TRANSCRIPT OF THE
PUBLIC SERVICE COMMISSION
COMMISSION MEETING

THURSDAY, DECEMBER 13, 2018
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BOROUGH OF MANHATTAN
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MEETING CONVENED AT 10:31 a.m.

PRESENT:

JOHN B. RHODES, CHAIR
DIANE X. BURMAN, COMMISSIONER
GREGG C. SAYRE, COMMISSIONER
JAMES S. ALESI, COMMISSIONER
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CHAIR RHODES: I call this 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's no changes to this morning's agenda.

CHAIR RHODES: Thank you.

Let's begin with the first item for discussion. Item 201, Case 18-M-0084, which is in the matter of a comprehensive energy efficiency initiative. Presented by Rudy Stegemoeller, Special Assistant for Energy Policy. Peggie Neville, Deputy Director Office of Clean Energy, and Ted Kelly, Assistant Counsel, available for questions.

Rudy, please begin.

MR. STEGEMOEELLER: Thank you.

Good morning.

Before you is an order to accelerate the efficiency targets for
utilities. The main basis for the order is a white paper that staff and NYSERDA released in April of this year. Between then and now 13 public forums have been conducted and two rounds of comments.

The chief action in this order is to adopt a 31 trillion BTU target for the jurisdictional utilities through 2025. That 31 btu's is incremental to levels that had already been approved for the utilities as of April when the white paper was released.

There are two subsidiary targets. The first is a 3 percent reduction in electricity sales by 2025. And the second is a minimum of 5 btu's of heat pumps. Also, at least 20 percent of the incremental budget will be dedicated to low and moderate income customer programs.

The context of the action is a statewide goal of 185 btu's, which is detailed in the white paper. Most of that 185 Btu -- again, that's through 2025 -- most of that is either non-jurisdictional
or has already been approved. So this order deals with the increments that the utilities will be excepted to contribute to that between now and 2025.

The estimated outlay to achieve that is $1.6 billion. The estimated direct bill impacts for nonparticipating residential customers is 0.6 percent for electric customers, 0.1 percent for gas customers. The estimated bill savings for participating customers are in the neighborhood of $15 billion, but that does not count those customer's investments to achieve the savings -- in other words, the private investments those customers (inaudible). But the real savings themselves is estimated at the $15 billion.

The process to set these targets is two-staged. First, in this order, the 2019 and 2020 targets are assigned directly. These are built up from the levels that they set in the ETIP and then they are adjusted for each utility.
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Because some utilities have already advanced through rate cases and some less so. So the targets here will put all the utilities roughly on the same track through 2020.

And second, the order sets up a process for utility-specific targets for 2021 to 2025. Utilities in March -- not later than the end of March 2019 will jointly file a set of targets and budgets. They'll do this in consultation with NYSERDA.

This order contains a set of presumptive targets and budgets through 2025 nonbinding based on a pro-rata ramp up for each utility. The utilities have asked for a chance to reduce cost and refine the program mix by tailoring it to the needs of their own service territories based on their own potential studies. So this accommodates that request from the utilities.

The overall target 31 btu's is adopted here and what the utilities file
in March of 2019 can't be less than that. If they don't file something that meets the requirements of this order, then the presumptive targets that are pertained in the appendix would go forward by default. And then only going forward to the further comment process.

Either way there will be another round of public scrutiny and comment before the Commission acts at some point next year to adopt the 2021 to 2025 targets and budgets. So the process is designed to provide the flexibility to achieve the btu's targets at the lowest cost to the ratepayer.

Delivered fuel customers will be eligible under certain conditions. Delivered fuel being mostly oil and propane.

You can hear me, I hope. I can barely hear myself.

UNKNOWN SPEAKER 1: Can everybody shut off your Blackberry or any portable device?
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CHAIR RHODES: Did everybody hear that?

UNKNOWN SPEAKER 2: No. No.

CHAIR RHODES: Sorry. We are dealing -- we are trying to grapple with the acoustic issue, which I think is apparent to everybody.

COMMISSIONER BURMAN: May I make a motion that we suspend the meeting for a moment?

CHAIR RHODES: Thank you. Let's do that.

(Whereupon, a recess was taken at this time.)

CHAIR RHODES: With that we are back in action.

MR. STEGEMOELLER: Okay. We ready?

CHAIR RHODES: Let me ask, Secretary Burgess, do we need to repeat the opening remarks or do we believe that the --

MR. STEGEMOELLER: I didn't say anything meaningful anyway.

SECRETARY BURGESS: I think it might be
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helpful just because maybe not everybody heard it. I'm sure it's in the record but I think just to be helpful it'd be good to start from the beginning.

CHAIR RHODES: So with apologizes for the possible redundancies, Rudy, can you begin again, please?

MR. STEGEMOELLER: Sure.

CHAIR RHODES: Thank you.

MR. STEGEMOELLER: Okay. Do you want me to just summarize what I said or --

SECRETARY BURGESS: Start from the beginning.

MR. STEGEMOELLER: Okay. The whole thing, okay.

You have before you an order to accelerate the energy efficiency targets for public utilities. The main basis for the order is a white paper that was released by staff and NYSERDA in April of this year. And during the -- subsequent to the release of the white paper there have been 13 public forums and 2 rounds of
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The chief action in the order is to adopt a target of 31 trillion Btu's of energy efficiency for the jurisdictional utilities through 2025. That target is incremental to levels already approved for the utilities as of April of this year, as of the time when the white paper was released.

There are two subsidiary targets. A 3 percent reduction in electric sales by 2025 and a minimum of 5 TBtu's of heat pump savings. Also, at least 20 percent of the incremental budget will be dedicated to low and moderate income customers.

The action -- this action is set in the context of a statewide 185 TBtu's goal by 2025, which is -- which is detailed in the white paper. The majority of that -- of those 185 TBtu's are either already in process or attributed to non-jurisdictional entities. So the concern of this order is with increments that the jurisdictional utilities will be
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excepted to achieve through 2025.

The estimated outlay to achieve
that is $1.6 billion. The estimated
direct bill impacts on nonparticipating
residential customers is 0.6 percent
electric customers, 0.1 percent gas. The
estimated bill savings for participating
customers are around $15 billion. That
does not count those customer's private
investments in the efficiency measures to
achieve.

The process to set the targets is
two-staged. First, in this order, the
2019 and 2020 targets are assigned
directly -- targets and budgets. These
are built up from the ETIP levels to put
everybody onto roughly the same track.
They are adjusted for each utility because
some have advanced further through rate
cases than others have. Again, this
doesn't put them onto exactly equal tracks
but roughly.

Second, the order sets up a
further process for the utility-specific
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targets from 2021 to 2025 -- targets and
budgets, I'm sorry. Utilities will
jointly file, not later than the end of
March of 2019, a set of targets and
budgets. They'll do that in consultation
with NYSERDA. It's not a joint filing
with NYSERDA. The CEF is not part of this
order. Excuse me. Excuse me.

This order contains a set of
presumptive targets and budgets in the
appendix. These are not binding. They're
not being adopted here. They are based on
a pro-rata ramp up for each utility
through 2025. The utilities have asked
for a chance to reduce cost and improve on
the overall, you know, set of programs by
tailoring it to their specific utility
territory needs. They will each have
their own potential studies to use.

The overall target is adopted
here. The filing the utilities make in
2019 can't be less than that. If they
don't file something that meets this
order's requirements then the presumptive
targets will be put forward.

Either way there is another round of public scrutiny and comment before it comes back to the Commission at some point in 2019 for approval of the 2021 to 2025 targets and budgets. So the process is designed to produce flexibility to achieve the TBtu's targets at the lowest cost to ratepayers.

Delivered fuel, which is mostly oil and propane -- customers will be eligible under certain conditions. The delivered fuel programs have to lower overall costs. They have to produce savings of -- of the utilities own product and it can't involve installation of new oil or propane burning equipment. The best example of that would be, thermal installation improvements for a customer that heats with oil and has air-conditioning. You're going to save btu's from -- electric btu's in the summer and it would save oil btu's in the winter and they would all count towards the
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statewide target.

Okay. So along with -- I think now we got to the point where -- where I started before. Excuse me.

Along with the main action of adopting targets, setting up a process to finalize the targets, there are a number of actions designed to reduce costs and improve implementation.

Access to customer data is a major cost driver. This order tackles that issue in several ways: Clarifies the conditions under which utilities' contractors can use data provided by utilities; it accelerates the implementation of Green Button Connect or similar -- or products similar to Green Button Connect; creates a process to develop data access terms and conditions under Green Button Connect; it establishes a standard that once consent has been -- once there is consent from the customer it should be no more difficult for the developer to get the data than it is for
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the customer to get their own data; it describes ways to develop windows and opportunities to gain consent from customers; it requires the utilities to prepare for statewide benchmarking; and initiates pilots to better identify areas with concentrations of likely customers.

The data issue is not isolated to energy efficiency. It cuts across all distributed resources. And for that reason the order announces that a separate proceeding will be started on customer data access issues applicable to providers of all types of DER. The main, you know, the chief mission of that proceeding is to maximum the useful access to data while appropriately protecting customer privacy.

Other cost reduction opportunities discussed in the order include kickers, which capture locational and time-based values. Kickers will be -- will be used to supplement program incentives and thereby reduce program costs. Innovative program approaches are encouraged, such as
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paper pay for performance. The flexibility to shift targets among fuel types is a cost reduction possibility.

