

January 27, 2015

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Amendment to Net Metering Provisions of
Authority's Governmental Customer Service
Tariffs - Notice of Proposed Rulemaking**

SUMMARY

The Trustees are requested to authorize the Corporate Secretary to publish a Notice of Proposed Rulemaking (“NOPR”) in the *New York State Register*, in accordance with the requirements of the State Administrative Procedure Act (“SAPA”), for the purpose of amending the current net metering provisions of the Authority’s Service Tariff No. 100 applicable to New York City (“NYC”) Governmental Customers and Service Tariff No. 200 applicable to Westchester Governmental Customers (collectively, the “Service Tariffs”). The proposed revised tariff sheets are attached as Exhibit “A.”

The revisions to the net metering provisions of the Service Tariffs represent an improvement over the existing net metering services currently offered by the Authority through the following additions: 1) the inclusion of remote net metering solutions, which would permit distribution of net generation credits from a customer’s host account to its other satellite accounts; 2) added clarity to the billing methodology for customers with on-site net generating equipment; and 3) increased encouragement of the adoption of on-site net generation.

Authority staff will address any comments received during the 45-day public comment period and return to the Trustees at a later date with recommendation for final adoption concerning the proposed changes to the Service Tariffs.

BACKGROUND

The Authority has served the NYC and Westchester Governmental Customers (collectively, “the Customers”) since their transfer from Consolidated Edison Company of New York, Inc. (“Con Edison”) in 1976 as part of the Authority’s purchase of the Indian Point Unit 3 Nuclear Power Plant and the Charles Poletti Power Plant. A total of 115 governmental Customers located in New York City¹ and Westchester County² purchase Authority electricity to serve myriad government facilities, including office buildings, public schools, public housing, hospitals, water and wastewater treatment plants, parks and police and fire stations.

¹ The NYC Governmental Customers consist of the City of New York, the Metropolitan Transportation Authority, the New York City Housing Authority, the Port Authority of New York and New Jersey, the State of New York Office of General Services and six smaller governmental entities located in New York City.

² The Westchester Governmental Customers consist of the County of Westchester plus 103 cities, towns, villages, school districts, fire districts and other local government agencies located in the County of Westchester.

With respect to the Authority's Service Tariffs, the net metering service provisions were originally adopted by the Trustees on June 28, 2011 in conjunction with the Authority's Governmental Customer Production Rate and Delivery Rate Structure Redesign. Along with its "Rider A – Standby Rate," the Authority's adoption of "Rider C – Net Metering" sets forth provisions to integrate Customers' use of on-site net generation into the Authority's rate structures.

"Net metering" describes the methodology by which on-site electricity production is reflected within customer bills, *i.e.* a customer's electricity usage is "netted" against its on-site electricity production thereby lowering the customer's bill. Under the Authority's Service Tariffs, on-site net generation allows the Customers to provide some or all of their electricity needs with their own generating resources, and can benefit both the individual Customer and the local utility distribution system by reducing costs incurred by the Customer, reducing the demand on the local utility distribution system during peak periods, and providing clean and efficient power to meet Customer needs.

Net metering credits flow solely through monthly bills and carry-over on a rolling basis. They are not transmitted to Customers in the form of a cash rebate, and are limited to reducing the Customer's bill. If a Customer became a net energy exporter, such credits and zero consumption bills would continue to roll-over on a monthly basis until the Customer becomes a net energy importer. Remote net metering allows net producers of electricity that cannot realize a benefit greater than netted zero consumption on one account to spread their excess export production credits over their other satellite accounts, thus allowing them to fully utilize the production value of their on-site net generation application.

