

Filed Session of August 21, 1996

Approved as Recommended  
and so Ordered  
By the Commission

John C. Crary  
Secretary

Issued & Effective August 22, 1996

STATE OF NEW YORK  
DEPARTMENT OF PUBLIC SERVICE

August 8, 1996

TO: THE COMMISSION  
FROM: ELECTRIC DIVISION - RATES-UPSTATE  
SUBJECT: Case 91-E-1020

Proceeding on Motion of the Commission as to the rates, charges, rules, and regulations of New York State Electric & Gas Corporation for Residential Time-of-Use Service - Filing of the Commission-mandated Report of the First Three Program Years.

SUMMARY OF

RECOMMENDATION: Staff recommends approval of the report, continuation of the residential time-of-use rate program with modification, and that the company be directed to file revised tariff leaves as an emergency measure pursuant to Section 202(6) of the State Administrative Procedure Act.

\* \* \*

Summary

By letter dated June 4, 1996, New York State Electric & Gas Corporation (NYSEG or the company) submitted for Commission approval a report of the first three years of residential time-of-use (TOU) rate service in compliance with Ordering Clause No. 3 of Commission Opinion No. 92-32 (issued November 16, 1992) in Case 91-E-1020. NYSEG has also proposed to separate the third group of program customers into two groups, thus making a fourth group of residential TOU program customers. NYSEG requests approval of this modification as an emergency measure pursuant to Section 202(6) of the State Administrative Procedure Act (SAPA) so that the third group of customers may begin TOU billing and be entitled to the benefits thereof.

Staff recommends Commission approval of the report and the continuation of the company's residential TOU rate program with the

modification proposed by the company. Staff further recommends that the company submit revised tariff leaves that accurately depict the manner in which the TOU rate program is being implemented and submit to the Commission, at least three months before actual TOU billing of the fourth group of customers scheduled to begin in September 1997, all available comparative billing data for this fourth group of customers.

Background

NYSEG provides TOU rate service on a mandatory basis to its largest residential customers on Service Classification (SC) No. 12 pursuant to Opinion No. 92-32. Similar programs are in effect for each of the seven major electric utilities.

Affected Customers

TOU metering and billing is applicable to customers with minimum annual usages of 35,000 kWh. Customers are required to remain on SC No. 12 for one year after initiation, but will be eligible for transfer to the otherwise applicable residential service classification if/when total usage of a prior twelve-month period was less than 30,000 kWh. At the program's conception, NYSEG estimated that 6,100 customers would be eligible to participate in the program.

Phased Implementation (Opinion No. 92-32)

Opinion 92-32 called for existing residential customers to be initiated into TOU service in three groups (consisting of about 2,000 customers in each group) during three consecutive twelve-month periods. The first group was originally designed to include customers with annual usage over 53,000 kWh, followed by customers with annual usage over 40,000 kWh, and in the final phase, customers with annual usage over 35,000 kWh. In the first year for each of the groups, customers were billed at existing rates, but received a comparison bill showing what TOU rates would have charged. At the end of the year, any TOU savings were credited to the customer. In the second and third years of the phase-in, customers were billed at TOU rates, but given refunds for collections in excess of 105 percent and 110 percent, respectively, of what would have been billed under the previously applicable rate.

Phased Implementation (as modified by NYSEG)

NYSEG's original phase-in plan forecast was based on an estimate that approximately 6,100 customers would be eligible for the TOU rate program.

In each of the first three years of the new rate, about one-third of the customers (2,000) were to begin the three year phase-in. However, when the third group was identified for purposes of setting TOU meters, approximately 3,000 customers were using between 35,000 kWh and 42,000 kWh annually, 50 percent more than originally forecasted. NYSEG, therefore, separated the third group into two separate phase-in periods. The third group now comprises customers with annual usage levels between 37,500 kWh and 42,000 kWh, and a new fourth group comprises customers with annual usage levels between 35,000 kWh and 37,500 kWh. NYSEG proposes to begin comparison billing for the fourth group in September 1996 and actual billing at TOU rates in September 1997. This change in the program needs to be reflected in the company's tariffs and will require an emergency measure pursuant to SAPA to effectuate.

#### The First Three Years

The process began with the first group of qualifying customers in September 1993. The second group, with annual usage between 42,000 kWh and 53,000 kWh, began comparison billing in September 1994, and the third group, with annual usage between 37,500 kWh and 42,000 kWh, began comparison billing in September 1995.