And finally the order sets up a performance improvement process, which is an implementation thing, that will be run by staff with the utilities and NYSERDA essentially to program administration and develop best practices. And outreach to market participants will be a major element of that project.

Heat pumps have a large potential for cost effective efficiency. They also serve the state's beneficial electrification policy. The order sets up a subsidiary target of at least 5 TBtu's. This will be -- this will be done with a statewide uniform program administration in which NYSERDA is expected play a central role.

Where a heat pump replaces an oil or propane furnace it creates a benefit to electric customers because you have -- you have -- while you're reducing total btu's,
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you're increasing electric sales and the more sale's units across which you can recover the utilities costs, the better off the ratepayers are. So a portion of that benefit will be captured to reduce ratepayer costs for the heat pump incentives themselves.

Regarding low and moderate income customers the order requires that at least 20 percent of incremental budgets will be dedicated to LMI programs. There's a strong emphasis on improving the coordination of program administration between NYSERDA and utilities. There were 7 stakeholders forums across the state on LMI issues conducted as part of this proceeding.

Just this past Monday, I believe, a summary of those forums was filed. The order requires staff and NYSERDA to issue a report by the end of January next year on that summary including recommendations and that will inform the utilities deliberations -- and will inform the
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utilities filing in March.

The regulatory issues, utilities will continue to recover prudently incurred costs. Typically that will happen as that will be in the form of operating expenses. It is possible in rate cases that utilities may be allowed to amortize their cost if they can demonstrate that that's in the ratepayers interest. That would typically happen in the context of a given rate plan.

EAMs -- utility incentives -- will be used to achieve ratepayer savings. As a general rule they won't be added on top of program costs. They will be based shared savings cost reductions below budgeted levels. They may also be used to encourage utilities to bring forward innovative programs typically involving third parties that have -- that have -- the program budget levels themselves have very low costs compared to what has typically been required for that sort of a measure.
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And finally, rate design, efficiency expenses have always been recovered through volumetric rates because there is a great emphasis now on -- on peak reduction benefits of energy efficiency the order says that in particular rate cases some costs may be recovered on a demand basis. That will be left to -- that will be a rate case specific decision.

So to sum up utilities will immediately begin to implement their targets for 2019 and 2020. The Commission will see a joint filing by the utilities in March of 2019, which will then go through the SAPA process. The Commission will act again, at some point in 2019, to adopt the targets and budgets for the '21 to '25 period.

And with that Peggy's here to answer questions.

CHAIR RHODES: So thank you very much.

I'm very encouraged that this is
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coming before us. Energy efficiency is clearly one of the very best resources we can tap into. It delivers bill savings, it delivers energy savings, it delivers carbon savings, and it's consistent -- deeply consistent with -- in fact, indispensable to our REV goals of clean, affordable, and reliable. And we know that there's progress to be made.

I find that the approach taken here, in a word is right. I think the staged model makes sense. That we can get going for '19 and '20 immediately but we can be thoughtful and planful as -- as we take on the new for the years '21 to '25. I think it's good that we are integrating this into a utility business into utility what we expect from them.

I certainly like the idea that we are focused on reducing costs and effectively achieving far greater efficiency in our efficiency. I think it's good that we are engaging new resources -- data, heat pumps, more
innovation from the market. I think it's good that we are focused on performance and improving performance. I see this as a path to do more in a sensible, good for New York way. It's important, it's well thought out, and I'm going to support this.

Commissioner Sayre.

CommissionER SAYRE: I will do this without a microphone.

It's often said that the cheapest and the cleanest form of energy is the so-called megawatt. The energy that we don't use because we conserve. This initiative will produce a lot of megawatts. The direct benefit from the megawatts of course goes to the customers who use less and save on their bills.

But one of the best things about this program as it's proposed and designed here, is that not only do the participants benefit very greatly, but the non-participants will only see a very small increase in their bills. Well under
one percent, as Rudy said early.

Indirectly the benefits are even greater. The benefits to society from not generating and not using energy are enormous. This item will help move New York towards its goal of addressing not only climate change but also pollution from the generation and use of electricity.

I'm very pleased to support the item.

CHAIR RHODES: Commissioner Burman.

COMMISSIONER BURMAN: Thank you.

I do have a couple of questions that I hope you can answer, if not, just let me know.

One is, this order talks about LMI and looking at next steps for that. Is the intention -- when I look at the draft order it speaks to an expected filing to be made by the utilities on that. Can you speak a little bit about that in particular? What exactly you mean by
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expected to file, and what that may look
like, and whether it comes back to the
Commission, itself?

MR. STEGEMOELLER: The
implementation plan?

COMMISSIONER BURMAN: Yeah.

MR. STEGEMOELLER: That's -- so
because the Commission will act again next
year, this is -- this is really -- it's a
little unusual to be in an order but it's
sort of heads up.

That we expect that the Commission
will order next time around an implementation
plan to be filed within 60 days or
something like that. And so this is --
that decision will get made next year by
the Commission and whether it needs to
come back to the Commission or not would
be decided at that time. And you probably
want to take into account how quickly
things need to get moving. You know,
whether the time delay of coming back to
the Commission going to -- how that's
going to effect, you know, the outlay of
the plan. But that's a decision for the Commission to make next year.

MS. NEVILLE: Rudy, I'll just add to that.

In the March filing that will be coming in that the joint utilities will be filing proposing their budgets and targets, that March filing will also include, kind of, the general framework for the LMI initiative. So the idea -- the reference to the implementation plan is that the March filing will come in, that will go through the SAPA process. As Rudy mentioned, there will be an opportunity for public comment on that after the Commission asks for the next time.

The sense is that there may be more, you know, discreet implementation because it would be better suited for an implementation plan after the clarity of the next order. But you will have a lot more visibility in the March filing about what the LMI proposal will be. So that
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will be the first viewpoint of where you see the statewide LMI approach being taken. And that will go through a public comment process.

COMMISSIONER BURMAN: Okay. That's good. So it would go through a comment process and then come to the Commission.

I just do want to flag for folks, we all are very interested in LMI and successful LMI programs and that show, sort of, verifiable solutions. But I am mindful that it's, you know, as I sit here, this isn't the first time we've addressed this and we have looked at the issues fairly robustly but actually in many, sort of, different white papers, forums, et cetera. You know, there's the February 2017 report that came out, I think, through the CEAC and then there's also the white paper that came out -- actually, I don't know if it's a white paper but a summary report of the forums that came out this week. I have not drilled down on that one but I did look at
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it fairly quickly among other things and
saw that it matched up a lot of the same
issues that had been addressed in the
other report. And those are just two,
there are others. And then we also had
the energy affordability program.

What I really want to make sure is
that we also carefully look at all of
those different reports and filings and
try to parse through that in a way that
makes sense to get some of the critical
issues so that we're -- we are identifying
what we see as potentially viable. And
also some coordination among them. So
that that -- I think that would be very
helpful so that we're not sort of doing it
all over again and not getting far.
Because the ultimate goal for me is that
we make progress on this issue rather than
just, you know, sort of repeating the same
thing. That's important to do.

But also to the extent that we
expect to file and that the Commission may
act on what that is, I don't want to
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prejudge what it may or may not be and
whether or not it's appropriate for a
implementation plan separating filing or
I'd be looking at it through the way we do
with the energy affordability through the
rate proceedings is something that we need
to be mindful of.

And also remember we had a target
with CDG when we first started with the
20 percent and there problems with that.
Again, I think there were some reports
that came out showcasing some of the
barriers and challenges. So my goal
really is for us to be making positive
incremental changes and taking this -- all
of the documents and all of the data that
we've gotten and all of the comments from
people in a way that starts breaking that
down rather than just repeating. So
that's just on the LMI piece of it. So
just focus that on you.

There -- there is in the draft
order mention and you talked about it,
Rudy, on the performance management end of
the improvement process, that the staff would be working with the utilities and NYSERDA and looking at that. My -- while I do think that's really a very good idea, I do think that we do need to be mindful that there are performance management and improvement processes that we ourselves -- may be important for us to consider.

I don't want it is to be that staff is directing folks to do things a certain way because this is how we think it should be done. To the extent that we facilitate proper management and improvement processes for consideration but they -- we also may be open to feedback from others on other ways that we can do it. We've done it in the SAR, as well as others, we need to really be looking at it from a thoughtful perspective. And that this shouldn't just be for the sake of doing it but really making sure that it's working in a way that's helpful to all participants. So I just.
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MR. STEGEMOELLER: Just to clarify, and it is designed to be a constructive, proactive, and mostly informal process. Where it becomes formal if there's a specific critique, a specific recommendation on how to improve a program that seems pretty important that staff has that a utility is rejecting. Staff can file -- staff will file that with the Commission and then the utility will be required to file a response.

COMMISSIONER BURMAN: Okay.

MR. STEGEMOELLER: And then where it goes from there depends on the gravity of it and, you know, whether there's an agreement or not. It could come to the Commission; it doesn't have to come to the Commission.

COMMISSIONER BURMAN: I think the idea is a good one and I am supportive. I just want to be mindful that you remember the intent of this and not, you know, sometimes we can be a little bit bureaucratic and siloed. So I just want -- not saying everybody but
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I just want to -- and not saying me -- but I do want to be mindful that we do look at that, of what the ultimate goal is, because it can be a positive that we are looking at process improvements in that fashion.

