REBNY®
REAL ESTATE BOARD OF NEW YORK

VIA ELECTRONIC FILING

October 27, 2014

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350

Re: I.D. No. PSC-36-14-0008-P

Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision

Dear Secretary Burgess:

The Real Estate Board of New York, representing over 16,000 owners, developers, managers, and brokers of real property in New York City, files these comments in response to the Commission's Notice Inviting Public Comment published in the New York State Register on September 10, 2014 (I.D. No. PSC-36-14-00008-P). REBNY appreciates the opportunity to comment regarding the impact of standby tariffs on distributed generation development in New York City. We also appreciate how proactive the PSC has been in seeking our comments and in collaborating with building owners.

Our members are very interested in helping both the City and the State achieve the goal of the widespread installation of distributed generation systems. We recognize the environmental advantages associated with such installations as well as the benefits they provide to existing infrastructure. With that in mind, we hope that the observations included below will facilitate the completion of these types of projects by fostering a more conducive regulatory environment.

The PSC has acknowledged that the current standby tariff is a barrier to cogeneration implementation in New York City. We wanted to take this opportunity to express the concerns that our real estate community has shared regarding the implementation of distributed generation in our properties to assist you in improving the rules and regulations surrounding an expanded deployment of cogeneration assets. REBNY understands that the PSC will undertake a review of the standby tariffs as part of the REV proceedings. However, we are concerned that the timing of final REV decisions is uncertain, and the economic hardships imposed by the Con Edison standby tariff should be resolved as soon as possible to take advantage of the current construction boom.

It is our belief that the existing tariff structure is flawed and punitive due in large part to the fact that the tariff was designed on the principle of revenue neutrality for the utility. This flawed starting point has resulted in a tariff that is inflexible and does not recognize the diversity of standby loads. As a result, the standby tariff is a strong disincentive to the installation of distributed generation assets.

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

In order to meet the aggressive goals for DER penetration that REV envisions, the PSC must find a way to fundamentally change the standby tariff structure to remove the major financial penalty it imposes. One option would be for the PSC to follow the lead of neighboring states (*e.g.* Connecticut, Massachusetts and New Jersey) that have abandoned standby rates altogether, and suspend the Con Edison standby tariff pending corrective action. In the alternative, REBNY submits the following comments to assist the PSC in revising the standby tariff expeditiously.

REBNY's views on standby tariff restructuring can be summarized in the following three key points:

- Buildings should never be worse off economically because of the choice to install a distributed generation facility. As demonstrated in case studies from Riverbay Corporation and Source One on behalf of the Durst Organization, attached hereto as Appendices A and B, respectively, the current standby rate design imposes such a penalty.
- DG plants that have reliable operations should be rewarded for their conduct rather than penalized. However, as demonstrated in Appendix B, the current rate design rewards bad performance.
- The current tariff structure is punitive and unfair because it collects a disproportionate share of costs through a fixed, excessive contract demand charge, as demonstrated in the case study from Related Companies attached hereto as Appendix C. As-used daily demand charges that reward good performance and recognize diversity should be emphasized instead of the contract demand charge.

These three key points should be the guiding principles used to revise the standby tariff structure, and all of the more detailed comments included below should be viewed within that context.

- As demonstrated in Appendix C, applying Electric Standby Tariff Customer Charges under the offset tariff to each account at a campus yields unfair results.
- The offset tariff should not be limited to only one customer.
- The threshold of production to trigger the electric standby rate (currently 15 percent) should be reviewed and significantly increased.
- CHP customers routinely schedule maintenance far in advance, and often after consulting with Con Edison. As used demand charges for scheduled maintenance during non-peak periods should be reduced to reflect this coordination.
- As demonstrated in Appendix C, the System Benefits Charge, Renewable Portfolio Standard, and Energy Efficiency Portfolio Standard charges should not be applied to generation from the DG unit.
- For the reasons set forth in the case study from Consumer Power Advocates, attached hereto as Appendix D, Standby charges should not be assessed to the same customer at Primary and Secondary voltages.

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

- The PSC should review the utility's interconnection charges in an effort to bring down the initial capital cost of these projects. It also should eliminate the tariff-based O&M surcharge on the utility's interconnection equipment.
- The PSC should seek ways to streamline ConEd's application and engineering review process to meaningfully reduce the amount of consultants' time and fees associated with future projects.

In addition to the problems with the tariff, REBNY's members have highlighted a number of other barriers to DER development, and we take this opportunity to offer the following suggestions:

Steam

- It is impossible to justify the installation of distributed generation system in buildings served by ConEd steam service given the standby tariff structure. In fact, the tariff is so punitive that it incentivizes customers to disconnect from ConEd's steam system by installing their own boilers. This is neither in the public's nor the utility's interest. The steam standby tariff should be eliminated.
- As an alternative, the steam standby tariff should be revised so that it tracks the rates and peak/off-peak periods applicable to full service customers. In addition, the periods where the rates do not apply should be significantly expanded given the actual demand placed on the steam system.
- The threshold of steam production to trigger the steam standby tariff should be reviewed and significantly increased.
- The penalties associated with exceedance of the steam tariff are exorbitant and impossible to justify.

