

Public Service Commission Meeting
July 14, 2016

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TRANSCRIPT OF THE
PUBLIC SERVICE COMMISSION
COMMISSION MEETING

JULY 14, 2016

90 CHURCH STREET

BOROUGH OF MANHATTAN

10:30 A.M.

Reported By:

Nicole Ellis

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PRESENT:

AUDREY ZIBELMAN, Chair

DIANE X. BURMAN, Commissioner

GREGG C. SAYRE, Commissioner

PATRICIA L. ACAMPORA, Commissioner

Kathleen H. Burgess, Secretary

Michael Corso, Chief Consumer Advocate

Tom Dwyer, Assistant Counsel

Marco Padula, Deputy Director of Markets

Paul Agresta, Acting General Counsel

Raj Addepalli

Scott Weiner

Michael Worden

Doris Stout

Cindy McCarran

Alicia Sullivan

Tom Congdon

Peter McGowan

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CHAIR ZIBELMAN: Good morning,
everybody. I'm going to call the session
of the Public Service Commission to order.

Secretary Burgess, are there any
changes to the final agenda?

SECRETARY BURGESS: Good morning,
Chair and Commissioners, there are no
changes to the final agenda.

CHAIR ZIBELMAN: Good morning, and
welcome to New York City.

So we will -- we have two items for
our regular agenda. The first item is
Item No. 201, and that is related to
Energy Service Company sales to
low-income customers. We have both
Michael Corso, Chief Consumer Advocate,
and Tom Dwyer, Assistant Counsel, will be
presenting these items today.

Gentlemen, I don't know who's
starting.

MR. CORSO: Good morning, Chair and
Commissioners. This morning we're going
to present to you Item 201. What we have
designed for the presentation is that Tom

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Dwyer, Counsel, will give the background on the historical orders relating to this issue, which we bring before you today, and I will close up the presentation with what we have before you, and then be available for any questions. So I'm going to turn to Tom first.

MR. DWYER: Thank you, Michael.

Chair and Commissioners, the issues discussed in the item before you today were first addressed by the Commission in a February 25, 2014 order that directed improvements to the retail markets, with respect to residential and small nonresidential customers.

Also in that order the Commission expressed concerns with the service by ESCO's to low-income customers, and stated that the purpose of ratepayer- and taxpayer-funded assistance programs was subverted through an ESCO service to low-income customers for comparatively higher prices for gas and electricity without the corresponding value to the

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customer.

So therefore, in that order, the Commission directed that if an ESCO was to serve a low-income customer, they had to either provide a product that guaranteed savings with respect to what the customer would have paid under full utility service or the ESCO would have to provide the low-income customer with an energy-related, value-added product or service that was designed to reduce the customers overall bill.

After issuance of the February 2014 order, several petitions for hearing were filed. And in April of 2014, the Commission stayed the February order pending further action from the Commission. Then in February 2015, the Commission issued an order on the petitions for rehearing, and reaffirmed the protections that were afforded to low-income customers. Again, the Commission expressed concern with the diminution of public assistance

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funds through ESCO service to low-income customers.

In the February 2015 order, Staff was directed to convene a collaborative to do three things: One, to identify a mechanism, by which an ESCO, at the point of sale, could identify if a customer was enrolled in a utility low-income program. Two, to define the energy-related, value-added products or services that would satisfy the Commission's criteria. And three, determine a way to provide these protections to existing low-income ESCO customers, as well as ESCO customers who subsequently become low income.

So that collaborative was convened, and met five times between March and October of 2015, and consisted of Staff, all major electric and gas utilities, individual ESCO's, ESCO trade associations, and consumer advocates. And the result of that process was a collaborative report that was filed on November 5th of 2015. And while that

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2 report is comprehensive, and really
3 reflects a great deal of time and effort
4 on behalf of Staff and all the
5 Collaborative participants, it was unable
6 to reach a resolution with respect to the
7 issues identified in the February 2015
8 order, nor did it present a viable
9 solution for ESCO service to low-income
10 customers. In fact, in the Collaborative
11 a number of ESCO's conceded that they did
12 not intend to serve low-income customers
13 if they had to do so either through a
14 guaranteed savings product or an
15 energy-related, value-added product that
16 was guaranteed to reduce the customers
17 bill.

