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Orange & Rockland
a conEdison, inc. company

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October 17, 2017

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

RE: Case Nos. 15-E-0751 and 15-E-0082,
Net Metering Transition – Value Stack

Dear Secretary Burgess:

Orange and Rockland Utilities, Inc. (the "Company") hereby submits for filing with the Public Service Commission (the "Commission") amendments to its Schedule for Electric Service, P.S.C. No. 3 – ELECTRICITY (the "Electric Tariff").

Appendix A identifies the Electric Tariff Leaves and Statements being filed to become effective on November 1, 2017.

Reason for Filing

This filing is made pursuant to the Commission's Order on Phase One Value of Distributed Energy Resources Implementation Proposals, Cost Mitigation Issues, and Related Matters, issued and effective September 14, 2017 (the "September Order") in Cases 15-E-0751 and 15-E-0082. The September Order (at pp 53-54) directed each utility to file tariff amendments implementing the Value Stack and cost recovery for credits paid under the Value Stack as proposed by each utility and as modified by the September Order. In addition, the Commission directed each utility to file its initial Value Stack Credits Statement and Value of Distributed Energy Resources ("VDER") Cost Recovery Statement.

Tariff Changes

Pursuant to the September Order, the Company has modified Rider N of the Electric Tariff to effectuate the Value Stack as described below.

Rider N Title and Applicability

The title of Rider N has been changed to "Net Metering and Value Stack Tariff for Customer-Generators." In addition, the existing Rider N language contains references to the Value Stack and states certain provisions will be enacted when the Value Stack Tariff becomes available. The words "when it becomes available" have been removed in the Applicability and Metering sections of Rider N since this filing effectuates the Value Stack.

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The Applicability Section currently requires non-Mass Market Customers[1] who wish to pair energy storage with Large On-Site, Remote Net Metering ("RNM"), or Community Distributed Generation ("CDG") projects to take service under the Value Stack Tariff. The September Order at Page 40 states that further study is needed before Value Stack Tariff compensation can be allowed for these types of projects, therefore, the language has been removed from Rider N that allowed for energy storage paired with eligible generation since there is no approved compensation mechanism. It was added that customers with energy storage on the premises in addition to the electric generating equipment eligible for net metering must separately meter such energy storage and will be required to take Standby Service for the separately metered storage.

Metering

The Company added a provision stating that if interval metering cannot be provided through the Company's deployment of AMI meters for purposed of being compensated under the Value Stack Tariff, then the cost to upgrade to an interval meter with telecommunications capability will be at the expense of the customer if such meter is not required for billing under the customer's service classification.

Community Distributed Generation

The Remote Net Metering and Community Distributed Generation Section of Rider N has been amended to allow any unallocated kWh credits from a CDG Host Account served under the Value Stack Tariff ("Value Stack Tariff CDG Host Account") to be allocated to CDG Satellite Accounts[2] on a monthly basis. No portion of the credits may be allocated to the Value Stack Tariff CDG Host Account. The Value Stack Tariff CDG Host Account's unallocated credits will be converted to a monetary value, excluding the Market Transition Credit ("MTC") and carried over on the Value Stack Tariff CDG Host Account every month. At the end of every 12-month period from when the Value Stack Tariff CDG Host Account commenced service, written instructions for allocating any remaining banked monetary credits must be received by the Company. Rider N has also been amended to allow a Value Stack Tariff CDG Host Account to retain, for up to two years, any undistributed credit that remains after the Annual Credit is distributed to the CDG Satellite Accounts, provided that the Value Stack Tariff CDG Host, in its instructions for allocating the Annual Credit, allocated credits to each CDG Satellite Account equal to no less than the CDG Satellite Account's monthly electric charges in the final month of the annual period. At the end of the two-year period, the Value Stack Tariff CDG Host Account will forfeit credits equal to the smallest number of credits in its account at any point during the two-year period.

Billing

The Billing Section of the Tariff has been divided into two separate sections. The first section has been titled "Billing – Grandfathered Net Metering and Phase One NEM" and addresses the existing billing and the crediting mechanisms for Grandfathered Net Metering and Phase One Net Metering customers served under Rider N.