Gas

- Several other jurisdictions have already eliminated transportation charges, while others offer significant gas transportation discounts. The PSC should support, at minimum, a significant expansion of the Rider H gas transportation discount.
- Lack of access to high-pressure gas mains for DG service continues to be a major impediment, and an effective solution needs to be found.

Other Issues

- Demand Response – The availability of a reliable revenue stream for distributed generation would support the economics of these projects and make them more viable. The PSC should support inclusion of base load DG projects in wholesale and retail demand response programs to allow projects to recover revenues that are commensurate with the firm electric capacity that they are providing to the system.
- New technologies (*i.e.*, batteries, storage, re-use, recovery, or recycling) should not automatically trigger the standby rate for on-site generation. State policy is to encourage the

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

development and installation of new technologies that improve grid reliability and capacity. Exposing these technologies to the overcharges implicit in the current electric standby tariff will impede, if not doom, these technologies.

REBNY has conferred with the Building Owners and Managers Association of Greater New York (BOMA/NY), the Consumer Power Advocates (CPA), and the New York Energy Consumer Council (NYECC), and each concur with all of the points above. We all stand ready to work with the State, the City, the PSC, and the utility to identify solutions to the problems that we have identified herein. The attached case studies highlight how the aforementioned problems have impacted potential and actual distributed generation projects throughout New York City.

Respectfully submitted,

Ryan Baxter

Ryan Baxter
Senior Policy Analyst
Public Affairs, Management Services
and Government Affairs
The Real Estate Board of New York

cc: Service List

Appendix A

Executive Office

RIVERBAY

RIVERBAY CORPORATION, 2049 BARTOW AVENUE, BRONX, NEW YORK 10475

COOP CITY: MICROGRID STATUS AND CONCERNS

Riverbay Corporation is the ownership entity of the limited equity cooperative called Co-op City. The need for cogeneration was recognized before it was built in the mid-1960s. In discussions with Con Edison, a new rate structure (SC13) was created to provide lower cost bulk service to the 15,372-unit development. The tariff rate was established to prevent Co-op City from constructing on-site generation.

By 1975, after the OPEC oil embargo, electricity and oil prices shot up and Co-op City again began to consider cogeneration. The development was constructed with an underground water distribution system which provides space heating, domestic hot water and cooling to the complex from a central plant. In addition, Co-op City was constructed with its own internal underground electricity grid. Con Edison power comes in through only four master meters for the entire complex.

Difficulties in obtaining appropriate financing and securing government incentives prevented the development from establishing a generating plant until 2007. The plant has an overall capacity of 38 megawatts (MW). Co-op City operates interconnected to the Con Edison grid because there is an intermittent need for Con Edison standby power.

While purchasing power from the grid, Co-op City also supplies power to it. A lack of financial reciprocity, however, creates a one-sided relationship. Among the discrepancies:

- **Co-op City pays Con Edison $1.8 million a year in contract demand charges under the new SC 14 rate. This is $400,000 a year greater than demand charges under today's SC 13 rate structure.**
- **Co-op City provides power to the grid for far less than it pays for grid power, and the disparity is considerable. The complex receives an average $62 per megawatt hour (MWh), or 6.2 cents per kilowatt hour (kWh), for electricity supplied to the grid. During a prolonged seven-day heatwave in July 2013, Co-op City provided 1,608.29 MWh to help shore up grid capacity shortfall, for which it was paid $74.37 per MWh, or 7.43 cents per kWh, based on the ISO Location Based Marginal Price. It purchases power, however, at an average cost of $179 per MWh, or 17.9 cents per kWh.**

Appendix A

- **Co-op City pays standby charges on top of the purchase price – and receives no standby fees from the utility in return. If standby charges were included in the equation, the complex would pay about 50 cents per kWh, which is five times the national average and two-and-a-half times the standard SC 8 rate of about 20 cents per kWh paid by master-metered apartment buildings.**
- **Co-op City spends more to produce electricity than the 6.2 cents/kWh it receives for selling it to the grid. In addition, the complex lost about $1 million when the NYISO eliminated the development from its ICAP-SCR curtailment program because its power emanates from a** cogeneration plant.

If standby charges were eliminated, the complex would be able to finance a series of innovative renewable resource applications, including five megawatts of photovoltaic capacity that is in the planning stage. This would mean added excess power for sale to the grid as needed and reduce Coop City's dependence on fossil fuels and therefore its carbon footprint, consistent with REV objectives.