There is mention in the draft report about the self-direct programs and to the extent that these were helpful from looking at that. There is a disconnect a little bit in the draft language as it relates to the self-direct programs because I do believe there's just a petition filed seeking to undo the self-direct program for at least one utility. I want to make sure that -- what that match up or mismatches is.

MS. NEVILLE: Sure. I can handle that.

So in the March 2018 ETIP order we spoke to the previous requirement that all utilities run a self-direct program for large customers. The utilities have been at that, I think, since 2017 was the
beginning of those. Unfortunately we have not seen a tremendous amount of participation in that for a variety of reasons.

So in the March order the Commission required utilities to reassess their self-direct programs. And to the extent that they didn't plan to continue them into 2018, make a filing to let us know that. So that's probably the filing you're referring to.

COMMISSIONER BURMAN: Mm-hmm.

MS. NEVILLE: The fact that large customers haven't participated in the self-direct doesn't mean large customers aren't participating in EE. In some cases those large customers have found it more advantageous to work through their core programs as opposed to the self-direct.

So here, in this order, we're recognizing that coming out of the gate the self-direct programs as they were -- we didn't get it quite right. It didn't result in the outcomes that we were
looking for. So we encourage utilities to continue to work with this customer class because we believe their important to helping us obtain our goals. And we reference some pilot programs that NYSERDA has undertaken in the clean energy fund that was trying to test out different models for, kind of, achieving a similar self-direct type of an approach. So we're trying to, kind of, match that up and watch to the extent that there's value and opportunity there that maybe we could integrate that more fully as we move forward with these programs.

COMMISSIONER BURMAN: Okay. That's very helpful. Thank you.

I do want to flag a couple of things before I make some closing remarks but that -- MI and UIU's filings really spoke to me. I really found very much -- while a lot of the filings were very helpful but MI and UIU did a very good job of really channeling a lot of the concerns that I have. Especially as it
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relates to how are we going to quantify
the savings and to the extent of what
exactly does this mean from a cost
perspective. And looking at some of the
factors that are important in this
evaluation process.

UIU in particular talked about
beneficial electrification. And while we
have an ongoing proceeding looking at some
of these issues, I do think we gave a
little bit short strip to UIU and some of
their concerns. I think we try to
incorporate it, especially because we'll
be looking at some other -- other white
papers that are coming out, as well as new
proceeding, as well as a number of
different next steps. So there will be an
opportunity for that.

But I do really think that -- the
thing that struck me is there were very
few consumer advocates, if any, other than
UIU in this proceeding. And while there
folks who had a particular -- there's a
laundry list of things that had a
particular interest for, you know, there particular customers, which does make up -- you know, does weigh heavily on me that we didn't have some other statewide public advocacy -- consumer advocates in there. And I want to be mindful that UIU's voice, I think, is many times a lone one and we need to look at incorporating some of those thoughts in a way that may need to get flushed out.

In particular, one of the concerns I have is, that UIU raised, where UIU talks about the system load profiles and large scale deployment of heat pumps and what that may look like with the penetration levels. And while we talk and showcase based from the data that the shift in the system load profiles is not large at this time, and therefore some of those impacts won't be felt.

We do note that UIU is correct, this may be a specific long-term factor. And it's not just with heat pump penetration but with DER penetration and
other things in general. And to me, that really hit for me, as something that's a real critical issue and that looking at the resiliency, the reliability, that impact, the penetration of DERs. And making sure that we do it in a way that helps from a transition perspective and does not have unintended consequences of not being able to facilitate a proper penetration. We need to really be careful on that.

So I just flag it because while we recognize that UIU is correct, we did not really focus on what the next steps were in here. And I know we will be doing that in other places but I do just want to flag it that I believe that's a critical element for us to look at across the board.

The other comment I have is that there seems to be -- and this is a good thing in many respects -- a heavy -- how do I word this -- heavy emphasis on working with NYSERDA. And I think we need
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to be mindful of looking at what that may mean. And also really -- I'd like to
truly understand a little bit more
NYSERDA's role in general and also
understand some of the challenges and
opportunities with that. In a way that --
I want to be careful that we are not
sending a message to the utilities that
they must get the blessing of NYSERDA to
do something.

I don't mean that with any
disrespect to NYSERDA. I think they do an
incredible job. However, I do see that
it's sort of an overload creep of
responsibilities and roles. And I am
mindful that they are also working on
other things outside of the Commission and
so I do want to make sure that we're
successful when we ask them to do
something.

And to the extent that we need to
be very mindful that NYSERDA is not just
the utilities. And I think we tend to get
into the habit of saying the utilities
must do this and we expect the utilities to not, you know, not continue same old. That also needs to apply to us, as well as NYSERDA, and frankly in this case I'll extent it to NYPA as well.

While we have a lot on our plate, we do need to be mindful that we need to have a checks and balances on what is actually the proper role and maybe there's an opportunity for us to not be so -- trying to be in control of everything and what we may need to say, okay, we'll give this to you to do and work with us. It is the market that we are trying to, you know, incentivize. And we need to be mindful that we can sometimes try to be a little controlling.

So my really hope is that NYSERDA is also mindful of coming back in thinking carefully about other ways to share what they're doing. Especially as it goes with their funding streams and budgets but also just in terms of their overlapping programs in a way that we are carefully --
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we're feeling comfortable on the accountability and measuring the success or re-prioritizing some that may not be helpful. And looking at whether we still need to have NYSERDA's role in all of that.

My caution is that the language in here while it talks about in consultation with many places NYSERDA and other places it seems to give NYSERDA sort of the lead role, which may not be inappropriate because they can be helpful. But to the extent that folks should also understand that does not mean that we're advocating control to them or that the utilities or others should think that they need to get the blessing. And that it's similar to that performance management process focus, which is we need to be open to hearing what may not be working from our end or NYSERDA's end as well. So I just point that out because I do think it's important from that perspective.

The other thing is just looking
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at, again, maybe it's also with NYSERDA ability for them to -- I know the green bank webinars. I know I've listen to them. I know I look at things. And maybe they can look at how they can do that also. We get a lot of filings from NYSERDA. It's very hard to -- for folks to follow, myself included. And it would be helpful if we were also able to have some better handling of more, you know, laymen's information in a way that people feel that they're able to ask questions and get more understanding on that. I think that would be helpful. I just wanted to point that out.

The other thing that I will say is that there's a recognition in here, at least from where I sit, and maybe I'm wrong -- but there's a recognition that we do say for the MI proposal as it relates to looking at entertaining energy efficiency proposals to allocate and design rates to recover some portion of energy efficiency costs on demand. We do
say, I think for the first time, that --
we send a nod to MI that these proposals
may be something we're now going to
consider. It's not -- we are now open to
looking at that and that we let them -- we
let folks know that those proposals would
be developed in a rate proceeding, as each
utility varies in their portion of its
programs that are orientated toward demand
reduction. We look to that to be
facilitated in the rate proceedings.

The caution I have is that we need
to be very mindful now to the extent that
it is appropriate for it to be looking at
rate proceedings -- looking at in a rate
proceeding. There are cost impacts,
ratepayer impacts, and there are other things
that need to be looked at. So it makes
sense to put it in the rate proceeding.
The caution I have is that our rate
proceedings need to be carefully evaluated
in a way that helps to flush out those
critical issues that they have, even if
it's done just in one particular service
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territory. To the extent it could have then statewide impact if others adopt that or folks who may not be in those rate proceedings would not necessarily know to, you know, be involved in the flushing out of that policy as it relates to that.

Particular issue for me is, we see in here just like the Central Hudson rate case where it looked at the geothermal tax credit or rate credit. When we looked at that, that had statewide impact even though it was just in Central Hudson's territory evaluating it.

And we can see, even in this draft order, that we recognize that that has some potential hiccups. And so for me it's very important, again, I did not vote for that piece of it because of -- I did not vote for the Central Hudson rate case for a number of reasons but that was one in particular. And it showcases to me that some of the thoughts that I had on that from this draft order really validated some of my concerns. Especially
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because it was the only -- it was the
first time we were doing it.

And to the extent that we are
moving this rate design development into a
rate proceeding also will be potentially
-- depending on which utility -- it will
be the first time it will be done. I do
think we need to look at rate proceedings
when there are issues that may have
statewide impact, even if only applied
initially to that particular utility.

We need to be able to not just say
we're adopting because it was in the joint
proposal. We need to pull it out somehow
before it gets into the settlement
discussions, or flag it that even though
it's in the joint proposal because it has
-- it's novel or it has some statewide --
potential statewide impact or others are
looking at it. That that particular issue
may get carved out as needing a little
extra special attention and seeking more
of statewide comment period.

Not sure exactly how we do that
but I do flag it as something that we should consider. Again, back into that sort of process point because it may help us ultimately with a better end product in addressing that. So I just flag that for consideration.

With that there are a number of other issues positive and negative that are in here. And I think overall my thoughts are I have always broadly supported efforts to promote energy efficiency. And the issues for me have been how best deliver the efficiency programs. We have had some successes; we have had some failures. We see from the EEPs program itself successes and failures, and ultimately issues that we had with that.

We have consistently tried our hardest with energy efficiency and we have changed our focus and some of our direction. And we need to be more mindful of that. I have in the past expressed concerns about cost effectiveness of certain programs. I'm expressed concerns
Proceedings about roles and responsibilities of program administrators and are they adequately defined. And for me, I've always focused on and I continue to, ensuring that the expenditure of ratepayer dollars are effectively overseen by the Commission.