[1] Mass Market Customers, as defined in Rider N, are customers who take service under Service Classification Nos. 1 and 2 – Non-Demand Billed.
[2] The September Order uses the term Sponsor Account and Subscriber Account(s) to refer to the CDG Host Account and CDG Satellite Account(s), respectively.

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A new section has been titled "Billing – Value Stack Tariff" and addresses the billing and crediting mechanisms for customers who will be served under the Value Stack Tariff. The Billing – Value Stack Tariff Section of Rider N contains the following requirements for customers served under the Value Stack:

- The Company will employ two readings: net hourly consumption from the Company's system and net hourly injections into the Company's system. The definitions for net hourly consumption and net hourly injections were added to this Section. Customers will be billed for their net hourly consumption at the rates specified under their Service Classification.

- A CDG Host Account will allocate its net hourly injection kWh to its Satellite Accounts. Each CDG Satellite Account will then be credited for its allocated net hourly injections individually using the credit conversion methodology detailed in the Billing – Value Stack Tariff Section. No credits that remain on the CDG Host Account will be used to offset the Host Account's bill for net hourly consumption.

- An RNM Host Account's crediting will be handled by converting the Host Account's credits to a monetary value based on the Value Stack Components credits. Credits will then pass to RNM Satellite Accounts in the same manner as they are passed down for monetary credits under existing net metering rules.

- The Value Stack Components were added to the Billing – Value Stack Tariff Section. These components will be used as compensation for a Value Stack customer-generator. The following are the components of the Value Stack: the Value Stack Energy Component, the Value Stack Capacity Component, the Environmental Component, the Market Transition Credit ("MTC") Component, the Demand Reduction Value ("DRV") Component, and the Locational System Relief Value ("LSRV") Component. The rates for all but the Value Stack Energy Component will be contained on the Value Stack Credits Statement.

    - In any hour in a billing period when there is a net hourly injection, that net hourly injection will be multiplied by the NYISO day-ahead Locational Based Marginal Price for Zone G for that hour, adjusted by the loss factors contained in General Information Section No. 32. These hourly credits will be summed up for the billing period and represent the total Value Stack Energy Component credit.

    - Three alternatives have been established for the Value Stack Capacity Component credit rate. The first alternative includes a credit based on the SC No. 3 kWh capacity rate. The second alternative will take that SC No. 3 kWh capacity rate and concentrate the rate into 460 hours. The third alternative will be the NYISO Installed Capacity monthly auction price grossed up for the applicable reserve requirement.

      The total Value Stack Capacity Component credit for Alternative 1 will be determined by multiplying the total net kWh injections times the credit rate for Alternative 1. The total Value Stack Capacity Component credit for Alternative 2 will be determined by multiplying net injections during the hour beginning 2:00 PM through the end of the hour beginning 6:00 PM in the months of June – August times the credit rate for Alternative 2. The total Value Stack Capacity Component credit for Alternative 3 will be determined by multiplying the net

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injection during the previous summer's New York Control Area ("NYCA") peak hour by the Alternative 3 capacity rate.

Customer's with intermittent generation will be defaulted to Alternative 1, but can choose Alternative 2 or 3 provided that, once chosen, the customer-generator cannot switch from Alternative 2 to Alternative 1 or from Alternative 3 to either Alternative 1 or 2. If a customer chooses Alternative 2, they must elect to do so by May 1 to be eligible for the coming summer period. If the customer elects Alternative 2 after May 1, then they will remain on Alternative 1 until April 30 of the following calendar year. Finally, if metering was not in place to measure the customer-generator's net injection during the NYCA peak hour from the previous summer, the Company will estimate such net injection during that hour.

- The Environmental Component credit is available to those customer-generators that are eligible to receive Renewable Energy Standard Tier I Renewable Energy Credits ("RECs) and elects to transfer those RECs to the Company. The Environmental Component for these customers will be equal to the net hourly injections for the billing period times the Environmental Component rate. The Environmental Component rate is equal to the clearing price of the New York State Energy Research and Development Authority's ("NYSERDA") most recent Tier 1 REC procurement at the time the customer-generator pays at least 25 percent of its interconnection costs or executes the interconnection agreement if no such payment is required and will be fixed for the term of the customer-generator's eligibility of 25 years from the project's in-service date. All other customer's will not receive an Environmental Component credit.