18 Therefore, in light of the evidence
19 that ESCO's are either unable or unwilling
20 to provide the guaranteed savings product
21 to a customer, and perhaps more
22 importantly, that no energy-related,
23 value-added products or services that
24 would satisfy the Commission's directive
25 have been identified.

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The Staff proposes the item before the Commission today.

And I'll turn it back over to Michael, who's going to discuss the May 2016 order that addressed utility low-income programs, as well as present today's item.

MR. CORSO: Thank you, Tom.

In the spirit of affordability, the item that you approved on May 20th of this year, we strengthened those programs. The Commission recognized the need for a better affordability strategy and making certain that low-income customers could maintain utility service, which is essential service.

That program is strengthened significantly in that order, and to protect the integrity of that affordability strategy, the ratepayer dollar is afforded by you to support the program, as well as public assistance dollars coming from HEAP and other public-assistance-type programs that help

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low-income customers.

The value of protecting them is critical, and before us today we're trying to make sure that we recommend to you how do we make sure those dollars get utilized to bring down the cost of energy for those customers who have a hard time affording it, and to make sure the program dollars, the public dollars, ratepayer dollars are all used for their intended purpose.

We bring to you today's item, which is recommending a moratorium on service to low-income customers by ESCO's. We don't have a solution, other than to protect them from being served by ESCO's, wherein most every case, they have a premium, the price that they pay, which is greater than what they would pay in the utility program or buy service as a full-service customer in a utility.

So the concern is that we want to make sure those program dollars that have been afforded through the low-income programs you approved, as well as the

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2 public assistance dollars, are reaching
3 the low-income customers and bringing down
4 the price of energy for them so they can
5 maintain service and continue keeping
6 essential service.

7 And we, in that light, bring you the
8 request for a moratorium, so that we can
9 continue working forward on how to resolve
10 this in other ways. We haven't gotten
11 there yet, we're still trying to work on
12 developing the market and finding
13 solutions that are going to protect and
14 support all customers. But in the
15 particular interest of the low-income
16 programs, we believe that we need to do
17 something immediately, and we recommend to
18 you moratorium.

19 The elements of how that's
20 implemented or in the order in front of
21 you, we think that's something very
22 important to consider, as well, not only
23 is this beneficial to the low-income
24 customers, but it's beneficial to all
25 ratepayers, businesses, as well as

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residents, because the cost of low-income customers not being able to pay bills increases arrears, uncollectibles, and the cost of administration of all that is significant, and that is very much important to us to realize that we want to keep the cost of those down and maintain service for customers, limit terminations, limit unnecessary terminations and reconnections. All those costs are significant to the utility and ratepayers, and we believe the only thing we can do now, for this period in time, is to recommend to you consideration of a moratorium, whereby low-income customers would not be able to be served or eligible to be served by ESCO's at this time.

We're prepared to answer any questions you may have.

CHAIR ZIBELMAN: Thanks, Mike.

You know, I appreciate Staff bringing this forward. I know that there's been a lot of conversation and collaboratives and it really the -- almost throughout the

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investigation, I believe, which was started in 2012, on ESCO's. One of the major concerns is the impact on low-income customers when they end up having to pay more for energy, whether electricity or gas, than they would have paid had they stayed on the default service provided by the utilities.

I'm aware that the Staff, as well as the ESCO's and the utilities have spent a lot of time talking about what could the ESCO's do to guarantee that low-income customers are not paying any more than they would have paid had they stayed with the utility rates. And that, really, as I look at this, is the cost, because we still haven't found that solution, we can't put ourselves in a position anymore that low-income customers are ending up paying more for energy and at the same time other ratepayers are providing a subsidy.

And I think as Michael noted, it's very problematic, not only are you

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increasing the arrearages, but monies that could go further to help people pay their bills are going less far, and people end up paying more for energy, gas, even unwittingly, because of the nature of the contracts they sign.

So I'm glad that Staff is recommending a moratorium, as opposed to simply saying, Let's say they can't, because I think that we certainly have the pending docket on ESCO's where we're looking at alternatives, we're looking at solutions, we're looking at bringing this market back, and I think that once we, as the Commission, have an opportunity to vote on the pending issues around the reset of the ESCO market that's pending in front of us, we can then revisit this issue about, well, what is it, should we make a change, and what change that would be.