In this order I am heartened that there's a clear directive to utilities to design the most cost effective programs tailored to their specific service territories and customer base. In a state as diverse as ours with densely populated urban centers, suburban regions, rust belt areas, and very rural communities we cannot force a one size fits all approach on the utilities and think we will achieve our efficiency goals in a cost effective manner.

This order, at times, recognizes that each utility will have unique characteristics and it's prudent for us to grant them the flexibility to develop the best solutions for their service areas. I
do wish there would be more flexibility, especially as it relates to looking at the energy efficiency targets, while this is one piece of a larger pie. To the extent that a utility may be successful in one other thing that is not energy efficiency but somehow their energy efficiency targets may not be meet.

We need to be able to look at some of that flexibility and see, just like we seem to do with the uncommitted funds and moving funds around in NYSERDA. There may be an opportunity to look at the whole pie and see does it make sense we set this but we want them to focus more over here, they want to focus more over there and we can work and ultimately it leads to some of the core clean energy goals we have without necessarily being seen as a negative. That's something for us to consider.

I am also somewhat pleased that the order recognizes the coordination between utility programs and NYSERDA
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programs and looking at needing to approve. I say somewhat only because I did identify some concerns I have with that. As the utility programs evolve from this order, I also hope that the NYSERDA programs and other programs like NYPA and LIPA will also evolve.

I know we're not addressing non-jurisdictional utilities but I do think to the extent that they are also part of this and looking at that, it is important for the Commission as a whole to be focused on that as well and looking at what that means and not necessarily standing off to the side on that. I do hope that these programs continue to be optimized to deliver the best value to ratepayers.

Lastly, I am happy that we're directing the utilities to come back to the Commission with their plans to achieve these aggressive targets. I do caution we should be looking at how to optimize flexibility while looking at solutions.
And the flexibility we are granting is by no means a blank check. We need to look carefully and make sure that we're demonstrating that there -- there is a focus on truly successful programs and what works. And we need to be mindful of the cost in doing so and we need to carefully evaluate that. And make sure that we are all being accountable.

With that I can -- I am going to concur in part and dissent in part. There are aspects of this, as I discussed -- so ultimately I am mindful that we have a lot of work to do and we are all going to be a part of that team. So thank you.

CHAIR RHODES: Thank you very much.

Commissioner Alesi.

COMMISSIONER ALESI: Thank you, Mr. Chairman.

I'm happy to support this measure. I think that it continues us on our pathway to achieve our goals of controlling pollution through increased
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efficiency and improved affordability for participants, including low to moderate income customers.

I'll be voting yes.

CHAIR RHODES: Thank you very much.

So with that we will proceed to -- I'll proceed to call for a vote.

My vote is in favor of the recommendation to adopt the accelerated energy efficiency goals, targets, and budgets as discussed.

Commissioner Sayre, how do you vote?

COMMISSIONER SAYRE: Aye.

CHAIR RHODES: Commissioner Burman, how do you vote?

COMMISSIONER BURMAN: I concur in part and dissent in part.

CHAIR RHODES: Commissioner Alesi, how do you vote?

COMMISSIONER ALESI: Yes.

CHAIR RHODES: The item is approved and the recommendation is
We will now move to the second item for discussion, which is in the matter of an energy storage deployment program. Presented jointly by Bridget Woebbe, Assistant Counsel, and Marco Padula, Acting Director of Markets and Innovation. John Garvey, Utility Supervisor, is available for questions.

Bridget, please begin.

MS. WOEBBE: Good morning, Chair Rhodes and Commissioners.

Public Service Law Section 74 directs the Commission to establish a statewide energy storage goal for 2030 and for a deployment policy to support that goal. In consultation with the New York State Energy Research and Development Authority, NYSERDA, and the Long Island Power Authority, LIPA, staff has done so and the proposed order before you accomplishes the statutory directives.

The order would adopt the statewide goal of up 3,000 megawatts of
installed, qualified, energy storage systems statewide by 2030 and a deployment policy that supports that goal. These actions address the Commission's statutory responsibilities in full compliance with Public Service Law Section 74.

As a background, Public Service Law Section 74 was enacted on November 29th 2017 and was subsequently amended on November 5, 2018. The November 5, 2018 chapter amendment made several substantive changes and it directed the Commission to establish this statewide energy storage goal and deployment policy by December 31, 2018, hence action at today's session.

Just this Tuesday further amendments to Public Service Law Section 74 were sent to the governor for his review. These further amendments would require consultations with the New York Independent System Operators, NYISO, and it would also add a requirement that any procurement of qualified energy storage
systems be awarded through a competitive procurement process. These potential additional requirements are best practices, and all of the actions contemplated in this order are fully consistent with the further statutory amendments if signed into law.

The proposed actions in this order are informed by an extensive record that included more than 40 public comments, consultations with various entities, technical conferences, and hearings held on notice.

In order to develop the energy storage goal and deployment policy recommendations before you, staff has ensured proper consultation with the NYSERDA, LIPA, and the NYISO as envisioned under Public Service Law Section 74 and the legislative amendments. Staff will continue to consult with these organizations as well as continue to engage with other stakeholders as the deployment policy effectuates.
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The actions directed by this order also comply with the recent potential chapter amendment's requirement that any utility procurement shall be awarded through a competitive process. Competitive procurements are a cornerstone of the Commission's reforming the energy vision proceeding, and energy storage procurements as directed by this order will align with this policy and incorporate competitive procurement mechanisms.

Marco Padula, the Acting Director of Markets and Innovation, will now present the overview of the deployment policy and the Commission actions contemplated by the order.

MR. PADULA: Good morning, Chair Rhodes and Commissioners.

Item 301 is a draft order establishing energy storage goal and deployment policy, which has the Commission adopting many of the recommendations contained in the New York
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State Energy Storage Roadmap, which was released back in June of this year. As you may recall the Energy Storage Roadmap provides a comprehensive strategy to encourage the deployment of 1,500 megawatts of energy storage by 2025 and 3,000 megawatts by 2030.

Broadly, the recommendations in the roadmap fall within seven categories. Those are: Retail rate actions and utility programs; utility roles and business models; direct procurement; market acceleration incentives; soft-cost reductions; clean peak actions; and wholesale market actions.

Stakeholder feedback on the roadmap was solicited by Secretary's notice issued on July 17, 2018. Stakeholders were invited to submit written initial comments and reply comments. And the Secretary's notice also altered stakeholders to three technical conferences that DPS staff and NYSERDA staff held in collaboration with the New
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York Green Bank, the New York ISO, the Long Island Power Authority, and PSEG Long Island. Those were held in New York City, in Long Island, and in Albany over the summer months.

Energy storage will be a critical electric system component in maintaining reliability and enabling renewables to provide the needed amount of penetration to reduce green house gas emissions sufficiently to satisfy the state's clean energy standard and state energy plan targets.

The draft order provides a comprehensive strategy to encourage the deployment of 1,500 megawatts of energy storage by 2025, growing to 3,000 by 2030 pursuant to Public Service Law Section 74, as described earlier by Bridget.

The draft order does this by addressing barriers, accelerating the energy storage market learning curve, driving down energy storage costs, and speeding the deployment of the
highest-value energy storage applications.
More specifically, the draft order defers
decisions on rate design and value stack
modifications to the value of distributed
energy resource, or VDER, working
group/white paper process, which will
result in those issues coming before the

The draft order authorizes a $310
million market acceleration bridge
incentive, funded by uncommitted funds
collected through the renewable portfolio
standard, RPS, to be administered by the
New York State Energy Development
Authority, or NYSERDA. And directs
NYSERDA to file an associated
implementation plan and program manual.

The draft order also directs the
New York State utilities to hold
competitive procurements for a total of
350 megawatts of bulk-sited energy storage
systems in coordination with NYSERDA's
market acceleration bridge incentive for
this sector of the storage deployment.
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Theses procurements are expected to yield individual utility ratepayer benefits and therefore the draft order includes adoption of a shareholder incentive mechanism intended to maximize those benefits.

The draft order also identifies a future process regarding the establishment of a distributed energy resource data platform pilot, which would serve to test the concept of bringing together customer usage information, utility system data, asset data, and other publicly available data to determine if data correlations exist that can provide valuable information for storage and other DER developers.

To address the potential impact of the May 16, 2018 draft express terms of 6 NYCRR Part 222, from the New York State Department of Environmental Conversation related to NOX emissions; the draft order requires the development of a peaking unit reliability study that would look at the
equivalent level of clean resources, including energy storage, that could provide the same level of reliability as the existing peaking units. This study would be administered by staff in consultation with the ISO, NYSERDA, DEC, LIPA, and Consolidated Edison.

Similarly, the draft order recognizes the need for a peaking unit retirement contingency plan by Consolidated Edison to report on the portfolio of alternatives that could be deployed if the peaking units are no longer available.

The draft order also identifies a future process for the development of a market design and integration report that will describe the utilities' plan for designing, implementing, and managing distributed system platform market functions that will enable DER participation in both distribution and wholesale markets.

The draft order also adopts
wholesale market design recommendations related to exempting energy storage from buyer-side mitigation rules, accelerating rules for aggregation of storage resources, and allowing for dual participation by adopting principles intended to identify the different modes and ways in which DERs can provide value to the electric system as a whole.

Finally, the draft order requires staff to conduct an annual review of the statewide energy deployment progress and report back to the Commission with an informational briefing based on the annual report.

