

June 25, 2015

Honorable Eleanor Stein
Executive Office
New York State Public Service Commission
Agency Building 3, Empire State Plaza
Albany, New York 12223-1350

Via Electronic Delivery

Case No. 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision

Dear Judge Stein:

Acadia Center greatly appreciated the opportunity to meet with the Department of Public Service staff on April 21st to discuss the Staff's current thinking concerning ratemaking and regulatory reforms to be addressed in its Track 2 Straw Proposal in the above-referenced docket. Acadia Center also thanks the Department for the opportunity to provide follow-up comments on important energy issues prior to the Straw Proposal release. We provide brief comments below and have attached supporting materials.

I. UtilityVision: Empowering Consumers for a Clean Energy Future

Acadia Center's comments stem from the perspective of our recent report on grid modernization: [UtilityVision](#). UtilityVision frames an ambitious but realistic energy future that puts the consumer firmly in the center to allow greater freedom and control over energy costs. It presents a comprehensive regulatory framework for a modern energy system that will help propel us toward our climate and economic goals. UtilityVision also outlines detailed policy recommendations for regulators to modernize the way we plan, manage, and invest in the power grid, addressing the utility business model, rate-making, and customer-side energy resources together.

Overall, we are encouraged that the Staff's concepts for reforming the utility business model align well with UtilityVision's recommendations, particularly with respect to (1) a focus on performance-based outcomes and metrics, (2) a strong reliance on non-wires alternatives in system planning, and (3) a rate design that reflects the value of energy efficiency, peak load reductions, and the benefits of distributed energy resources.

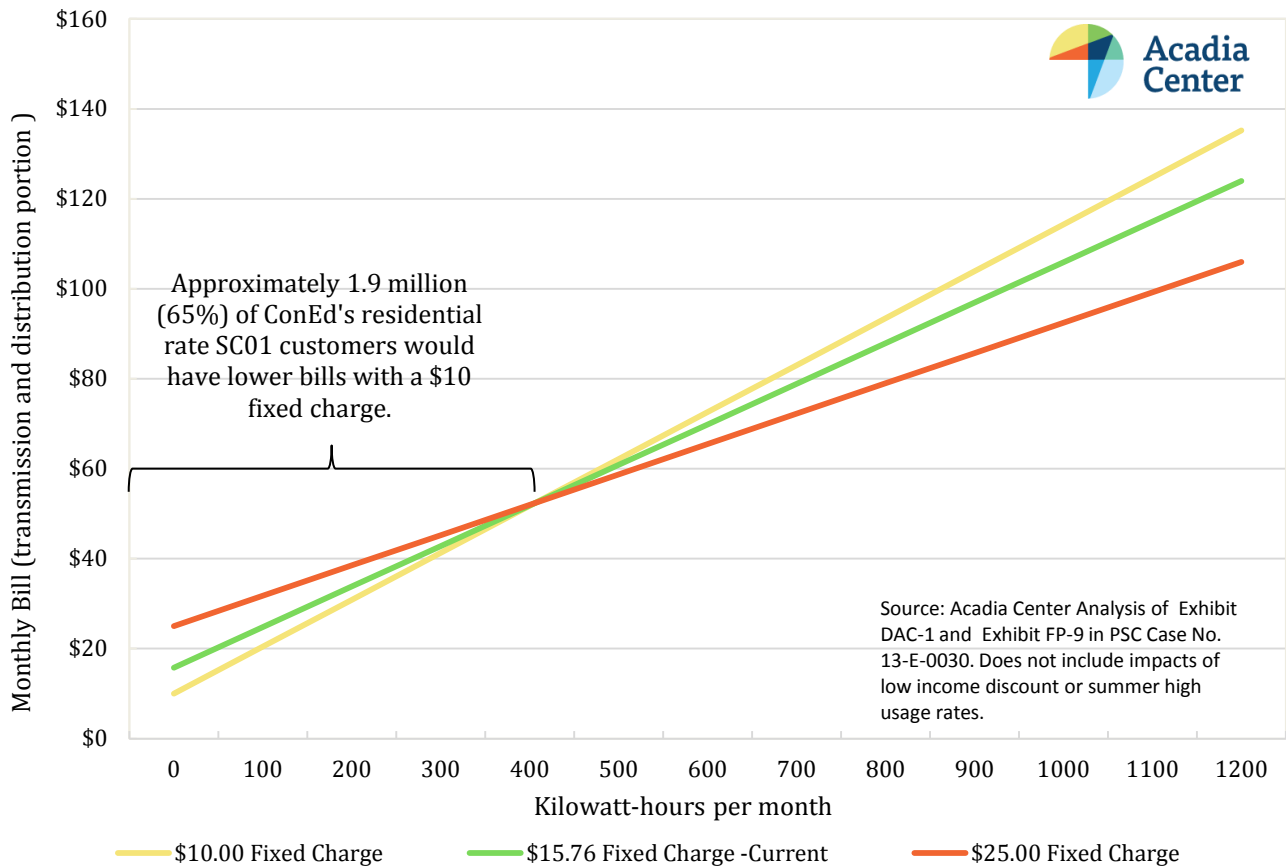
Resources for additional information: [UtilityVision: Reforming the Energy System to Work for Consumers and the Environment](#)

II. Principles for Consumer-Friendly Electric Rate Design

Acadia Center believes that electricity rates should preserve the consumer incentive to use electricity wisely and invest in energy efficiency by continuing to collect transmission and distribution costs primarily through volumetric rates instead of moving toward higher fixed monthly charges. We urge the Department to avoid reliance on fixed charges, which limit consumer options and make it harder to reduce electric bills by using less power or self-generating electricity.