But in the meantime, I'm comforted by the fact that what we're doing today is saying because of the risk of low-income

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customers paying more for either heat or electricity than they otherwise would pay, whether it's unintentional or it's an unfortunate element of price gouging, it doesn't make any sense. And so by doing this, we're purporting that protection. I think, Staff has done a very nice job in balancing the needs of privacy, executing this in a way that doesn't violate people's individual privacy. And I intend to vote for it.

In saying so, I look forward to the fact that this is a continuing dialogue, and we focus very much on building back this market. But in the meantime, putting this protection in place is very important. So I intend to vote for it.

Any questions or further comments for Michael?

COMM. ACAMPORA: Can someone just tell me if any other state has looked into this or are we the first?

MR. CORSO: I, subject to check 'cause I don't know every state, but I

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don't believe there's been a moratorium or anything such as this just yet anywhere in the country. We would be the first in that question, yes.

CHAIR ZIBELMAN: I did note, and they haven't done that. It's interesting to me, I noticed in the trade journals a couple weeks ago, I think probably we've all seen it, that Texas is having problems, and where Texas has been historically held up and the markets (inaudible). And the Texas Commission is looking into assertions that are being made.

So I think what we're seeing in New York is -- we will have an opportunity when we vote on these -- the various items in the future, to really help, I think, in the dialogue that's going through around the country.

COMM. ACAMPORA: I think this is really thoughtful and quite appropriate for us to be doing. This is an area, you know, where I think I've been very outspoken about this, and making sure,

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particularly for residential customers, that the ESCO's work for them. And the one area that I've always been concerned about was the low-income group. So I feel that I appreciate the fact that many of our ESCO's have been very upfront and honest during that process and saying that you couldn't come up with a solution at the time, and something we're going to work toward.

But in the meantime to give that consumer protection to low-income people and letting other customers who know that they put monies forward for the low-income customer, that we're watching this and we're being very thoughtful about it.

So I thank you for the recommendation today, and I will be supporting it also.

COMM. SAYRE: I'm in accord with comments and recommendations of Mr. Corso, the Chair, and Commissioner Acampora.

While the data that we have showed that on average, ESCO bills are higher than default bills, there can be a lot of

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reasons for this, either good or bad, but for the purposes of this item, those reasons don't make any difference to me.

The simple fact of the overage means that planned consumers are receiving Federal or State assistance for their energy bills. For the overage, that money is flowing to the ESCO's and is not benefiting the consumers. So simply as a matter of making our energy-assistance programs more efficient and less costly, as well as protecting low-income consumers, I think this item is extremely appropriate.

We gave the Collaborative every opportunity to come up with a way to protect low-income consumers and protect the assistance programs at the same time, they couldn't come up with a solution. This is the necessary result.

CHAIR ZIBELMAN: Thank you.

COMM. BURMAN: I do believe that we're all trying as hard as we can to ensure that we are doing everything we can

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to support customers on the affordability issue. And there are a number of proceedings that we have where we are very cognisant of that, and I think that there is no doubt that everyone comes to these issues with the intent to help all customers, and especially the most vulnerable. So I appreciate the hard work that, not only our Staff, but others have done to look at this.

For me, it goes to what's in the record and what are our legal obligations. And the Commission's February 2015 order, as Mr. Dwyer noted on this low-income issue, concluded that when an ESCO serves a customer participating in a utility low-income assistance program, it must do one of two things; either guarantee that the low-income customer will pay no more than he or she would have paid as a full service utility customer, or two, provide the customer with energy-related, value-added products or services, including fixed-priced products in a

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2 matter that does not dilute the
3 effectiveness of the financial assistance
4 programs. We were very clear on that.

5 And the Commission had directed Staff
6 to lead a collaborative to address, among
7 other things, implementation issues
8 associated with this requirement. As
9 Mr. Dwyer indicated, the Commission
10 directed Department of Public Service
11 Staff in this collaborative addressing
12 implementation issues to do three things:
13 One, identify a mechanism by which ESCO's
14 can confirm at the point of sale or the
15 potential customer is an app. Two, define
16 the ERDA products or services, which
17 satisfies the Commission's criteria, and
18 may be offered to apps. And three,
19 determine how protections are provided to
20 existing ESCO apps and ESCO customers who
21 become apps. And as noted, there were
22 five meetings that were held, and people
23 came to it in a diligent way, and they
24 issued a report in November 2015, the
25 Collaborative Report.