This concludes my presentation, and I am happy to address any questions that you may have.

CHAIR RHODES: Thank you, Bridget. Thank you, Marco.

Storage is a critical resource. Observers and students of our electrical system have long known this. And have been long been looking forward to this
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resource to be ready for prime time and the time is now. It's a resource that is ideally aligned with our REV and state policy goal objectives, delivers reliability, it enables clean, it allows load shaping and it drives down system costs. So the topic is right and timely.

And here as well as in the case with energy efficiency, I find that the approach is right. Bridge incentives make sense when they can get the market going but are designed to taper off as costs decline and in order to drive that cost decline.

The approach is carefully thought out to be well suited for the best use cases. The approach is aligned with known and likely developments that are happening around -- around us. I'm thinking here of developments at the NYISO. I'm thinking here of the peaker rules, that you mentioned Marco, coming out of Department of Environmental Conservation.

This is important work. This is a
well thought out approach. I will support it.

Commissioner Sayre.

COMMISSIONER SAYRE: Energy storage is probably -- actually certainly in my mind going to revolutionize the production and distribution of electricity in the United States and ultimately the world.

It can smooth out the variability of solar and wind and other intermittent and renewable generation facilities. It can shave the peek by allowing the disuse and maybe even retirement of expensive and dirty peaking facilities by generating and storing energy more cheaply and more cleanly in the off-peak hours. And in the long run I see storage even helping networks ride through reasonably brief outages if major distribution or transmission or even generating facilities are knocked offline for awhile. If you've got the storage there available you can reduce those outages to the customers.
But there's a chicken and an egg problem. It's not immediately commercially feasible to expect the utilities or the private market to just start building and installing it because it's still just a little bit too expensive to make sense. So we have to smart about what public resources -- and in our case ratepayer resources -- we throw into market acceleration to drive the adoption, reduce the costs, and improve the technologies in question.

I'm particularly delighted in this item that we've found a way to support the market acceleration bridge initiative without any new ratepayer funding. We've found some uncommitted RPS funds that we can devote to the purpose and that means that we can do this at very low impact on the rate payers.

Of course the addition of storage is going to add to rate base and it will have an impact on ratepayers in that direction. But the addition of storage
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over the next seven years we estimate to be only a cost of about $100 million to ratepayers and that's going to be offset during the same period of time by system revenues and benefits that are quite likely to exceed the amount that we've asking the ratepayers to fund.

So this is a very smart item.
It's a timely item. And it complies with the law. I certainly support it.

CHAIR RHODES: Commissioner Burman.

COMMISSIONER BURMAN: Thank you very much.

I do have a question on the study.

In the draft order it says the Commission will institute a proceeding where the peaking unit contingency plan will be filed to exam the broad reliability impact of the proposed DEC regulations in the near future. I'm just making sure that I understand what that means. We will be opening a proceeding. Exactly what will we be looking at?

MS. WOEBBE: Sure. So the draft
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order contemplates two things regarding clean peak and potential peaking unit generation retirement in the near future. So the specific directive out of this order is that staff, the NYISO, NYSERDA, DEC, LIPA, and Con Edison develop a study to include determining how many megawatts of peaking units could be replaced or repowered economically with energy storage.

That should by submitted to the Commission by July 1, 2019. In addition to that there's the need for a broader peaking unit contingency plan in the event that DEC's pre-proposal public amendments actually become regulation and must be complied with.

So staff invasion similar with the Indian Point reliability contingency plans there would be a generic proceeding to look at the overall impact of these generating units retiring that would not be technology specific. That would not say, look at energy storage to fulfill those reliability needs but would be much
COMMISSIONER BURMAN: Thank you.

I do want to make sure I understand. So the study would but filed after it's worked with the staff from the ISO, NYSERDA, affected utilities, DPS, and DEC? That's five, right? Did I get it right?

MS. WOEBBE: Yes.

COMMISSIONER BURMAN: That study being filed, does it then get SAPAed and out for comments or is it just filed?

MS. WOEBBE: It will likely be subject to public notice and comments so that the Commission could act upon its recommendation if the Commission desires to.

COMMISSIONER BURMAN: I just want to make sure that that study, in my mind, is not here's -- to me it's more like a staff white paper. And I just don't want that somehow this study is then utilized afterwards without having the benefit of the Commission as a whole weighing into
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it.

For example, if the study was to be taken and then put into a future state energy plan but had not gone first through the Commission as a whole, I would be concerned about that. Because I would want the benefit of those to weigh in on it. Because it's -- we're asking you to do this and give us feedback on what that is, I just am very mindful that, you know, the control of that study and any recommendations it may make needs to be very carefully analyzed in a way that the Commission itself has an opportunity to adopt or modify. So I guess in terms of what that may look like is very important to me.

MS. WOEBBE: Sure. Understood. And the intent is certainly to bring the study recommendations before the Commission for Commission action.

COMMISSIONER BURMAN: Okay. And also again, I think the other entities involved should be mindful of that as well,
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especially as it relates to recommendations. Even if they're recommendations that are outside the jurisdiction of the Commission, it is important for the Commission to have a voice on some of that because we have to work through the collaboration and make sure it's seamless.

The second piece of that is the Commission institution a proceeding. As the draft order is written it says the Commission -- and I'm not fighting over the wording, I'm just making sure I understand it. The Commission proceeding where the peaking unit contingency plan will be filed to examine the broad reliability impacts of the proposed DEC regulations in the near future. But I think, Bridget, what I heard you say was that it may be necessary to bring that proceeding after the DEC regulations are finalized versus looking at from a proposed -- that they are proposed and we're now giving thought to those proposed
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regulations.

MR. PADULA: It's the later. We're going to -- we know that they're proposed and we want the utility to think about it now what the contingency plan would be if the impact of those rules would result in the retirement of the peaking units.

COMMISSIONER BURMAN: While I appreciate that, the concern I have is that I do believe and this isn't the first time that DEC has issued proposed regulations that may effect our jurisdiction and ultimately effect our customers, the customers. So for me, especially as we look to the interconnection between environmental and economic regulation, I do think it's important that we not, sort of take for granted that proposed regulations before they're adopted really should have some weight from the economic regulator on what those impacts are. Rather than reacting to them after that fact.

It's not a knock on DEC at all.
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It's just a recognition that, you know, it's more beneficial to do it at the front end versus the back end. And while I understand that staff does -- the staffs of both agencies do work with each other, it is important that our processes are looked at carefully and the evaluation that can come from an economic regulator as a body may be very important. And also helps us more holistically look at all of these issues.

There's no doubt we have -- all of us have the best intentions but the implementation challenges in some regulations that while they might be very helpful are not necessarily practical or you need to then look at what that means to actually implement those. So very mindful of that.

So I would caution and I would hope that sort of getting -- going back to those process implementations and not doing, you know, the same way we've always done. I do think we need to look at that.
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And they effect our utilities the Commission itself should be the lead, not DEC. And as it effects the economic impacts, they need to be -- it needs to be the Commission itself, very much so.

The other comment I will have is that I do know that LIPA and NYPA are both involved in energy storage and I think that's a very good thing. But there is, as I said, there is a little disconnect from my seat in terms of how that works as a whole.

And so to the extent that NYPA and LIPA both are involved in many aspects of programs or complimentary programs that we are focused on, I do think that we need to get a little under the hood in some of that. I know yesterday there was a very exciting announcement on energy storage with NYPA. But to the extent that that can be more cohesive and working together as a whole, we should look at that. Because there are, you know, there are funding opportunities but also we need to
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be mindful, of sort, the whole.

That works also for other entities that NYSERDA works with that may not come to the Commission while they're working through that. So what I don't really want to figure out a way of not chilling those opportunities but rather to make sure that we are cohesively looking at them and coordinating.

Again, to extent that we are the ones really as the lead in terms of setting the targets and the goals I think we should be really mindful of those who are also looking to be partners with us and to the extent that they are, I don't think that they should fear coming under the hood as the Commission as a whole. Actually, I think it would be helpful especially from an accountability and a measurement of our successes. I would actually welcome them to be a little bit more focused on coming under the hood in a way that is helpful, even if it's not necessarily required. I think that can
only help.

To the extent that we are also looking at some of potential achievements and opportunities that LIPA may be looking at, there are cost implications for that. LIPA’s board has said that they generally will be doing most of what the Commission itself as a whole adopts as it relates to REV this fall under that. And to the extent that we should be looking ahead of time at some of those implications and understanding that, I think it's helpful. But also to the extent that it increases the potential cost, you know, rather than looking at them in silos, it may actually tip to actually need a Commission jurisdiction rate proceeding. So we should look at that and be mindful of that, even if it's future opportunities. To the extent that they're long term forecast, it's better to have it ahead of time rather than, oh, we got it after the rate proceeding so now we don't need to come in. And I don't really want that. So let's just think about
that, if it makes sense.

REV was envisioned and is an opportunity to build a stronger, safer, more reliable and a clean grid. And how we do our decisions really need to provide overall more reliability, predictability, certainty, clarity, consistency, and the path forward so regulatory frameworks that we set up should be helping not hindering. We are focused on the market and looking at transformation of that sector. I am mindful of the focus that sometimes while we identify that markets are important, we need to be mindful that our policies that are made to improve the market, at times can make things worse. So we need to be cognizant of that. And we need to look at true market-based approaches and make sure that we really are helping to harmonize the market in a way that makes sense.