Recently, the Customers expressed specific concerns that the Authority's net metering tariff provisions should be altered to allow them to more fully realize the financial benefits of on-site net generation by means of incorporating remote net metering provisions in the Service Tariff language. To allow sufficient time for participation by all Customers, Authority staff deferred consideration of revisions to the net metering provision until the review process of the NYC and Westchester Governmental Customer rates in 2014 for the 2015 rate year. During the review of the 2014 and 2015 Customer production rate setting processes, Authority staff conducted discussions with the Customers regarding proposed modifications to the net metering tariff provision. Informally, the City of New York proposed draft changes to the "Rider C – Net Metering." Authority staff continued drafting the provisions by soliciting feedback from the Customers and working out data and billing logistics with Con Edison, the local utility. That process formed the basis for today's proposed tariff revisions.

DISCUSSION

The issues addressed in the proposed revisions to the Authority's net metering provisions include the following: 1) inclusion of provisions for remote net metering solutions; 2) billing provisions to enable issuance of credits for Customers supplying net energy to the local utility distribution system; 3) inclusion of micro-hydroelectric generating equipment as a generation source qualified for net metering; and 4) clarification of year-end process for accounts that have any excess credits at the year end. Such issues are described in detail below:

1) Remote Net Metering Solutions: Based on the Customers' requests, staff proposes to expand currently applicable language in Rider C to allow for implementation of *remote* net metering solutions for Customers with solar, wind, micro-hydroelectric, micro-combined heat and power, or fuel cell electric generating equipment. If a Customer's on-site net generation application begins to export electricity, remote net metering permits distribution of excess generation credits from a host account to multiple satellite accounts, provided that such accounts are established in the same Customer's name and are located on property owned or leased by the Customer in the same NYISO zone. Through remote net metering, the Authority will facilitate maximal value for its Customers' on-site net generation applications.

2) Remote Net Metering Billing Provisions: Expansion of Rider C – Net Metering language by including provisions for remote net metering necessitates development of additional billing procedures absent in the current version of the Service Tariffs. The proposed billing procedures will ensure that the Customers realize full financial benefit associated with the credits applicable to Customers participating in remote net metering.

3) Inclusion of Micro-Hydroelectric Electric Generating Equipment: Technologies presently qualified for net metering within the Authority's Service Tariffs include the following: solar electric generating equipment, wind electric generating equipment, micro-combined heat and power generating equipment, and fuel cell electric generating equipment. The addition of micro-hydroelectric electric generating equipment to tariff language would ensure consistency with net metering technologies recognized by Con Edison and the New York State Public Service Commission.

4) Year-End Process: Staff proposes to add clarifying language to the Year-End Process section of the Rider to identify such year-end processes for all types of net metering accounts, including remote net metering.

In addition, the Authority retains the right to limit net metering services under the Service Tariffs if, for instance, the meter data from Con Edison is not forthcoming in a manner that would allow the Authority to recognize the Customer's on-site generation. The Authority depends upon Con Edison to supply the necessary data.

Consistent with SAPA, a 45-day public comment period will apply to the proposed tariff amendments. Authority staff will address any comments received during the public comment period and return to the Trustees at a later date with a recommendation for final action on the proposed tariffs.

FISCAL INFORMATION

The adoption of the proposed net metering tariff rider amendments is revenue neutral to the Authority. Energy credits issued to Customer accounts will be offset by reduction of the amounts owed to the NYISO by the Authority in regard to the Customers' loads.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking for publication in the *New York State Register* for the purpose of amending the Authority’s Service Tariff No. 100 and Service Tariff No. 200, as provided for herein and in Exhibit “A.”

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the Authority’s proposed action to affected Customers.

For the reasons stated above, I recommend the approval of the above requested action by adoption of a resolution in the form of the attached draft resolution.

Gil Quiniones

President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Proposed Rulemaking for publication in the *New York State Register* in accordance with the State Administrative Procedure Act to amend the Authority's Net Metering Provisions of the Authority's Governmental Customer Service Tariffs, as set forth in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such other notice(s) as may be required by statute or regulation concerning the proposed tariff amendments; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to take such other and further actions as may be necessary to effectuate the foregoing; and be it further

RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.