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So for me, it goes to now, looking at that report, and going back to the order that directed the Collaborative and directed a report to be issued on the three signature implementation issues and to see what has been done, and also to go to the core of what the condition concluded as to ESCO's which were the fixed-priced option or the value-added services.

So regarding the first standard of products with price guarantees relative to the utility price, the Collaborative actually identified that there were, for the fixed-priced, no unresolved implementation issues. The Collaborative did note that few, if any, ESCO's intended to offer such a product, but it did not say that there were no ESCO's that would not offer or could not offer.

So, for me, I'm concerned that the Draft Order doesn't acknowledge that there are no unresolved issues concerning the Commission's first standard of ESCO

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2 products with guaranteed savings. Several
3 ESCO's have, in fact, offered these
4 products in the past and they offer them
5 in the future. The Draft Order would
6 enable the general body of residential
7 customers to obtain those products, but
8 would somehow inexplicably prohibit ESCO's
9 to provide them to low-income customers,
10 and I'm concerned about that.

11 Now as to the second prong, the
12 standard of products with energy-related,
13 value-added attributes, the Collaborative
14 in its report acknowledged that they
15 didn't reach consensus on a similar
16 approach to defining such products.
17 However, as I read the report, the
18 Collaborative identified several products
19 now being offered, which have the
20 potential to meet that criteria;
21 fixed-priced products, products including
22 home management attributes, such as
23 advanced thermostats, and products
24 including maintenance and/or repair of
25 home energy intensive equipment, such as

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furnaces.

Again, it is true the Collaborative did not reach a consensus on the methodology to be used to determine whether those currently available products actually comply with the criteria established by the Commission.

So looking at it, after extensive discussion of the criteria to be used to evaluate energy-related, value-added attributes, the Collaborative in its report notes that there were two approaches, and they were presenting them to the Commission as options for its consideration. The report, in fact, stated collaborative participants recognize that both these proposals include elements which are complex and raise questions which require further exploration.

In particular, regarding the first option, the fixed-priced, the report stated at this point, first, it would be difficult to identify all forms of

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value-added products and their associated values. It's recommended, by proponents of this model, that after issuance of a Commission decision adopting the general methodology, the Commission could institute a comment period during which interested parties could essentially address the unresolved issues.

Similarly, regarding the second option presented for the value-added, there was a competitive bid aggregation contract favored by some of the ESCO's and the Collaborative stated collaborative participants acknowledged that this collaborative bid concept has a substantial amount of complexity, which has not yet been fully developed, and should the Commission rule that ESCO subgroups proposal for aggregating low-income customers be implemented, the Collaborative participants would believe that additional work with stakeholders would be required to identify the most appropriate partners, methodologies, and

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mechanisms to effectuate the approach.

So as I see it, the parties filed detailed comments on the Collaborative Report, including those two approaches. Now after the Collaborative Report was filed, the Draft Order concludes that no qualified products have been identified and a proposal that satisfies all parties has not surfaced. And the Draft Order then concludes that a moratorium should be placed on all low-income enrollments and renewals. So I have some concerns with the Draft Order.

First, the Draft Order, as I said, doesn't acknowledge that there are no unresolved issues concerning the Commission's first standard that we identified the two fixed-priced with guaranteed savings. It is, in fact, that several ESCO's have offered those products in the past and may offer them in the future.

Two, my second concern regarding the ESCO products that may satisfy the Commission's second standard, the

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energy-related, value-added services, the Draft Order does not acknowledge that the parties provided two alternative approaches.

The parties did considerable work, as we acknowledged, in developing these approaches, and ask the Commission to determine which of the approaches should be pursued further. In fact, our order directed that as part of the Collaborative. It didn't give the fourth option of, And if no resolution is found we will institute a moratorium.

Three, the Draft Order relies heavily on a citation from Direct Energy's comments, which says that Direct Energy believes that ESCO's may not want to offer price guarantees and the value-added option is difficult. I reviewed them, and I feel that we are mischaracterizing Direct Energy's comments out of context. Yes, Direct Energy did say that ESCO's may not want to offer price guarantees and the value-added option is difficult, but it

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continued to say, within those comments and within that context, that in Direct Energy's view the only viable option was the competitive bidding option. And so it was in that context that that was provided. And then taken as a whole, it was focused on trying to get to addressing some of the core collaborative issues. The Draft Order seems to ignore, again, both options presented in the Collaborative Report.