- A Value Stack CDG project will receive the MTC Component for Mass Market Customer CDG Satellite Accounts in lieu of the DRV for those CDG Satellite Accounts. In addition, Mass Market Customers opting into the Value Stack will receive the MTC. The MTC rate will be equal to that of the customer-generator's assigned Tranche as described in the Commission's <u>Order on Net Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Maters</u>, issued and effective March 9, 2017, in Cases 15-E-0751 and 15-E-0082.

- The DRV Component credit will be calculated by multiplying the customer-generator's average hourly net injections in the ten peak hours of the customer-generator's Commercial System Relief Program ("CSRP") zone in the previous calendar year, weighted by the CSRP zone's peak MW, by the DRV Component rate in effect. The DRV Component rate will be determined for a customer-generator at the time the customer-generator pays at least 25 percent of its interconnection costs or executes the interconnection agreement if no such payment is required and will be fixed for 3 years from the project's in-service date. At the end of 3 years, the DRV will be reset at the rate in effect at that time. Any account receiving an MTC will not be eligible for the DRV.

- The LSRV Component is applicable for customers in eligible locations in the Company's service territory, subject to MW caps by location. The LSRV Component credit will be calculated by multiplying the customer-generator's average hourly net injections in the ten peak hours of the customer-generator's CSRP zone in the previous calendar year, weighted by the CSRP zone's peak MW, times the LSRV Component Rate in effect. The LSRV Component Rate will be determined for a customer-generator at the time the customer-generator pays

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at least 25 percent of its interconnection costs or executes the interconnection agreement if no such payment is required and will be fixed for 10 years from the project's in-service date.

Term of Service

The Term of Service for a Value Stack Tariff Customer was set at 25 years from the project's in-service date.

Value Stack Cost Recovery

The Company has also proposed changes to the Electric Tariff to recover the Value Stack Component credits paid to customers.

- The Value Stack Capacity Credit and Environmental Credit paid will each be split into two pieces – a Market Value and an Out of Market Value.
    - The Market Value portion of the Value Stack Capacity credits will be determined by, on a monthly basis, multiplying the injections into the Company's system from all Value Stack customer-generators during the NYCA peak from the previous year by the average price for capacity in that month. The Out of Market Value is equal to the difference between the actual dollar value of credits paid and the Market Value portion of the credits.
    - The Market Value portion of the Value Stack Environmental credits will be determined by, on a monthly basis, multiplying the net injections from customer-generators by that month's REC price as published by NYSERDA. The Out of Market Value is equal to the difference between the actual dollar value of credits paid and the Market Value portion of the credits.
- All but the Value Stack Energy Component credits and the Market Value Environmental Component credits will be collected from all customers served under the Electric Tariff. The Market Value Environmental Component credits will be collected from Full Service customers as a component of the Clean Energy Standard Supply Surcharge ("CESS").
    - General Information Section No. 15.2 of the Electric Tariff has been amended to state that the Market Supply Charge ("MSC") costs will be increased by the total Value Stack Energy Component credits paid to customers served under the Value Stack Tariff in calculating the MSC Adjustment.
    - General Information Section No. 15.4 of the Electric Tariff has been amended to state that the CESS will be used to recover the Market Value Environmental Component credits.
- General Information Section No. 27 of the Electric Tariff has been established describing cost recovery of the Value Stack Capacity Component credits (Market and Out of Market), the Out of Market Environmental Component credits, the MTC Component, the DRV Component credits, and the LSRV Component credits. These credits have been identified as the Value Stack Delivery Cost Components. Separate surcharges will be established for each Value Stack Delivery Cost Component grouped into the following service classification ("SC") groups:

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Group 1: SC Nos. 1 and 19
Group 2: SC No. 2 Secondary – Non-Demand Billed
Group 3: SC Nos. 2 – Secondary – Demand Billed, 20 and 25 – Rate I
Group 4: SC Nos. 2 – Primary, 3, 21 and 25 – Rate II
Group 5: SC Nos. 9, 22, and 25 – Rates III and IV
Group 6: SC Nos. 4, 5, 6, and 16