While I am glad to see that we will be working with the ISO, I do also believe that there are others that we should be looking at like the State
Reliability Council and having more specific engagement with them on some of these policies as well.

This order does fulfil a legislative mandate that the Commission adopt a robust energy storage policy. It is much more than that. Energy storage technology is advancing rapidly and it's coming at an important time. It has the potential to more cost effectively meet peak demand on the system. And as we're becoming more and more reliant on variable renewable resources, storage has the potential to help ensure grid reliability as we transition to a more renewable-based electric grid.

But there is not necessarily meaning that it is do away with things that are not renewable. There has been a lot of discussion on the pairing of storage gas and storage. And so we need to, while we are fuel agnostic and technology agnostic, we need to also be mindful that we at times are -- we say
that but we're actually not when we focus on one particular -- solar and storage. We need to look at all the subsets and allow opportunities for different pairings that may be there. 

There was a -- there was a report back in 2015 by the Joint Institute for Strategic Energy Analysis and it was called Pathways to Decarbonization Natural Gas and Renewable Energy Lessons Learned from Energy System Stakeholders. And this was a -- Joint Institute for Strategic Energy Analysis was worked on a very collaborative process with the US Department of Energy's National Renewable Energy Lab, the University of Colorado, Colorado School of Minds, Colorado State University, MIT, and Stanford University. And to me it really showcased that looking at a decarbonization and the pathway forward may involve many different interconnecting pieces.

And we in New York have been very blessed with a very fuel diverse
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portfolio in state. And so I think we are on a good pathway. We can look at that. But I want to make sure that we are making sure that are our policies are helping not hindering.

The programs focus on locating the resource where it makes the most sense and deploying in a matter that seeks cost reduction over time are both important components in the order. I do have mixed feelings on the seed money being approved today. I'm concerned that these funds were unspent by NYSERDA and aren't going back to the ratepayers. We do consistently have -- taken many times unspent funds and uncommitted funds and reprioritized them. But to me, we should be looking at that whole amount and that gets back to the accountability from NYSERDA, as well as ourselves and what we're doing. Because we are in many orders continuing to talk about future funding that is being put on and that's cost ultimately to the ratepayers.
I would also like to make mention that I am concerned in this order about -- to the extent that we are talking about the wholesale energy market. I do think we need to be mindful of that. Work order 841, as well as other, the New York ISO has its energy storage docket. And while we do seem to, in this order, direct NYSERDA in a very specific way, I am concerned about that from a chilling perspective. And also making sure that we are not inappropriate treading into the wholesale market in a way that actually will hinder our progress on energy storage.

So for me while I understand the desire to weigh in on that, there is an interconnection issue and we do need to understand that we need to work with all of the different parties and also look to make sure that we are setting appropriate boundaries. That don't tread inappropriately in areas that we may not be able to facilitate a positive
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resolution. So I do want to just caution that as to that I am truly concerned and just want us to be open to looking and facilitating and working together on that issue.

There is a legislative mandate that is promise of energy storage technology and there is strong justification for us to go forward. We do need to do so while minimizing costs to ratepayers. And we do need to be mindful that we do need to be focused on helping not hindering.

So with that I am going to support in part and dissent in part for some of my rational why I am concerned. But overall I thank everyone for their hard work on this and I look forward to the next steps.

CHAIR RHODES: Thank you very much.

Commissioner Alesi.

COMMISSIONER ALESI: Thank you, Mr. Chairman.

I'll be supporting this. I think
that this storage plan is a smart focus on
the market acceleration of the most
reliable renewable and most efficient
green energy goals. And I believe it's
beneficial not only to the consumers,
ratepayers as well, but at the end of the
day the thing that we should be most
focused on in all of our efforts is what's
good for the environment. So I'll be
voting yes.

CHAIR RHODES: Thank you very
much.

With that I will now proceed to
call for a vote. On the recommendation to
establish the statewide energy storage
goal of up to 3,000 megawatts by 2030 and
1,500 megawatts by 2025 and a deployment
policy to meet that 2030 goal and
authorizing funding necessary to achieve
that as described.

Commissioner Sayre, how do you
vote?

COMMISSIONER SAYRE: Yes.

CHAIR RHODES: Commissioner
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Burman, how do you vote?

COMMISSIONER BURMAN: Concur in part and 
dissent in part.

CHAIR RHODES: Commissioner

Alesi?

COMMISSIONER ALESI: Yes.

CHAIR RHODES: The item is
approved and the recommendation is
adopted.

We will now move to the third item
for discussion. Item 302, Case 15-E-0751, 
as it relates to the proposed model tariff
for energy storage systems paired with
electric generating equipment. Presented
by Ted Kelly, Assistant Counsel. Warren
Myers, Director of Market and Regulatory
Economics, and Marco Padula, Acting
Director of Markets and Innovation, are
available for questions.

Ted, please begin.

MR. KELLY: Thank you.

Good morning, Chair Rhodes and
Commissioners.

This item is a draft order
Proceedings regarding utility tariffs for distributed energy resources that pair a value stack-eligible distributed generator, such as a solar generation system, with an energy storage system. The order describes such projects as hybrid facilities.

The March 2017 order that created the value stack stated that projects that paired eligible generation resources with storage resources would be eligible for value stack compensation. However, it recognized that several implementation issues related to such projects required further process. In particular, such projects needed to be integrated into the standardized interconnection requirements -- further interconnection to the grid -- and a specific compensation tariff for such projects was needed.

Compensation tariffs needed to be specially tailored because several aspects of the value stack are exclusive to renewable energy. In particular the
environmental value element, the market transition credit, and certain capacity value options. Because the storage component of a hybrid facility can be charged either with renewable energy from the storage system or from the utility grid and then the storage system can then discharge that energy into the utility grid for value stack compensation, not all injections from hybrid facilities are necessarily renewable energy. And therefore, not all injections should automatically receive environmental compensation and those other exclusive elements.

However, hybrid facilities should not be forbidden from charging using the grid or from injecting such energy back into the grid because this may be done in a way that benefits the storage -- the hybrid facility owner and the utility system, such as if the hybrid facility charges up at a time of low usages, like at night, and then discharges during a
peak time. A case where the differential in actual value is big enough to make that beneficial.

Therefore, a tariff was needed that allows -- distinguishing between renewable and non-renewable energy injected into the system as precisely as reasonably possible.

In April 2018, the Commission issued an order which modified the standardized interconnection requirements to facilitate the interconnection of hybrid facilities. That order also directed the utilities -- the electric utilities to jointly file a proposed hybrid tariff for compensation of hybrid facilities for Commission review. That tariff was filed in June 2018. Subsequently, a number of stakeholders filed comments on that tariff pursuant to a notice.

The proposed tariff contains four options based on four different usage models. The comments primarily from solar
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and storage developers, industry groups, and environmental non-profits were generally supportive of the proposed tariff and the overall framework however, they did express several concerns about one option, Option C. That it was not sufficiently granular and would treat some renewable energy as non-renewable.

The Commission approves the hybrid tariff with modifications. I will describe it as approved and briefly describe how it was changed from the proposal.

Opinion A is designed for projects where the owner of the hybrid facility intends to charge it exclusively from the renewable generator and not from the utility system. A project may follow this usage model where the storage resource received a federal investment tax credit based on the qualification rules for the tax credit.

In this case, the utility will work with the developer during the
interconnecting process to ensure that the hybrid facility contains appropriate metering and/or controls so that the utility can verify that all charging is from the renewable system and not the grid. And in that case all injections will be treated as renewable.

Option B is designed for projects where the owner intends to use the storage resource only to serve on-site load and not to inject energy into the grid. For example, it may be used by a hospital or another type of business that has a high reliability need, where they really just want to focus the storage resource on meeting that reliability need.

As with Option A, the utility will work with the developer to ensure that the appropriate controls and/or metering are in place and then the utility will be able to verify that all injections are renewable and should be compensated as such.

Options C and D are designed for
projects with more complex usage models where the storage resource may be charged from both the renewable generator and the utility system and where both the renewable generator and the storage resources may be used to inject energy into the utility system for compensation.

Those two options are different from each other in that Option C applies to hybrid facilities that are collocated with an energy consumer, whereas Option D applies to hybrid facilities that are separately sited -- where it is just the generator and that storage resource and no other separate energy consumer on site.

Under both options, the utility measures how much energy is consumed by the hybrid facility. That energy is assumed to be used for charging the storage resource. The utility also measures, as it does for all value stack projects, injections into the utility grid. For the generally applicable elements of the value stack, including the
energy payment value and the distribution system values, the utility will provide compensation for all net hourly injections as with other value stack systems.

However, for the renewable-exclusive elements, such as the environmental compensation and market transition credit as discussed earlier, the utility will only provide compensation for the net monthly total that results when energy consumed by the storage resource is subtracted from the energy injected into the utility system. This net total represents the on-site generation of renewable energy from the renewable facility.

For Option C calculating this will likely require multiple meters to separate on-site building consumption from hybrid facility consumption. For Option D one meter may be sufficient as all consumption can be assumed to be storage consumption.

This tariff as described does reflect the modification of Option C from
the utility proposal. The utility proposal had treated all energy injected by the storage resource in Option C as non-renewable. This modification also allows Option C to be used by all hybrid facilities regardless of whether they're AC-coupled or DC-coupled. The utility model had restricted Option C to AC-coupled facilities.

