of Distributed Energy Resources Rate Design Process and Rates Selected
for Analysis

Case 15-E-0751 – Value of Distributed Energy Resources.

Case 17-01277 – Value of Distributed Energy Resources Working Group
Regarding Rate Design.

Dear Ms. Audunson, Mr. Colbert, Mr. Gahl, Mr. Howe, Mr. Katofsky, Mr. Marini, and Ms.
Vercheak,

Thank you for submitting proposals for Mass Market Net Energy Metering (NEM)
Successor Rate Designs. Department of Public Service Staff (Staff) has reviewed your rate
design proposals and had conversations with each of your organizations to ensure that we fully
understand your proposals. In this letter, Staff identifies the rate design proposals that the Joint
Utilities will run through bill impact models and that Staff's consultant, Energy and
Environmental Economics, Inc. (E3), will base its cost shift and project economics analyses on.

In addition, this letter describes the process going forward to evaluate the rate design proposals so that Staff may present a recommendation to the Public Service Commission by the end of 2018.

Rate Design Process

By selecting rate design proposals to be evaluated by the Joint Utilities and E3, this letter begins the second phase of the process to select a new rate design for mass market customers who install distributed generation after January 1, 2020, when Phase One NEM eligibility for those customers ends. The first phase of the process comprised the meetings of the Rate Design Working Group in 2017 and 2018. Those meetings gave stakeholders the opportunity to present on and discuss rate design issues, culminating in the filing of rate design proposals on May 29, 2018.

The first step in this second phase of the rate design process, which will result in a Staff proposal by the end of the year, is for evaluation of the selected rate designs, described below, by the Joint Utilities and E3. To the extent that anyone has questions or requests related to Staff's selection of or description of those rate designs, Staff encourages individuals to send those questions or requests to Staff, as well as the Joint Utilities and the proposer if applicable, by July 6, 2018, so that any resulting discussion can inform the analyses.

Based on the Joint Utilities' presentation at the April 6 Rate Design Working Group meeting on their process, Staff expects that the Joint Utilities will be able to provide some initial products of their analysis, including the specific rates associated with each rate design proposal, within one month. Staff then expects that more complete results will be available in one-and-a-half to two months and that E3 will produce results in a similar timeframe.

Along with the results of the bill impact analysis, the Joint Utilities will provide the models used to reach those results. Those models will show all relevant inputs and assumptions and, to the extent possible, should permit individuals to modify inputs and assumptions and view the changes that result. If this is not possible for some types of requested modifications, following the release of the results and models, Staff will establish a limited time period for stakeholders to request that the Joint Utilities complete further analysis regarding how specified modifications would change the results.

In addition, Staff will convene one or more meetings for the Joint Utilities and E3 to explain the results of their respective analyses and answer questions. One or more meetings will also be held for discussion of proposed rate designs informed by the results. Those meetings will include the opportunity for attendees to discuss both the quantitative aspects of the proposed rate designs and the more qualitative aspects, such as customer comprehension and acceptance issues.

Following these meetings, Staff will establish a process for the filing of written comments and recommendations. In particular, Staff expects to request the filing of final rate design proposals and proposed rate design policies and principles for Staff to consider in developing its recommendations. In addition, Staff will provide the opportunity for stakeholders to respond to each other's proposals.

Finally, by the end of 2018, Staff will issue recommendations for consideration by the Public Service Commission on a Mass Market NEM Successor Rate. The public will have an opportunity to comment on that proposal consistent with the requirements of the State Administrative Procedure Act (SAPA) before consideration and action by the Public Service Commission.

Selected Rate Design Proposals for Analysis

After discussions with each submitter and with the goal of narrowing down the proposals to avoid duplication of efforts, we arrived at the following four rate designs to be run through the Joint Utility bill impact analysis models and the E3 cost shift and project economic analyses. Following the fourth selected proposal, Staff provides additional instructions for the Joint Utilities and E3.

I. Clean Energy Parties Time of Use Rate Proposal - Modified

Applicability:

- Mandatory for all Residential and Small Commercial Non-Demand NEM customers

Scope:

- Delivery and supply

Supply Rates:

- ICAP costs: These costs should be allocated to peak time of use periods.
- Supply TOU periods same as Delivery TOU periods

Distribution Rates:

- TOU
 - Customer Charge: maintained at current levels for each utility (*i.e.*, levels approved as of July 1, 2018).
 - The TOU volumetric charges are calculated to recover the same level of costs as are currently recovered through the volumetric charges of the applicable rate class and are therefore designed to be revenue-neutral to each utility's otherwise applicable non-TOU rate.
 - Per kWh Charges: Seasonal TOU
 - Seasonal and TOU Ratios should be based on costs. Without a thorough analysis of each utility cost of service study, only placeholders have been provided.
 - Seasonal price ratio:
 - 3:1 summer peak to non-summer peak ratio.
 - Summer TOU price ratios:
 - 3:1 summer peak to off peak ratio
 - Winter TOU price ratios:
 - 2:1 winter peak to off peak ratio
 - TOU Periods
 - 4 hour summer peak period.
 - All non-holiday weekdays.
 - Same for distribution and supply
 - 6 hour winter peak period

- All non-holiday weekdays.
- Same for distribution and supply

Other Charges:

- Various adjustment charges and other supply components, including ancillary service costs, New York Power Authority transmission adjustment charges, renewable energy credits, zero-emission credits, and a true-up component will continue to be charged volumetrically.