My fourth concern, the Draft Order establishes this moratorium which shall remain in effect until lifted by the Commission, but if the order is really silent on the conditions under which it might be lifted. I believe in regulatory certainty and I'm always concerned about unintended consequences. As stated, the Commission established two requirements for ESCO products to be offered to low-income customers, the fixed option or the value-added. I am concerned about the path forward for us, ESCO's, and utilities

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who want to serve low-income customers.

My next concern, the Draft Order states that ESCO's provide gas and electricity at comparatively higher prices without any corresponding value to the low-income customers. This may be true for some ESCO's, but it's absolutely incorrect to say this is for all ESCO's. We may need to look more at our enforcement process rather than a moratorium.

The Commission, in fact, has previously concluded that certain fixed-rate products provide value to customers. In addition, as noted, the Collaborative Report said that some ESCO's are providing to residential customers products, including home energy management attributes, such as advanced thermostats. There's nothing in the Draft Order which supports that statement that none of these ESCO products provide value to customers.

In addition, in my mind, to being inaccurate, I'm concerned about the

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2 unintended consequences on the entire
3 vision of ESCO's delivering benefits under
4 REV and the implications on mass-market
5 customers.

6 My last concern, virtually all
7 statements in the conclusion section of
8 the Draft Order, appear to be more in the
9 nature of advocacy, rather than a
10 reflection on the reasonable balancing of
11 all the issues that we're supposed to do
12 as regulators.

13 The first paragraph in the conclusion
14 section, second sentence, talks about the
15 fact that this proposal did not satisfy
16 everyone, and therefore we're issuing the
17 moratorium. That is an unreasonable
18 standard. In this case, we have several
19 proposals from the Collaborative which the
20 parties are asking, as they were
21 instructed to do in the Collaborative, for
22 the Commission to decide, because if an
23 agreement can't be reached, although they
24 did offer several solutions and approaches
25 and offered up where they had consensus

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and where they had differences of opinion.

The second paragraph in the conclusion sentence, again as I stated, ignores the Direct Energy comments taken in its totality. The third paragraph in the conclusion section is a statement that ESCO's are unable or unwilling to serve low-income customers offering a guaranteed savings product, and the only evidence really is that few ESCO's are willing to do so under the regulatory environment, not that none are and will never be willing to do so.

And then the last conclusion statement or paragraph talks about energy-related, value-added products designed to reduce the customer bill have not been developed. And as previously stated, some ESCO products may, in fact, satisfy this requirement, and rather than explore this, as the Collaborative Report recommends, the order is seeking to conclude that the products don't exist and we should just establish a moratorium.

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I do believe, like with the low-income proceeding that Mr. Corso discussed, that there is a need for us to work with all stakeholders to try to find a pathway. And as for me, when I look at this record, I am concerned that we have cut off that pathway by instead establishing a moratorium, and I'd like to see further engagement of the stakeholders, without issuing a hammer, while we are reflective of the work that's been done. And from that, do a true analysis of what we can do on the different approaches that have been put forth, rather than potentially having an unintended consequence of chilling a market and an access of potential opportunities for not only the low-income customers but all customers.

So therefore, it is for me, a no vote, because I do go to the core of the February 2015 order where we made a directive on the two different pathways for ESCO's, the fixed-priced option or the

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value-added services, and then the Collaborative, which direct them to go and work on implementation issues and come back.

So thank you for your work, and I do hope that we find the pathway.

CHAIR ZIBELMAN: I think, if I can, I appreciate your comments.

So the Commission, from the last -- since at least September 2013, when I was starting to look at these issues, and I know before then, has been struggling with the concerns around ESCO's and the affect they have on consumers, because the inability of consumers to actually understand the nature of the products because it's so opaque. And we've been working very, very hard towards getting to a point where we can create these markets in a way where there's full consumer confidence, as well as full consumer knowledge so that consumers can have confidence that they're buy something what they want to buy.

