

STATE OF NEW YORK

# Public Service Commission

William M. Flynn, Chairman

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FOR RELEASE: IMMEDIATELY

04051/02M0515

## **PSC Votes to Approve New Natural Gas Delivery Rates to Provide Opportunities for Self-Generation by Residential Electricity Customers** – Distributed Generation is a Resource to Help Meet State's Future Electricity Needs –

Albany, NY – 7/8/04 – As part of its continuing effort to encourage the use of distributed generation technology in New York State, the State Public Service Commission today voted to direct the major natural gas utilities to file special, cost-based gas delivery rates for residential customers who operate their own gas-powered distributed electricity generation (DG) units. The new rates, which take effect October 15, 2004, are designed to be simpler for prospective DG customers to understand and more appropriately tailored to residential DG gas usage.

Commission Chairman William M. Flynn stated, "Today's vote reflects the continued efforts of this Commission to create opportunities here in New York for new technologies and new ways to effectively maximize energy resources. These new rates should provide more opportunities for residential customers to consider small efficient electric generation units to help meet their family electricity needs and help control their energy costs."

"Greater use of distributed generation can help reduce demands on the local electric utility system, and, in turn, improve the system's effectiveness in serving all customers. The added diversity in the way the electric grid is utilized and the economic development potential from growing this industry here in New York all make compelling reasons to continue to identify and eliminate barriers to DG deployment. We are committed to helping transform this market."

In contrast to large central electricity generating plants, distributed generation units – such as fuel cells and micro turbines – are small and can be located or "distributed" widely at customer point-of-use sites throughout a utility's service territory. Because of the relatively new applications of DG units in residential settings, existing natural gas delivery rates intended to benefit traditional residential customers do not reflect the specific system-cost and usage characteristics of DG customers. Delivery service under these existing rates would result in higher energy costs for potential residential DG customers. Today's vote is designed to advance distributed generation as a resource for meeting the state's future energy needs by making rates

for DG residential natural gas service more cost-based. The Commission directed the utilities last year to file similar natural gas delivery rates for non-residential customers who operate their own gas-powered DG units.

The utilities will file their residential DG rates within 90 days from the date when the Commission issues its written order detailing today's decision. Each of the utilities is expected to file a rate that is unique to its own operating circumstances and costs. The initial rates will be established for three years, at which time adjustments may be proposed based on knowledge the utilities gain from serving residential distributed generation customers.

To that end, the Commission also approved the collection and analysis of a variety of data by the utilities that relates to the use of natural gas by residential customers operating DG units over the next three years. The collected data will be used to develop future rates for such customers. Included among the data is daily, monthly and annual DG customer gas usage information; utility operating costs related to serving DG customers; effects on electric and gas system reliability; electric interface issues; and, lessons learned from newly installed systems.

The Commission will issue a written order detailing today's vote related to natural gas delivery rates for residential distributed generation facilities. The decision in Commission Case 02M0515, when available, can be obtained from the Commission's website at **<http://www.dps.state.ny.us>** by accessing the Commission Documents section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14<sup>th</sup> floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).