Exports:

- Credit at the applicable delivery and supply rates

II. Staff Requested Time of Use Rate based on Joint Utilities Demand Rate Proposals

Applicability:

- Mandatory for all Residential and Small Commercial Non-Demand NEM customers

Scope:

- Delivery and supply

Supply Rates:

- Supply proposal included in the JU 2 Demand Rate proposal
- Supply costs will be recovered through volumetric peak and off-peak (kWh) charges that vary on a monthly basis year-round.
- The peak rate in the summer months will also recover annual ICAP costs.
- Supply TOU periods same as Delivery TOU periods

Distribution Rates:

- Customer Charge: maintained at current levels for each utility (*i.e.*, levels approved as of July 1, 2018).
- The TOU volumetric charges are calculated to recover the same level of costs as are currently recovered through the volumetric charges of the applicable rate class and are therefore designed to be revenue-neutral to each utility's otherwise applicable non-TOU rate.
- Based on the delivery cost allocation used in the JU TOU Demand Rate proposal
- Each of the Utilities will determine the months of the seasons and hours of the proposed TOU periods based on their utility-specific data and analysis.
- Separate rates for peak and off-peak kWh usage in each billing period of the year. The peak charges will vary by season in a manner specific to each utility.
- The TOU proposal may be described as consisting of a "base" rate layer that is included in both the peak and off-peak charges for all seasons, and an "incremental" rate layer on top of the base rate during peak periods of each season. The base rate layer is designed to recover local distribution costs and the incremental rate layer is designed to recover upstream delivery costs. The off-peak period charge is the same as the base rate layer and the peak period charge is the sum of the incremental rate layer and the base rate layer.
- The peak charges are designed to recover a portion of the rate class local distribution costs and upstream delivery costs. The off-peak charges are designed to recover a portion of the local distribution costs.

- Local distribution costs include: (a) customer-related costs that are not recovered in the current (and proposed) customer charge, (b) secondary distribution costs, and (c) a portion of primary distribution costs, which will be determined on a utility-specific basis.
- Upstream delivery costs include: (a) the portion of primary distribution costs that are not local distribution costs, and (b) transmission costs.
- The billing determinants used to calculate the peak and off-peak charges, by season, are the sums of customers' seasonal peak period and off-peak period kWh, respectively.

Other Charges:

- Various adjustment charges and other supply components, including ancillary service costs, New York Power Authority transmission adjustment charges, renewable energy credits, zero-emission credits, and a true-up component will continue to be charged volumetrically.

Exports:

- Credit at the applicable period delivery and supply rates

III. Joint Utility 2 Demand Rate Proposal – as filed

IV. Joint Utility TOU Demand Rate Proposal – as filed

Each utility foundational calculations shall include the following:

- Create representative typical customer load profiles at three levels of load factor (low, medium, and high) for various strata of annual kWh consumption, assuming no behavioral changes (consumer)
- Create representative typical customer load profiles at three levels of load factor (low, medium, and high) for various strata of annual kWh consumption, assuming installation of solar panels (prosumer)
- Calculate annual bills for the consumer and prosumer typical customer load profiles at current rates and each of the proposed rates

Each utility sensitivity analysis shall include the following:

- Calculate the bill impacts using the same approach described above, to the TOU rate proposals I & II, with a reduced customer charge. The customer charge shall be determined by including only the embedded cost of meters, customer service, billing and service drop. Recover the difference between the reduced customer and the existing customer charge in the per kWh off-peak period rate in all months.

E3 foundational analysis shall include the following:

- Calculate the impact, by utility, of the proposed rates on non-participants as measured by the change in costs that would be shifted to non-participants as a result of the new rates.

This requires an assumption for the amount of new rooftop solar to be installed by mass market customers in each utility territory after January 1, 2020.

- Calculate the impact, by utility territory, of the proposed rates as compared to existing Phase One NEM, on new mass market customers that install rooftop solar on a use case basis. This study shall consider various use cases and determine the impact of the proposed rates on the project economics and on achieving New York's clean energy goals. The use cases should be developed using utility-specific typical rooftop solar installation data.

E3 sensitivity analysis shall include the following:

- Calculate the cost-shift impact and project economics impact of the TOU rate proposals I & II, assuming:
 - Exports valued at the value stack and all PV generation receives credit at the current E value.
 - Off-peak delivery export credit value is zero, on-peak delivery export credit value based on 50% of the on-peak delivery rate. Supply value for exports mirror consumption rates. All PV generation receives credit at the current E value.

Please feel free to contact Rate Design Working Group Chair Marco Padula or me with any questions.

Sincerely,

/s/

Ted Kelly

Assistant Counsel

theodore.kelly@dps.ny.gov

518-473-4953

CC: Honorable Kathleen H. Burgess, Secretary to the Public Service Commission
Marco Padula, Department of Public Service
Warren Myers, Department of Public Service
Kevin Lucas, Solar Energy Industries Association
Brandon Smithwood, Coalition for Community Solar Access
Miles Farmer, Natural Resources Defense Council
Rob Garrity, New York Solar Energy Industries Association
Karl Rabago, Pace Energy & Climate Center
Nathan Phelps, Vote Solar
Stephen Wemple, Consolidated Edison Company of New York, Inc.
Kristen Barone, Orange & Rockland Utilities, Inc.
Joseph Hally, Central Hudson Gas & Electric Corporation
Lauri Mancinelli, Niagara Mohawk Power Corporation d/b/a National Grid
Brian McNierny, New York State Electric & Gas Corporation and Rochester Gas & Electric Corporation