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And I think I would speak on behalf of all the Commission that that is a very positive thing that this Commission has committed to achieving. The issue for us, I think, right now, is one of the reasons why I am receptive of the concept of a moratorium, is almost the Hippocratic oath of, "Do No Harm." So we're in a process right now that we're -- we, because in February of this year we started on this path of saying we need to define products, we need to put people in a position that if, in fact, they want to make sure that they're being protected, there are certain levels of guarantees. And we continue to march toward finding the right solutions, both in terms of variable products, fixed products, value-added products, and that is an ongoing proceeding.

The objective, at least for me right now, and it is a judgement call, is that do you err on the side of protecting consumers who are already struggling financially or do you err on the side of

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ESCO's of who may want to get those consumers but may be, either intentionally or unintentionally doing them economic harm. And, as Michael said, when you compound that with the fact that we're already collecting ratepayers -- from ratepayers to pay for -- or to help support those consumers, as both Commissioner Sayre and Commissioner Acampora noted, the need to do so efficiently. I think it is important that we say, Well wait a minute, we have the power to protect consumers, let's put those protections in place while we're trying to find solutions.

And so I don't see this as a harm to the market. In fact, in my mind, it's just the opposite, because one of the things that makes market successful is consumer confidence. And so when, in fact, people feel like they're being harmed, they're less likely to want to work with ESCO's because of the fear that they're not getting what they want.

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So I actually look at what we're doing as beneficial for the long gain, as opposed to the short gain. And so by doing it this way we have the opportunity to continue to work. And I know there's continued discussion and a lot of thought going into this, but in the interim I just feel better knowing that for the consumers who are already getting support, we're not asking them to pay, either unintentionally or intentionally more for heat or electricity than necessary. I think the timing of this needs to be left open, because quite frankly, once the Commission addresses the issues of ESCO's, I think we'll want to revisit it and make sure we're still where we are want to be. But in the meantime, it's most important that we protect the most vulnerable, which is what I believe this does.

So I'm going to move for a vote. So all those in favor of Item 201, please indicate by saying aye.

COMM. ACAMPARO: Aye.

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COMM. SAYRE: Aye.

CHAIR ZIBELMAN: All those opposed?

COMM. BURMAN: Opposed.

CHAIR ZIBELMAN: The Commission has voted in favor of 201, so the recommendations are adopted. Thank you.

We're going to move on to Item 2, which is Item 301, and this relates to Central Hudson's proposal for Cost Recovering Mechanism in a Shared Savings Financial Incentive Mechanism for Non-Wires Alternatives. And Marco Padula, Deputy Director of Markets is going to be presenting this.

MR. PADULA: Welcome. Good afternoon, Chair Zibelman and Commissioners.

Item 301 is a Draft Order addressing the filing by Central Hudson Gas and Electric Corporation seeking approval of a proposed cost recovery mechanism in a shared savings financial incentive mechanism for the Company's Non-Wires or NWA project.

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The filing was made in compliance with the Commission's June 17, 2015 order in Case 14-E-0328, which was the rate plan order -- current rate plan order. Central Hudson is pursuing the NWA project in order to delay and potentially eliminate the need for millions of dollars of traditional capital infrastructure investment that would otherwise be needed to accommodate the growth in peak electric demand in three geographic areas of the Company's service territory.

This approach to addressing system needs from the demand side will result in significant consumer benefits in excess of \$5 million, such that the overall lower cost will be achieved, reduced emissions will be achieved, third-party capital investments in place of ratepayer-funded investments, and the promotion of more elastic, dynamic load that will improve overall system efficiency.

To recover the cost of NWA project, for which the Commission has already

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granted deferred accounting treatment, the Company proposed to utilize a delivery surcharge that would recover the cost based on the same per kWh for all customers. In addition, the Company proposed a financial incentive that would provide shareholders with 50 percent of the net benefits resulting from the NWA project.

In the Draft Order before you, the Commission would adopt a revised cost allocation and recovery methodology that reflects the same cost allocation and cost recovery principles of traditional demand-related T&D investments. Since the NWA investments are to help meet peak demand, this will result in recovery of NWA project costs from non-demand meter customers on a per kWh basis, and from demand-meter customers on a per kW basis.

In addition, the Draft Order directs Central Hudson to amortize and recover all costs related to the NWA program over a five-year period. Amortization of all NWA

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costs aligns the cost recovery with the T&D project deferred investment period and will minimize bill volatility.