The tariff is also modified from the utility proposal, which made the selection of an option permanent and irrevocable, to allow a one-time option for a project owner to switch from Option A or Option B to Option C.

This switch may be desirable for increased operational flexibility. And in particular may be desirable when the investment tax credit period ends and projects that just initially stuck to sole charging from the renewable resource in Option A now want the flexibility of charging either way and therefore require additional metering and the more granular
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In all four cases the hybrid facility developer or owner will be responsible for paying the necessary metering and controls costs consistent with the standardized interconnection requirements.

Overall, the hybrid tariff will encourage and appropriately compensate the development of hybrid facilities while maximizing the benefit they provide to the utility system and protecting non-participating ratepayers from any inappropriate impacts.

And I'm available for questions.

Thank you.

CHAIR RHODES: Thank you, Ted.

I find this is a needed and appropriate adjustment of what's been in place and a careful, pragmatic, and smart resolution of implementation needs. I'm going to support this item. I'll turn to my fellow Commissioners.

Commissioner Sayre, any questions
or comments?

COMMISSIONER SAYRE: This is a necessarily complex situation because of all of the possible combinations, even though the initial question is pretty simple but you pay for energy injected into the grid by a hybrid system. I think this item -- and staff have done an excellent job on this -- but because of that complexity, I'd like to ask staff to work with the utilities and keep an eye out on things in the field as to how it works in case somebody figures out how to unfairly game the system.

MR. KELLY: Absolutely.

CHAIR RHODES: Thank you.

Commissioner Burman.

COMMISSIONER BURMAN: Thank you, Ted. You did a nice job. I'm going to concur.

CHAIR RHODES: Commissioner Alesi.

COMMISSIONER ALESI: I can be very succinct. This is a very complex issue but it's testament to the hard work and
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wisdom that the department and the staff puts into this kind of issue. Thank you.

CHAIR RHODES: So with that I will proceed to call for a vote.

My vote is in favor of the recommendation to adopt hybrid tariff with modifications as discussed.

Commissioner Sayre, how do you vote?

COMMISSIONER SAYRE: Yes.

CHAIR RHODES: Commissioner Burman?

COMMISSIONER BURMAN: I concur.

CHAIR RHODES: Commissioner Alesi?

COMMISSIONER ALESI: Yes.

CHAIR RHODES: The item is approved and the recommendation is adopted.

We will now move to the fourth and final item for discussion. Item 101, Case 18-G-0565, as it relates to the tariff filing by Consolidated Edison to modify its Interruptible Gas Service program.
Presented by Mike Rieder, Chief Gas and Water Rates and Supply. Cindy McCarran, Deputy Director for Gas and Water, is available for questions.

Mike, please begin.

MR. RIEDER: Good afternoon, Chair. Good afternoon, Commissioners.

Item 101 addresses Consolidated Edison Company of New York's proposed tariff revisions to its Interruptible Gas Service program. Specifically, the company proposes modifications to Service Class 9 - transportation service -- and Service Classification 12 - dual fuel sales service -- to amend the two violation rule or strike rule for customers who do not comply with the affidavit requirement for Interruptible Gas Service.

By order issued December 16, 2016 in case 15-G-0185, the Commission directed local distribution companies to modify their tariffs for customers taking Interruptible Gas Service. The directed
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modifications included requiring Interruptible Gas Service customers to file an affidavit with the company every year attesting to the customers' compliance with the company's tariff, verify the customer has an alternate fuel supplier, and include certain customer information in the annual affidavit.

Con Edison filed tariff amendments effective January 1, 2017 in compliance with the 2016 order that also includes a provision that penalizes customers who do not comply with the affidavit requirement by making them ineligible for Interruptible Gas Service.

Additionally, Con Edison's tariff provisions require that Interruptible Gas Service customers be automatically moved to firm service when they receive a second violation if the gas distribution system is adequate to meet the customer's peak demand requirement. Based on the company's experience with implementing the affidavit requirement for the winter
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period of 2017/2018 and its overall
efforts to reduce peak demand load.

The company is now proposing
tariff modifications that include: One,
eliminating the provision that a customer
is not eligible for Interruptible Gas
Service if the customer does not return
the signed affidavit to the company by
October 1st of each year; two, re-defining
the two violation rule to assess the first
violation to a customer who fails to
submit a signed affidavit by October 15th
of each year; three, modifying the
consequences of violating the two
violation rule during the current winter
period, whereby an Interruptible Gas
Service customer incurring two violations
is not automatically moved to firm
service, but instead remains on
Interruptible Gas Service and is
assessed a monetary penalty charge; four,
adding termination provisions for
customers who incur two violations and
have not applied for firm service by
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April 15, or who have applied but cannot meet the requirements for firm service or the company cannot accommodate on firm service; and finally five, adding a provision that terminated customers may re-apply for Interruptible Gas Service after one year.

On November 27, 2018 Department of Public Service staff convened a technical conference with Con Edison and other stakeholders to discuss the company's proposed tariff amendments and gather input on the best approach to resolve issues presented by Con Edison and its Interruptible Gas Service program. The topics of discussion at the technical conference included the proposed violation for the failure to return an affidavit in time; communication between gas distribution companies and Interruptible Gas Service customers; best approaches to verify whether customers have adequate physical alternate fuel storage and replenishment contracts; alternative
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enforcement actions against customers violating tariff requirements, such as installing tank monitoring devices and remote shut-off valves; challenges associated with switching Interruptible Gas Service customers to firm service because of limited capacity; and uniformity among downstate natural gas utility tariffs. In addition, Interruptible Gas Service customers in the operation of the -- okay, excuse me.

In addition, stakeholders identified the importance of Interruptible Gas Service customers in the operation of the gas distribution system, but also voiced a concern that many critical care customers take service under the Interruptible Gas Service program.

On December 3rd, comments responding to Con Edison's proposed tariff amendments and to the discussions that took place at the technical conference modifying -- excuse me strengthen -- sorry. Discussions that took place at the
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On December 3rd, comments responding to Con Edison's proposed tariff amendments and to the discussions that took place at the technical conference were received by National Grid, the City of New York, Consumer Power Advocates, and Marathon Energy Corporation.

In its comments, National Grid indicates that while it does not take a specific position on the changes proposed by Con Edison, it cautions against applying these proposals to National Grid because of the significant differences in the companies' programs, along with the differences in the number of customers in these programs.

The city argues that Con Edison's proposed tariff amendments are a significant and problematic departure from the current program, have not been reasonably justified, and have the
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potential to undermine Interruptible Gas Service and are unnecessarily severe.

CPA asserts that because customers could potentially lose access to natural gas service under Con Edison's proposed changes, implementation of the changes would decrease resiliency, threaten reliability, and drive Interruptible Gas Service customers to firm service.

Marathon offers several recommendations that it believes could strengthen the Interruptible Gas Service program, such as requiring a supply threshold of 65 percent capacity of a customer's alternate fuel source tank throughout the interruptible period, citing problems arise when such customers wait until its tank is at 10 percent capacity to request a refill.

On December 7th, Con Edison filed reply comments claiming that the scenario contemplated by the city and CPA, in which customers could potentially lose access to natural gas service altogether is unlikely
and that its proposed changes will give customers a reasonable opportunity to comply with the Interruptible Gas Service requirements.

Yesterday we received additional comments from the city that respond to the various discussions that took place during the technical conference. These additional comments do not necessitate modifying the draft order before you but are a useful addition to the record in this proceeding and should be considered in future tariff filings.

As stated in the Commission's 2016 order, maintaining gas system reliability for core customers is of utmost importance. Customers who choose to receive Interruptible Gas Service agree to comply with the tariff provisions in exchange for a reduced transportation rate. Interruptible Gas Service customers play a critical role in the physical operation of the natural gas distribution system by curtailing their gas service
when called upon, which improves system pressures during periods of high demand.

However, Interruptible Gas Service customers can also jeopardize the integrity of the system if they do not curtail their natural gas usage when requested by the company. In addition, by using the natural gas system during periods when system conditions allow, Interruptible Gas Service customers further the goal of reducing the use of dirtier fossil fuels. If Interruptible Gas Service customers were unable to use natural gas under the company's Interruptible Gas Service program, the operation of the gas distribution system would be impacted negatively and customers would rely on their predominate primary fuel source, fuel oil.

In the draft order before you it is recommended that Con Edison's proposal to eliminate the provision of automatically moving an Interruptible Gas Service customer that incurs two
violations to firm service be approved. As explained in its smart solutions filing, Con Edison has capacity constraints in both upstream gas supply and on its gas distribution system. The supply constraints have resulted in the company's reliance on delivered services or peaking contracts for approximately 19 percent of its peak day gas supply and customer loads are reaching the maximum throughput capability in parts of its gas distribution system. Eliminating the provision that automatically moves an Interruptible Gas Service customer to firm service should mitigate further strain on gas supply and support the integrity of the gas distribution system.

The remaining proposed changes to Con Edison's Interruptible Gas Service program do not adequately address or resolve the issues associated with customer compliance with the company's tariff or consider other potential solutions. Moreover, because of the
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Important demand response function
Interruptible Gas Service customers have
on maintaining the reliability of the gas
distribution system, the mitigative impact
on the environment from these customers
not burning dirtier fossil fuels full time,
and the subset of critical care customers
relying on natural gas service, Con
Edison's proposed changes -- changes,
which could potentially result in the
complete loss of gas service to certain
Interruptible Gas Service customers, are
unacceptable.

