

Consumer Power Advocates

Columbia University Medical Center
Fordham University
Memorial Sloan Kettering Cancer Center
The College of new Rochelle

Mount Sinai Medical Center
New York Presbyterian Hospital
New York University
NYU Langone Center

Filed electronically

August 3, 2015

Honorable Kathleen Burgess
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: Case 14-E-0488 – Continuation of Standby Rate Exemptions

Dear Secretary Burgess:

Please accept this letter as the response by Consumer Power Advocates (CPA) in opposition to the *Petition of the Utilities for Reconsideration* (Utilities Petition), and in support of *Petition for Rehearing of the Durst Organization, Inc.* (Durst Petition) in the above captioned case.

On April 20, 2015, the Commission required all utilities to file tariffs allowing an optional exemption from standby rates to new customers operating distributed generation (DG) plants of up to 15 MW capacity. Subsequently, a group of utilities requested the rehearing on that issue, and Durst petitioned to extend the exemption to all customers of up to 15 MW, regardless of the date of first operation. CPA urges the Commission to reject the Utilities Petition and approve the Durst Petition.

The utilities base their petition on the claim that there was insufficient notice of the exemption required by the Commission, and that the record does not support the Commission's concern that failure to extend the exemption to most new customers will cause harm to other ratepayers. Both of these arguments are insufficient rationale to require rehearing.

The standby rate exemptions were approved by the Commission as a result of a transparent process based on an extensive record. The Commission clearly has the authority to exempt any class of similarly situated customers from standby rates, as it has done since standby rates were first developed. There is no basis for the utilities contention that notice instituting this proceeding restricts the Commission's authority to require further exemptions, as it did for DG customers or as Durst has requested.

The utilities' stated concern for the cost shifting consequences of the exemption does not provide adequate cause for rehearing. The Commission considered the consequences of the possibility that

Consumer Power Advocates

Columbia University Medical Center
Fordham University
Memorial Sloan Kettering Cancer Center
The College of new Rochelle

Mount Sinai Medical Center
New York Presbyterian Hospital
New York University
NYU Langone Center

some DG customers may abandon the system entirely, and thus limited the term of the extension to four years, a period adequate to develop an alternative to the current onerous standby rate regime.

Furthermore, the automatic operation of RDM will mitigate the bill impact on ratepayers because conversion of standby customers to standard service will increase revenue in the classes reconciled through RDM, reducing future RDM adjustments. The bill impacts resulting from the exemption from standby rates will be small, but these effects will be favorable for customers. The utilities' real concern is the revenue lost by exempting DG customers from exorbitant standby rates. Utilities may experience a small revenue loss, but that revenue loss should be offset by the opportunities presented by REV and other initiatives, not by the guarantees implied by the current flawed standby rate design, which will only serve to stifle innovation.

Our membership includes world renowned academic and medical institutions that compete internationally for research grants, faculty, students and other resources. Onerous standby rates are but one unnecessary disadvantage for those of our members who operate DG. Durst also correctly notes that existing customers will be placed in an inferior competitive position relative to similarly situated new customers. The competitive nature of the commercial real estate market will prevent non-exempt customers from achieving sufficient rent revenue or sale prices to recover their standby costs. Moreover, standby rates have been identified as an important barrier to the development of DERs in the Commission's Reforming the Energy Vision (REV) proceeding. The exclusion of existing customers from the option of temporary exemption from standby rates prevents those customers from achieving the full benefit of their participation in any number of possible REV related DSP and/or microgrid projects, before those projects are even defined. This unnecessarily disadvantages the early adopters that have led the movement towards the public policy goals of energy efficiency and carbon reduction.

Durst also correctly notes that the cost shifting effects of extending the optional exemption to all existing customers are *diminimis*. The entire population of standby customers affected by the Durst petition is known, and, unlike many Commission decisions that are necessarily based on uncertain forecasts or other assumptions about the future, the expected bill impact can be known with some certainty. The more likely expected outcome of REV is a system transformation that creates new and large value chains based on the provision of services by DERs and DSPs. Given the small bill impact of the relief sought by Durst, it is entirely reasonable to allow existing DG customers this rate relief.

For all these the above reasons, Consumer Power Advocates urges the Commission to approve the Durst Petition and reject the Utilities Petition.

Consumer Power Advocates

Columbia University Medical Center
Fordham University
Memorial Sloan Kettering Cancer Center
The College of new Rochelle

Mount Sinai Medical Center
New York Presbyterian Hospital
New York University
NYU Langone Center

Respectfully submitted,

Catherine Luthin

Executive Director, Consumer Power Advocates