For the financial incentive, the Draft Order adopts a sharing of net benefits approach that provides 30 percent to shareholders and 70 percent to ratepayers. The 30 percent sharing represents a financially meaningful incentive opportunity that should encourage Central Hudson to pursue innovative demand-side measures to meet peak load growth at the lowest possible cost, ultimately producing significant net benefits to customers.

The financial incentive opportunity has two components, one related to the value of delaying the infrastructure investment, and the other related to reducing the level of wholesale generation capacity needs. The incentive related to the value of delaying the infrastructure investment will be calculated on a portfolio basis and split evenly with

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50 percent of the incentive awarded when half the target megawatts of the portfolio is achieved, which is eight megawatts. The remaining 50 percent of the incentive will be earned when the full 16 megawatt target of the portfolio is achieved.

For the financial incentive component related to wholesale generation capacity savings, the Draft Order requires that it be earned annually based on actual measured and verified megawatt reduction and dollar savings.

Overall, the shared savings incentive approach that you would be adopting here will result in significant savings for consumers, will provide the Company with enhanced earnings opportunities, and will produce overall system benefits.

For the residential class alone, the expected savings associated with the NWA project on a net present value basis is approximately \$5 million, and the total is higher on the total company basis for all customer classes.

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Finally, the Draft Order requires the Company to meet with Staff semiannually to provide a status update.

This concludes my presentation, and I'm happy to take any questions that you may have.

CHAIR ZIBELMAN: Thank you.

I don't have any questions. I just want to make an observation. I think that this, the NWA opportunity that Central Hudson is pursuing, is exactly the type of thing that we hope to see many more of in the future, and becomes not just the anomaly but the routine part of how utilities are looking at delivering services. Because the advantage of this is that what Central Hudson did was identified investment needs on the system and then they subsequently identified a way to deferring that need in a way that was least costly to the investment and provided considerable benefits to the consumers, plus engaging consumers in demand response, and any other aspect, of course. They're working with a

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third-party, in this case Converge, I believe.

So it really shows that when you say to a utility it doesn't have to be the way it always has been. There are different and better ways to conduct your business. And as we've done just recently in Track 2, and we will economically reward you in such a way so that the earnings opportunities for the utilities are just not limited to capital deployment. We're seeing a lot of creativity.

And this is absolutely what we call the triple bottom line win. It's good for consumers because bills will be lower, it's good for the environment because we're talking about load reductions and load efficiencies, and it's good for investors because we're creating a business model where investor interests are aligned with consumer interests, and that's really, I think, a model that New York wants to continue to do.

So I'm quite happy. I think the

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other aspect of this is while utility wanted a higher level of sharing, the fact that in the rate case we included the cost of the Converge programs where ratepayers are picking up the cost, I think, a lower level of sharing is appropriate. Certainly in the future, if utilities want to take on more shareholder risk, that's the type of thing we're interested in seeing them do, and then we can look at higher levels of sharing.

But for now, I think that this is representative of forward looking, the type of innovative thinking, and how you deliver service that we expect to see throughout New York, and really showing that engaging customers is really the way forward. So I intend to vote for it.
Thank you.

COMM. SAYRE: This is a great project. Central Hudson came up with a fine engineering idea and from it consumers are going to save, network is going to be more efficient, and emissions

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will be reduced.

This kind of project, as Chair Zibelman said, is a great step in the REV process and I, too, look forward to this kind of project becoming business as usual. To get there, we're going to need to change the way we, as the Commission, and the utilities and consumers look at and interact with the market. With more solutions coming as they are here, at the edge of the market, at the edge of the network, rather than with central generating stations and large transmission lines.

As the Chair said, this project moves in exactly the right direction, and I commend Central Hudson and particularly its engineers.

COMM. ACAMPORA: I'll just chime in and not be repetitive, but I do congratulate Central Hudson and this is exactly where we want to go down the REV road, so hopefully other utilities are paying attention to this. And as the

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Chair said, we'll hopefully see more of these projects coming in, so good job.

COMM. BURMAN: Thank you.

So I would be remiss to not share with you that this week is my four-year anniversary from when I had brain surgery. And why is that relevant? Because when I woke up from my brain surgery, I thought it was 1977, and had a distinct memory of in 1977, I was ten years old, and this week was in the hospital and was remembering the time of being in the hospital during the 1977 blackout in New York City, and the experience of that with the lights being out and the hospital needing to react quickly to their loss of power.