In addition, Con Edison's proposed
amendments create an adversarial
relationship between the company and
Interruptible Gas Service customers, do
not consider the nature of a failure to
comply with the tariff requirements in
certain situations, create a violation for
a non-performance related event, and do
not address the impact on critical care
customers. Based on the concerns
discussed during the technical conference
and raised during the comment process --
including those filed yesterday by the
city -- and based on the reasons I just
described, the draft order before you
recommends that Con Edison's proposed
changes to its Interruptible Gas Service
program, with the exception of the
proposed elimination of the provision to
automatically move an Interruptible Gas
Service customer that incurs two
violations to firm service, be rejected.

Staff proposed several solutions
for discussion at the technical conference
to improve the tariff language and improve
interruptible customer compliance. Con
Edison's proposed amendments do not
adequately address staff's proposed
solutions or the concerns raised during
the comment process. Therefore, the draft
order directs Con Edison to file tariff
amendments that propose solutions
addressing the submitted written comments,
the concerns discussed at the technical
conference, the treatment of critical
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customers, and staff's proposed solutions.

In addition, Con Edison would be directed, upon your approval, to include in its next filing modifications to it tariff leaves addressing the potential negative impact of an Interruptible Gas Service customer failing to stop using gas when directed.

Because National Grid also serves interruptible customers in New York City, we encourage Con Edison to work with National Grid, staff, and interested stakeholders on tariff language that can be uniform across both service territories.

Thank you. Cindy and I are now happy to answer any question you may have.

CHAIR RHODES: Thank you, Mike.

My own view is that this a clear needed and appropriate recommendation on how to go forward regarding some challenging situations that can confront some of our customers. Where we have experienced -- we've seen them experience
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these situations.

I'm going to vote in favor of this recommended order.

Commissioner Sayre.

COMMISSIONER SAYRE: I agree with the Chair for the reasons he just stated. This isn't quite ready for prime time, needs to go back for more work.

CHAIR RHODES: Commissioner Burman.

COMMISSIONER BURMAN: I'm just a little confused so I just want to make sure I understand. By rejecting their modifications except to the extent of saying to discontinue the automatic transfer of an interruptible gas service customer to firm service, where does that stand for the interruptible gas customer who violates the rules?

MR. RIEDER: The company's current tariff provision has both noncompliance penalties associated with noncompliance of an interruption event and also unauthorized use penalties so when they do
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use gas during an event it's charged at a higher rate than what normally would be supplied.

COMMISSIONER BURMAN: Okay. The concern I have is -- first, I want to take a step back. Con Ed is coming to us with these proposals and these modifications -- the same way they came to us with the smart solutions proposal -- because they are very concerned. It is not to be difficult to their customers. In fact, it's the opposite. They are really trying to figure out what to do with the constraints that they have and what makes sense without putting at risk the system. They're very cognizant, as well as other utilities on the concerns they have because of the constraints.

They need gas. Without it we are working through these challenges in a way that is potentially maybe not -- not this winter but in the long term going to have potentially very negative consequences. So while we are doing the right thing
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today in addressing emergency issues and
looking at it, it is not now getting us
out of the long-term, future consequences
that could be very devastating.

And I went to the technical
conference and I was concerned because it
was very clear to me that there were folks
there who represent customers -- large and
small -- who also have significant
concerns. Now there may be some process
issues in working with Con Ed but that,
you know, I think can be worked through.
The reality is that a lot of this is
outside Con Ed's ability to change, to
make things better without us tackling the
elephant in the room.

And I won't belabor other comments
that I've made on this in other areas but
it really is concerning to me. Now, one
of the issues for moving someone from
Interruptible Gas Service to firm if
they've had violations is actually to help
them not get a penalty. And the reality
is, we can't move them a lot to firm
because we have constraints. So it would be easy to look at it and what that meant if we did not have those constraints. Having those constraints puts us at a great disadvantage but really is potentially imperilling those very customers that need it.

We saw just, I believe, in the October session, maybe it was the November session I can't remember, where we had 89 customers -- many of them schools -- in the New York City area that we had to grant waivers to on reducing those penalties because they weren't able to move from gas to other fuels, majority oil. So the reality was -- it was very clear from there that they need it. This filing and the comments that came in and the technical conference that I attended also hammered home the issue. Regulations should be done in a way to help not hinder. We are hindering the folks who want energy service. In this case, natural gas. It then hinders over avenues
that may be helpful going back to that decarbonization path forward future report that talked about natural gas and renewables working together.

We should be looking at all of the fuel sources and working together to harmonize and make sure that we have reliable and clean energy. And this does not mean that it's a one fuel, you know, situation. Here, I don't know how much more we can allow this to continue because it is a problem.

And I want us to not just make now Con Ed have to file again because they didn't get it quite right. They did get it quite right. They said it eloquently in their other filings as well as this. Now maybe this isn't the answer but the answer isn't re-file and take all these things into consideration. This has more statewide impact and we -- I don't think it's fair to say, Con Ed go back and figure it out. I just don't. And I don't think it's fair to say, and work with
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National Grid and figure it out.

It's not about the paper tariff to make it all work out, it's about real life situation that we need to address. And I'm pretty passionate on this issue because it has real life impacts and I really feel very strongly that we need to figure out it sooner rather than later and not be afraid of addressing the elephant in the room.

And we also should be working with others who could help facile that if we are blocked in our ability to figure it out and stymieing the progress forward. The ISO, the New York State Reliability Council looking at this and others who may be able to help. You know we see in the news on opportunities for economic development throughout the state, in particular New York City with large companies wanting to come. Well, they're going to need energy and they are going to need it. And we have to do some projections on what that is and what that
means for the ripple effect for others who then would want to come and the employees that would need that and gas is a part of that mix. It's not the only part but it's a part of that mix.

So I am going to concur on this for this limited fashion of doing this but I am also dissenting in part because I am really at my wits end in understanding how dire this is and do not think that the approach that we're taking of pushing the can down the road and somehow making it the utility's fault is acceptable.

CHAIR RHODES: Thank you.

Mr. Alesi, any comments or questions?

COMMISSIONER ALESI: Nothing to add. Thank you.

CHAIR RHODES: Thank you.

With that I will now proceed to call for a vote.

My vote is in favor of the recommendation to approve the proposed tariff amendments in part with
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modifications as discussed.

Commissioner Sayre, how do you vote?

COMMISSIONER SAYRE: Aye.

CHAIR RHODES: Commissioner Burman, how do you vote?

COMMISSIONER BURMAN: I concur in part and dissent in part.

CHAIR RHODES: Commissioner Alesi?

COMMISSIONER ALESI: Yes.

CHAIR RHODES: The item is approved and the recommendation is adopted.

We will now proceed to move to the consent agenda.

Do any commissioners wish to comment on or recuse from voting on any items on the consent agenda?

Commissioner Sayre?

COMMISSIONER SAYRE: No.

CHAIR RHODES: Commissioner Burman?

COMMISSIONER BURMAN: Yes, thank
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you.

CHAIR RHODES: Thank you.

COMMISSIONER BURMAN: On Item 372 I will be concurring in part and dissenting in part. My concerns are with accountability, the clean energy standard. There are many reports filed by NYSERDA -- that's a good thing -- but we should truly look at re-valuating how we're handling all of this. So as we work towards the phase 3 of clean energy standard, we need to do a better job and look at the accountability of all of that, so that's on Item 372.

On Item 461 A and B, I concur. Noting for the record, that while I appreciate this aspect of the settlement agreement for American Water to address the allocation of certain tax refunds between American Water and ratepayers. While procedurally in the settlement agreement it was left for the Commission to do in this proceeding, I do not agree that the entire settlement agreement and
the court order was done without the benefit as the Commission as a whole addressing it.

On Item 561, Charter, I'll be voting no, which is consistent with my voting record. Thank you.

CHAIR RHODES: Thank you very much.

I will now proceed to call for a vote on the consent agenda. My vote is in favor of the recommendations on the consent agenda.

Commissioner Sayre?
COMMISSIONER SAYRE: Yes.

CHAIR RHODES: Commissioner Burman?
COMMISSIONER BURMAN: I vote yes except for the items I discussed.

CHAIR RHODES: So noted. Thank you.

Commissioner Alesi?
COMMISSIONER ALESI: Yes.

CHAIR RHODES: The items are approved and the recommendations are
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Secretary Burgess, is there anything further to come before us today?

SECRETARY BURGESS: There's nothing further to come before you but if I can just please ask for a clarification of some votes.

Commissioner Burman, are you concurring on 461 A and B? Did I hear that correctly?

COMMISSIONER BURMAN: Yes.

SECRETARY BURGESS: Okay. Thank you.

And Chair Rhodes, can we just -- I just want to make sure I have the correct vote on 301. Could you just restate your vote please because I don't think it picked up by the webcast. Energy storage.

CHAIR RHODES: My vote is in favor --

SECRETARY BURGESS: Thank you.

CHAIR RHODES: -- of the recommendation. Thank you.

SECRETARY BURGESS: Thank you.

With that there's nothing further
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to come before you today.

CHAIR RHODES: Thank you.

So we are adjourned and happy

holidays, everybody.

(Time Noted: 12:35 p.m.)
CERTIFICATE

I, KRISTINA TRNKA, a shorthand reporter and Notary Public within and for the State of New York, do hereby certify:

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

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of December, 2018.

Kristina Trnka

KRISTINA TRNKA
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