Acadia Center recently analyzed the impact of fixed charges in New York, Connecticut, and Rhode Island. Using the information provided by Con Edison in the 13-E-0030 rate case, Acadia Center determined that 65% of the utility's residential customers use less electricity than the average in a given month and would pay less if the fixed charge were lowered from the current \$15.76 to \$10 a month.

Figure 1: Impact of Fixed Charge on Residential Consumer Bills



The analysis of Eversource Energy's bills in Connecticut and National Grid's in Rhode Island reached similar conclusions showing that 61 and 54 percent of the residential customers, respectively, consume less than the monthly average and would be penalized by higher fixed charges. Please see the attached rate design backgrounder for more information on billing impacts, including visualizations of different fixed charge scenarios.

Regarding rate design for distributed generation, we recommend, in the short term, that output from distributed generation should be priced to fully reflect its grid-wide costs and benefits, including environmental attributes and the value of avoided energy, capacity, transmission and distribution costs, along with time-specific and locational value where possible. In the long-term, well-designed demand charges (based on local or system peaks) or time-varying rates may serve to align rates for transmission and distribution with underlying system costs.

Resources for additional information:

[Utility Rate Design Principles](#). Acadia Center’s near-and long-term recommendations for designing consumer-friendly and environmentally-friendly electric rates, and analysis of the impact of fixed charges in Rhode Island and Connecticut.

[Utility Vision](#), see pages 6-7 for Acadia Center’s recommendations on How Consumers Pay for the Power They Use and How Consumers Get Paid for the Power They Produce.

[Value of Distributed Generation- Solar PV in Massachusetts](#): Acadia Center assessed the grid and societal value of six marginal solar PV systems to better understand the overall value that solar PV provides to the grid.

III. Optimizing the Electric System with Energy Efficiency

To further maximize consumer benefits and ensure affordable electricity rates in the long run, Acadia Center recommends the Department adopt Efficiency Procurement, a proven policy framework that directs utilities to meet their customers’ needs at lower expected costs and with lower environmental impacts through energy efficiency and system reliability resources. The Department has already identified optimization of the electric system through improved capital utilization and minimizing infrastructure as one of the hallmarks of efforts to modernize the electric grid. While the REV is focused on the distribution system, this objective should be applied to generation and transmission as well. In these sectors, Distributed Energy Resources (DERs), particularly energy efficiency, have been successful in avoiding the construction of new power plants and transmission lines.