That blackout started -- 25-hour blackout started as a series of lightening strikes set off the 1977 blackout. The first strike actually came July 13th at 8:30 p.m. cutting off one huge power plant, and then a second cut off another major power plant precipitating a general

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shutdown, and by 9:30 the entire city was dark.

So it really is, for me, when I look at these issues and what we're doing in our moving forward path with REV, it's significant for me to make sure that the path forward is one that is leading to a better system and a reliable system.

Kudos to the hardworking folks, especially Mike Worden's team, who are focused on the summer preparedness as we always do because we are doing a significantly good job and we continue to do.

But these types of things, Non-Wires Alternatives and others, go in the same mix of trying to make sure that we are focused on a reliable grid that helps to maintain our system reliability in such a way, so I am happy to see this proposal. I know that we'll be reviewing many other Non-Wires Alternatives. I know it's sort of a dizzying process of all that is out there under the REV proceedings. Knowing that you will be briefing us soon on the

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DSIP filings that came in, and identifying not only the -- the seven current Non-Wires Alternatives, but the others that are anticipated to be in that, and that there will be many other opportunities for further engagement on that process.

So I really just wanted to share with you sort of my own reflection points in terms of taking a pause in what we're doing and remembering the critical importance of keeping the lights on and the system being reliable. And kudos to everyone who's helping in those endeavors. Thanks.

CHAIR ZIBELMAN: Thank you.

There are no further comments. All those in favor of the recommendation to establish cost recovery and shared savings incentives for the Central Hudson Non-Wires Alternatives project as described, please indicate by saying aye.

COMM. ACAMPORA: Aye.

COMM. SAYRE: Aye.

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COMM. BURMAN: And I concur
consistent with my past voting record.
Thank you.

CHAIR ZIBELMAN: We'll have to check
that to see if --

COMM. BURMAN: That's concurring.

CHAIR ZIBELMAN: So there would be no
opposition, recommendations are adopted.

Okay, we're going to move on to the
Consent Agenda.

Any comments, questions, about items
on the Consent Agenda?

COMM. BURMAN: I just have two items,
Item 263 and 366, I'll be abstaining from
voting consistent with my voting record on
these issues.

CHAIR ZIBELMAN: Beyond that, we're
okay?

COMM. BURMAN: Yes.

CHAIR ZIBELMAN: So all those in
favor of the recommendations on the
Consent Agenda, please indicate by saying
aye.

(Chorus of ayes.)

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CHAIR ZIBELMAN: Opposed?

(No response.)

CHAIR ZIBELMAN: There being no
opposition, the recommendations are
adopted.

So there's a couple of things I
wanted to note. One is today we're
joined by Paul Agresta, who's now the
Acting General Counsel, you did such a
fabulous job today.

(Laughter.)

CHAIR ZIBELMAN: But welcome, Paul.
And also Guy Mazza in the back of the
room, he's our new Acting Director on Long
Island.

I also wish everyone a joyous
Bastille, the Bastille Day celebration.

And Diane, I have to ask, so is that
when you decided to get into energy?

COMM. BURMAN: No, but it was a good
recognition of it.

CHAIR ZIBELMAN: Well, thank you,
everyone. I appreciate you all attending.
And Secretary Burgess, do we have any

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other matters for today?

SECRETARY BURGESS: There are no other matters before you today.

CHAIR ZIBELMAN: Before we close the agenda, if you all will just give me one indulgence.

In the last meeting we had -- I wanted to record for the record the resolution in favor of Judith Lee, and if we could ask, with the Commission's permission, I'd like to have Ms. Burgess give that to the Court Reporter, so we can get that into the record for today.

Thank you. Well, that's all we have, and thank you. Great job.

(Time noted: 11:26 a.m.)

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C E R T I F I C A T E

STATE OF NEW YORK)
) ss.:
COUNTY OF QUEENS)

I, NICOLE ELLIS, a Notary Public for and within
the State of New York, do hereby certify:

I reported the proceedings in the within-entitled
matter, and that the within transcript is a true
record of such proceedings.

I further certify that I am not related to any of
the parties to this action by blood or by marriage
and that I am in no way interested in the outcome of
this matter.

IN WITNESS WHEREOF, I have hereunto set my hand
this 16th day of July 2016.

NICOLE ELLIS

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