

CENTRAL HUDSON GAS & ELECTRIC CORPORATION  
284 SOUTH AVENUE  
POUGHKEEPSIE, NEW YORK 12601

April 27, 2004

Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223

Re: Tariff Changes: Net Metering

Dear Commissioners:

Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") hereby files proposed tariff amendments to address certain net metering issues, as more fully discussed below. These amendments are issued on April 27, 2004 to become effective on August 1, 2004.

P.S.C. No. 15 - Electricity

1st Revised Leaf No. 167  
3rd Revised Leaf No. 167.1  
2nd Revised Leaf No. 167.2  
5th Revised Leaf No. 212  
5th Revised Leaf No. 213  
2nd Revised Leaf No. 213.1  
Original Leaf No. 213.2

Background

In 1997 the Public Service Law was amended to add §66-j, which provided net energy metering for certain residential photovoltaic ("PV") generation installations. In response, the major New York State utilities filed proposed net metering tariffs to implement §66-j. The Commission's Order addressing these filings was issued and effective on February 11, 1998 ("Net Metering Order"). In this Order the Commission stated that "§66-j is interpreted as requiring that the measurement of the electricity generated by the PV system be accomplished through a non-demand, non-time differentiated meter that may be separate or identical to the meter used to measure the customer's utility-supplied consumption." (p. 6) The Commission continued that "to the extent the statute establishes a preference for use of a single meter, the preference can be accommodated by according the customer the option of installing one or two meters." (pp. 6-7) The Commission noted in its Order that in addition to extending net metering to residential non-time-of-use ("TOU") customers, several of the utilities also proposed to make net metering available to residential TOU

customers. In response, the Commission stated that "an overly-restrictive reading of §66-j, as requiring installation of only one meter in all instances, would prohibit net metering in conjunction with TOU rates" (p. 9) because "current residential TOU meters cannot run in reverse." (p. 9) As a result, the Commission concluded that "it appears that net metering should be made available to TOU customers, if equitable implementation is feasible." (p. 10) The TOU option was to be offered through the installation of a second meter.

In response to several issues identified as requiring further comments in the Net Metering Order, among them the TOU issue, the Commission issued a subsequent order on July 28, 1998 ("July 1998 Order"). In this Order the Commission reiterated its direction that TOU customers "should be afforded the privilege of installing net metering, without compelling them to move to a non-time-differentiated service classification." (p. 5) Further, "installation of a second time-differentiated meter is not a solution, because, as decided in the Net Metering Order, at least one meter in a two-meter arrangement must be non-time-differentiated in order to comply with the requirements of §66-j." (p. 5) As a result, the Commission directed the utilities to consult with Staff and other parties to develop an appropriate formula for allocating PV output, as measured by a non-time-differentiated meter, to time-of-use rating periods. By order issued and effective January 19, 1999, the Commission approved the utilities' allocation methodologies (excluding Central Hudson, which did not file a tariff update).

In 2002 §66-j was amended to extend net metering to certain farm waste electric generation installations. In response, the utilities filed tariff revisions, which were addressed by the Commission in an order issued and effective March 20, 2003 ("March 20, 2003 Order"). In this Order, the Commission authorized metering options for farm waste electric generation that contrasted with the requirements for residential PV installations:

*As discussed in the [Net Metering and July 28, 1998 Orders], there are instances where net metering is best accomplished through installation of two meters, one measuring usage and the other measuring the generator's output. In those Orders, it was required that at least one of those meters be non-demand and non-time differentiated, to comply with the limitation set forth at §66-j(1)(b) defining a net energy meter as non-demand and non-time differentiated.*

*For farm waste customers, however, that provision of the statute is superceded. Under §66-j(4)(d), the statute explicitly provides for the demand billing of farm waste customers, which cannot be accomplished without a demand meter. Moreover, the prohibition against use of a TOU meter at the generator could prevent farm waste customers from realizing the full benefits of their excess production at peak hours. Accordingly, the limitation on metering applicable to PV customer-generators does not adhere to farm waste customer-generators. (Footnote omitted)*

*Therefore, the utility TOU metering limitation is rejected, and utilities shall afford farm waste customer-generators the option of purchasing, at their own expense, a TOU meter as their second meter for the purpose of recording peak and off-peak on-site kWh production. The time-differentiated production will be more accurately valued at the appropriate peak and off-peak per kWh rates the utility has tariffed. (pp. 13-14)*

S.C. No. 1 (Residential Service) Tariff Clarifications

With this filing, Central Hudson proposes to clarify the metering options available to residential customers taking service under the net metering provisions of Special Provisions 1.2 and 1.5 that pertain to residential PV and farm waste generators, respectively, that meet the requirements of §66-j. Additionally, within Special Provision 1.2, the Company has clarified the reference to the buy back rate in Service Classification No. 10 which would be applied to any excess generation remaining after twelve months.

S.C. No. 6 (Residential TOU Service) Proposed Revisions for PV Net Metering

With respect to Special Provision 6.3, which addresses net metering for certain residential PV installations, the Company proposes to revise the procedure for allocating PV output, as measured by a non-time-differentiated meter, to reflect the use of an allocation formula as prescribed by the Commission in its Order issued and effective January 19, 1999.

The Company believes that the original intent of §66-j did not contemplate the extension of net metering to TOU customers and, therefore, the Company believes that, based on technology improvements and customer interests, the current metering options provided to TOU customers are inadequate. Some of these concerns were addressed with the 2003 amendments to §66-j, albeit only for farm waste generators. Specifically, farm waste generators are currently provided the option of using a time-differentiated meter to measure their generator's output, independent of the requirement to use a demand meter for billing purposes for those customers taking demand-metered service from the Company.

As a result, the Company proposes to offer additional metering options. Specifically, in addition to allowing for the metering of PV output by a non-time-differentiated watthour meter, the Company proposes to allow PV output to be measured by a time-differentiated watthour meter purchased by the customer, analogous to the option offered to TOU customers with farm waste generators taking service under Special Provision 6.4. As the Commission concluded in its March 20, 2003 Order, "the time-differentiated production will be more accurately valued at the appropriate peak and off-peak per kWh rates the utility has tariffed." As the service provided to customers under Special Provision 6.4 (farm waste) is no different than the service provided under Special Provision 6.3 (PV), the Company believes that customers should be afforded the same metering options. Further, based on technology improvements since the issuance of the Net Metering Order, and customers' requests for the use of a single meter, the Company proposes to offer bi-directional TOU metering.

S.C. No. 6 (Res. TOU Service) Proposed Revisions for Farm Waste Net Metering

The Company proposes to extend bi-directional TOU metering to farm waste generators taking service under Special Provision 6.4, comparable to the options proposed to be provided to PV generators under Special Provision 6.3. As previously noted, farm waste generators currently have the option of having their generator's output measured by a time-differentiated meter. This additional option of bi-directional TOU metering would address the preference of §66-j for the use of a single meter.

Procedural Matters

Because the proposed revisions to S.C. No. 1 are for clarification purposes only, the Company requests that the requirements of §66(12)(b) of the Public Service Law as to newspaper publication be waived. Further, with respect to the proposed revisions regarding metering options available to customers taking service under Special Provisions 6.3 and 6.4, as service under these provisions would require an interconnection agreement with the Company, and any customers expressing interest in taking service thereunder would be in direct contact with a Company representative, the Company is requesting that the requirements of §66(12)(b) of the Public Service Law as to newspaper publication be waived.

Questions related to this filing should be directed to Glynis L. Bunt at 845-486-5420.

Yours very truly,  
Arthur R. Upright

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