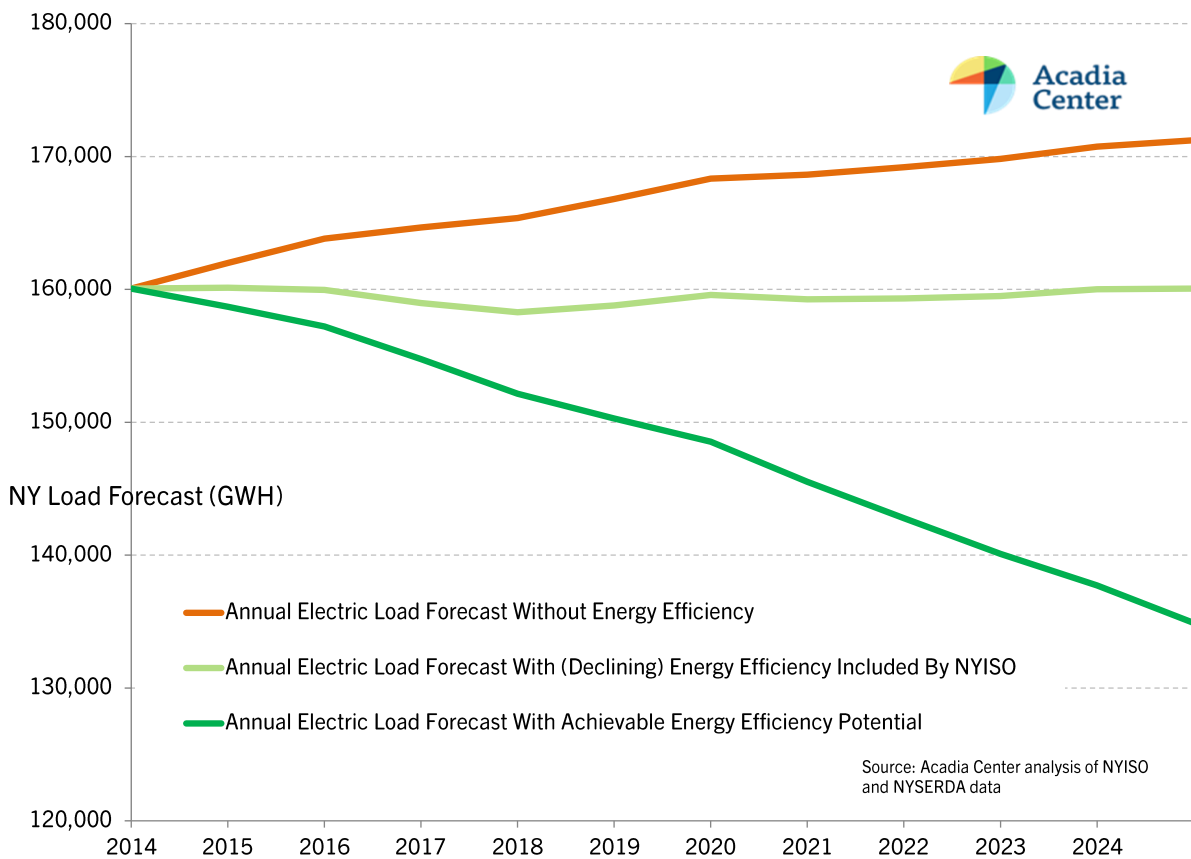
Efficiency Procurement is paying off for the states that have adopted this approach, including Connecticut, Massachusetts, Rhode Island, and Vermont. The efficiency plans and investments ushered in by this strategy have reaped significant savings and are reducing capital investments in traditional grid infrastructure and spending on power supply. In 2012, ISO-New England began conducting an annual energy efficiency forecast to inform the process of identifying transmission needs by looking at the New England states’ existing and planned energy efficiency investments to determine the impact on forecasted demand. The forecast has led the ISO to project near zero growth in annual energy usage across the region and even negative annual energy usage in select New England states. The forecast also determined that the extent of energy efficiency savings is sufficient to cancel more than 10 planned transmission upgrades in Vermont and New Hampshire, saving the region an estimated \$416 million in transmission costs.

As a result of Massachusetts’s Efficiency Procurement strategy, the state has invested \$2.1 billion in cost-effective energy efficiency, delivering over \$11 billion in economic benefits. Connecticut’s electric efficiency investments since 2000 have saved over 650 MW in peak demand and reduced overall consumption by 13%. Rhode Island is implementing an innovative policy that requires the distribution utility to evaluate whether targeted energy efficiency and other DERs can be cost-effectively deployed to avoid or defer distribution system infrastructure upgrades. These states all experience lower out-of-state macroeconomic flows for fuel and electricity imports, promoting in-state economic growth.

Acadia Center analysis shows that New York has the same or greater potential to optimize energy consumption through energy efficiency, relieving the stress on the power grid and reducing the need for capital investments in the

distribution, transmission, and generation systems. To achieve these benefits, we recommend that the Efficiency Procurement policy be adapted and applied to the distribution companies in New York. Acadia Center would look forward to providing further thoughts and analysis on the benefits of this approach, including the development of savings targets based on market potential studies for the distribution service territories and using a stakeholder process proven in neighboring states to establish consensus savings goals and performance metrics that have advanced efficiency market penetration.

Figure 2. Optimizing New York’s Power Grid with Energy Efficiency



Resources for additional information:

[Investing in Energy Efficiency to Optimize the Electric System, Spur Markets, and Achieve Consumer and Environmental Benefits.](#) Acadia Center documents results and best practices from states that have adopted policies of optimizing the electric system through improved capital utilization and minimizing infrastructure.

[Weatherization and Energy Efficiency as a Resource](#). Acadia Center addresses frequently asked questions about barriers to building weatherization and recommendations for overcoming these hurdles.

[Patrick-Murray Administration Announces Final Approval of New, Nation-Leading Energy Efficiency Plans](#). February 2013 press release from the Massachusetts Executive Office of Energy and Environmental Affairs describing the economic and energy system benefits ushered in by the state's all cost-effective efficiency procurement strategy.

[Evolution of an Energy Efficiency Forecast](#). In the January 2013 issue of Public Utilities Fortnightly, Gordon van Welie, President and CEO of ISO-New England, describes the impact of the region's energy efficiency procurement policies on consumption and peak demand forecasts, including the immediate and indefinite deferral of 10 transmission projects.

[New England States Defer Transmission Upgrades](#). January 2, 2013 edition of Energy Manager Today provides a short summary of the impact of energy efficiency on ISO-New England's load forecasting and transmission planning.

Acadia Center thanks the Department for this opportunity to provide comments in advance of the release of the REV Track 2 Straw Proposal.

Sincerely,

/s/

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