- The Market Value and Out of Market Value portions of the Capacity credits and the Out of Market Value of the Environmental credits will be collected on a per-kW basis for demand billed SC groups (for Standby Service customers, the credit will be collected on a per kW of Contract Demand basis) and on a per kWh basis for non-demand billed SC groups. The MTC will be collected from only Group 1 and 2 Customers on a per kWh basis. The DRV and LSRV credits will be will be collected from all SC groups on a per-kW basis for demand billed SC groups (for Standby Service customers, the credit will be collected on a per kW of Contract Demand basis) and on a per kWh basis for non-demand billed SC groups. Total costs will be allocated to each SC group based on the SC group's percentage contribution to system peak, as used to develop the embedded cost-of-service study in the Company's most recently approved electric rate plan.

- The Value of Distributed Energy Resources Cost Recovery Statement will set forth the separate surcharges for the Value Stack Delivery Cost Components. The initial Value of Distributed Energy Resources Cost Recovery Statement is applicable to bills with a "from" date on or after November 1, 2017 with all components set to zero[3]. The next Value of Distributed Energy Resources Cost Recovery Statement will be filed to be applicable to bills with a "from" date on or after December 1, 2018, and every December 1 thereafter and will be filed with the Commission on not less than three days before December 1 and will be posted to the Company's website on or before that date. Each component of the Value of Distributed Energy Resources Cost Recovery Statement will collect the estimated costs for that component for the 12-month period beginning December 1 and the difference between the actual costs and amounts recovered for that component for prior periods.

- For billing purposes, the Value Stack Delivery Cost Component surcharges will be included with the Energy Cost Adjustment. General Information Section No. 25 was also amended to indicate this.

Conclusion and Notice

As directed by Ordering Clause 1 of the September Order, the Company is filing changes to the Electric Tariff to become effective on November 1, 2017. As directed by Ordering Clause 2, the Company is also filing the VDER Cost Recovery Statement No. 1 and the Value Stack Credits Statement No. 1 to the Electric Tariff.[4]

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[3] The Company has set the initial surcharge components to zero since it cannot currently estimate what the value of the initial year credits will be.
[4] The CESS is currently shown on the MSC Statement. The MSC Statement will be filed with the Commission as regularly scheduled, i.e., three days before the MSC Statement is scheduled for change. The MSC Statement that becomes effective November 1, 2017, will include the title CESS that will include the existing Clean Energy Standard Supply Surcharges and the recovery of the Market Value Environmental Component credits paid to customer-generators, which will initially be set to $0/kWh.

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As specified in Ordering Clause 23 of the September Order, the Commission has waived the requirements for newspaper publication.

Any questions regarding this filing can be directed to Cheryl Ruggiero at (212) 460-3189.

Very truly yours,

/s/

William A. Atzl, Jr.
Director – Rate Engineering

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Appendix A

ORANGE AND ROCKLAND UTILITIES, INC.

PSC No. 3 - ELECTRICITY: List of Revised Tariff Leaves and Statements

Leaf No.	Revision No.	Superseding Revision No.	Leaf No.	Revision No.	Superseding Revision No.
4	8	7	184.4	1	0
5	3	2	185	9	8
179	7	6	185.1	3	2
180	7	6	185.2	1	0
180.1	8	7	185.3	0	
180.2	3	2	185.4	0	
180.3	2	1	185.5	0	
180.4	2	1	185.6	0	
181	8	7	185.7	0	
181.1	4	3	185.8	0	
181.2	3	2	185.9	0	
181.3	2	1	185.10	0	
181.4	3	2	186	2	1
181.5	3	2	187	5	4
181.6	0		188	3	2
182	4	3	189	5	4
183	7	6	217	2	1
184	11	10	220	5	4
184.1	6	5	252	5	4
184.1.1	1	0	254	2	1
184.2	3	2	254.1	0	
184.3	3	2	254.2	0	

Statement	Statement Type	Statement No.
Value of Distributed Energy Resources Value Stack Credits Statement	VDER-CRED	1
Value of Distributed Energy Resources Cost Recovery Statement	VDER-CR	1