#### Mandated Reporting

In its Opinion 92-32, the Commission directed the company to file a report three months before the transition from dual billing to actual TOU rate billing for the third group of customers showing the actual impact of TOU rates on customers in the first two groups to that point, as well as the expected impact on the third group. Actual TOU billing of the third group is contingent on the Commission's approval of the filed report. Actual TOU billing for the third group, as currently defined by NYSEG, is scheduled to commence in September, subject to the previously described bill cap provisions.

#### Report Content

NYSEG provided a report that contains all currently available TOU rate program customer data for the first two phase-in periods and all available billing data for the year 1 comparison billing period of Group 3

customers. The report consists of a computer printout which compares each customer's annualized bill at SC 1 or SC 8 rates versus TOU rates.

NYSEG also submitted comparative billing information reflecting load study results for Groups 3 and 4, customers with annual usage between 35,000 kWh and 42,000 kWh. Based upon billing comparisons for the load study customers, NYSEG expects that Group 3 and 4 customers will experience the following:

<u>Range of Annualized Bill Impacts</u>	
<u>Percent Increase</u>	<u>Percent of Customers</u>
1% to 3%	11%
-1% to 1%	4%
-5% to -1%	81%
greater than -5%	4%

Discussion

Customer Impact

As shown in the attached Appendix, approximately 96 percent of Group 1 customers had lower bills under TOU rates, and less than one percent of Group 1 customers experienced an increase greater than three percent. About 11 percent of Group 2 customers' bills increased with TOU rates, but less than one percent of Group 2 customers' bills increased by more than five percent. Comparative billing for Group 3 showed over 95 percent of the customers would have lower bills on TOU rates than under their current service classification.

Conclusion and Recommendation

Because of the dramatic number of bill decreases and the few, modest increases experienced, Staff recommends continuation of NYSEG's TOU program. Further, the company's modifications to the program, allowing it to be implemented more smoothly over an extended (one year) term, cause no incremental negative impact on customers. Staff recommends that NYSEG file revised tariff leaves accurately describing the implementation modifications of the program. Since new Group 4 customers will now begin comparative billing in September 1996, Staff recommends that the company be further

directed to file all available comparative billing data with the Commission at least three months before actual TOU billing of Group 4 customers, scheduled to begin in September 1997. This reporting requirement is suggested to satisfy the Commission's original intent to monitor all TOU customers, particularly the lowest usage level customers, as they begin actual TOU rate billing.

This memo has been reviewed by Leonard Van Ryn of the Office of General Counsel and the Consumer Services Division.

Emergency SAPA

The Commission should take this action on an emergency basis pursuant to Section 202(6) of SAPA. The tariff revisions must be in place so that the TOU program changes can be implemented in September 1996. If implementation of the changes were delayed, customer confusion would ensue and the affected customers would lose the benefit of a timely transition to TOU rates. Since the TOU program is an important energy conservation and customer service improvement, these harms to the program must be avoided, both for the benefit of the TOU customers and NYSEG's ratepayers generally. Accordingly, immediate action is necessary for the preservation of the public welfare and compliance with the advance notice and comment requirements of SAPA Section 202(1) would be contrary to the public interest.

- It is recommended t
1. the Commission adopt these recommendations on an emergency basis pursuant to Section 202(6) of the State Administrative Procedure Act, for the reasons discussed above;
  2. the company's report be approved;
  3. the company's residential time-of-use rate program continue as modified by the company;
  4. the company be directed to file with the Commission to become effective on not less than one days' notice revised tariff leaves accurately depicting the modified implementation of the residential time-of-use program;
  5. the requirements of Section 66(12) of the Public Service Law as to the requirements of newspaper publication of the amendments directed in Clause 4 above be waived; and
  6. the company be directed to submit to the Commission, at least three months before actual time-of-use rate billing of Group 4 customers, scheduled to begin in September 1997, a report that shall include all available comparative billing data for the Group 4 customers.

\_\_\_\_\_ Respectfully submitted.

\_\_\_\_\_  
MICHAEL J. RIEDER  
Senior Valuation Engineer

Reviewed by:

DOUGLAS E. LUTZY  
Chief, Upstate Rates  
Electric Division