NYSERDA Second Biennial Conference
"CHP in NY State – Two Years Later"

Panel Session 4

Support, Incentives & Financing

June 24, 2004

Michael Scott
Acting Chief, Gas Rates
Department of Public Service
Office of Gas & Water

PSC Actions to Promote Gas DG

- NFG Pilot Program
- Commercial & Industrial DG Rates
- Residential DG Rates

NFG Pilot Program

- PSC approved a “Partnership for DG” pilot program for NFG in March 2003
  - *Features a one-time, upfront buy-down of some of the customer’s capital costs, which is then recovered through the customer’s gas transportation rates*
  - *Shortens payback periods for DG installations and increases NFG’s gas throughput*

Gas Rates for C&I Customers

- Process (Case 02-M-0515)
  - *May 2002 – PSC institutes proceeding to establish gas delivery rates for DG technologies*
    - June 2002 – Comments submitted from the parties
  - *April 2003 – PSC issues "Order Providing for Distributed Generation Gas Service Classifications"*
    - May 2003 – Technical Conference on Rate Design
  - *July 2003 – Major LDCs file draft tariff leaves*
    - Tariffs filed and effective by January 1, 2004
  - *June 2004 – C&I DG tariffs made permanent*

C&I Rate for DG Customers

- General Approach
  - *Rates are the same as for comparably-sized non-DG customers, except they are adjusted for load factor*
- Rate Features
  - *Firm Delivery Service*
  - *Applies to units less than 50 mW in size*
  - *Minimum 50 % load factor to qualify (based on peak winter day)*
  - *Rates are established as a ceiling for three years*
  - *DG usage separately metered*
  - *Customer must pay for needed system reinforcements*

C&I Rate for DG Customers

- Rate Design
  - *Rates are based on 70% load factor*
  - *Rates include a seasonal differential*

    Customers with DG units <5 mW pay:
    - a customer charge, and
    - a volumetric charge
  - *Customers with DG units from 5 to <50 mW pay:*
    - a customer charge, and
    - a volumetric charge, and
    - a demand charge (the demand charge represents about 75% of the total cost to serve the customer)

Rate Comparison Examples

- Niagara Mohawk
  - *SC5 Transportation Service*
    - Customer Charge $353.85 per month
    - Over 100 therms $ 0.05211 per therm
  - *SC12 Non-Residential DG Service*
    - Customer Charge $353.85 per month
    - Over 100 therms, summer $ 0.03697 summer
    - Over 100 therms, winter $ 0.04683 winter

Rate Comparison Examples

- Consolidated Edison
  - *SC9 Firm Transportation*

▪ First 3 therms	$11.08
▪ Next 87 therms	$ 0.4434 per therm
▪ Next 2,910 therms	$ 0.2855 per therm
▪ Over 3,000 therms	$ 0.1920 per therm

  - *SC9 Rider H*

▪ Customer Charge	$283.00
▪ Over 3 therms, summer	$ 0.1257
▪ Over 3 therms, winter	$ 0.1571

Bill Comparison Examples

DG vs. Non-DG Rates (monthly delivery charges)

	Non-DG Rate	DG Rate (Summer)	DG Rate (Winter)
Niagara Mohawk	$4,257	$3,123 (27% savings)	$3,861 (9% savings)
Con Edison	$14,705	$9,710 (34% savings)	$12,065 (18% savings)

Example based on a customer with capability of 2,060 kW using about 75,000 therms of gas per month

Residential DG Rates

- The April 2003 Order contained the following proposal for designing residential DG tariffs:
  - *50% combined load factor*
  - *No separate meter*
  - *All customer related costs in first block*
  - *A single block rate for all usage above first block*
- To be considered by the Commission in the future

Data Being Collected

- Number of Customers
- Total mW
- Operating mW
- Total MDQ
- Peak Day Gas Use by Technology (Microturbines, Reciprocating Engines, Fuel Cells, etc.)
- Total Gas Use and Gas Use on System Peak Day by Technology
- Net Revenues

Next Steps

- C&I DG rates at Corning and St. Lawrence will be implemented
- Residential DG tariffs will be filed by the LDCs
- The LDCs will collect and file data, which will be used to re-evaluate DG rate design in 3 years