Without relief from standby charges, a convincing economic argument could be made for severing its grid connection. With almost 100 percent system redundancy, the complex would save about $2 million a year, and the macrogrid would lose the back-up that Coop City provides when demand exceeds capacity in the grid.

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

Appendix B

SourceOne
A Veolia Energy Company

October 23, 2014

Phil Skalaski
The Durst Organization
One Bryant Park, 49th Floor
New York, NY 10036

SUBJECT: ConEd Standby Tariff Cost Analysis

On behalf of The Durst Organization, SourceOne analyzed a number of billing scenarios for Consolidated Edison of New York ("ConEd") Account 494122423500011, ONE BRYANT PARK LLC. ("One Bryant Park"), to understand the consequences associated with paying the SC9-Rate 5 tariff ("General – Large - Standby Service") compared to the SC9-Rate 2 tariff ("General – Large – Time-of-Day"), as well as to understand the potential benefits that the Durst Organization would experience from operating their plant with a higher availability (i.e. with fewer outages).

SourceOne reviewed thirty-six monthly bills covering the period from October 19, 2011 to October 17, 2014, during which time One Bryant Park was billed under the SC9-Rate 5 tariff. SourceOne reviewed and recalculated these monthly bills three times:

- What would the charges have been, given the outages experienced, under SC9-Rate 2?
- If there had not been any outages, what would the charges have been under SC9-Rate 5?
- If there had not been any outages, what would the charges have been under SC9-Rate 2?

The analysis shows that, for each year, One Bryant Park has been effectively penalized by ConEd's punitive SC9-Rate 5 standby tariff when compared to the standard SC9-Rate 2, given the outages the generator experienced. Indeed, One Bryant Park would have been penalized even more if there had not been any outages. The following tables show the estimated standby penalties with and without generator outages.

Annual Costs with Actual Generator Outages

Year	Nov 2011 – Oct 2012	Nov 2012 – Oct 2013	Nov 2013 – Oct 2014
Actual SC9-Rate 5 Charges	$4,510,000	$4,210,000	$3,820,000
Estimated SC9-Rate 2 Charges	$4,120,000	$3,910,000	$3,700,000
Standby Penalty	$390,000	$300,000	$120,000

Annual Costs with No Generator Outages

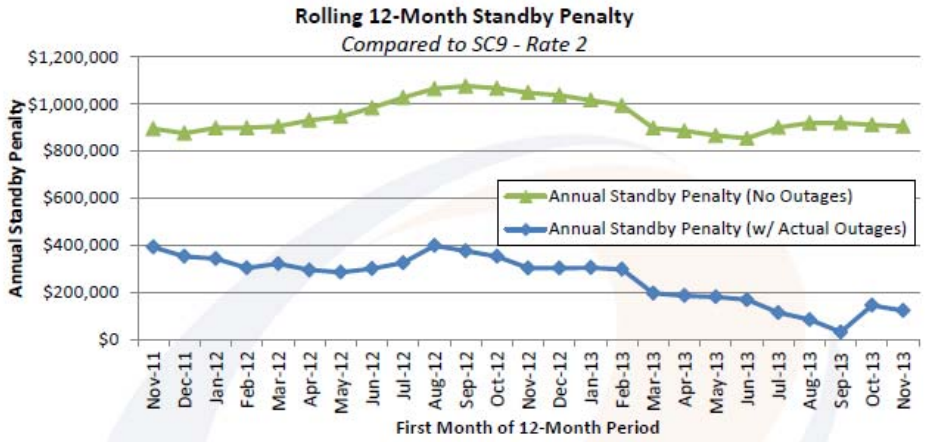
Year	Nov 2011 – Oct 2012	Nov 2012 – Oct 2013	Nov 2013 – Oct 2014
Estimated SC9-Rate 5 Charges	$4,120,000	$3,990,000	$3,650,000
Estimated SC9-Rate 2 Charges	$3,230,000	$2,940,000	$2,740,000
Standby Penalty	$890,000	$1,050,000	$910,000

53 State Street, Boston, MA 02109 I t. 617.399.6100 I f. 617.399.6186 I www.sourceone-energy.com

Appendix B

SourceOne
A Veolia Energy Company

In fact, even given all of the many factors which can influence a monthly bill, One Bryant Park would have been penalized, given the actual generator outages experienced, over every single rolling 12-month period covering the time period analyzed. Penalties if there had not been any outages would have been close to $1,000,000 for all rolling 12-month periods:



A large factor that contributes to the standby penalty is the Contract Demand Charge, which is applies to only SC9-Rate 5 and not SC9-Rate 2. For One Bryant Park's contract demand of 12,000 kW, the charges exceed $1 million annually, as noted in the table below.

Year	Nov 2011 – Oct 2012	Nov 2012 – Oct 2013	Nov 2013 – Oct 2014
Standby Service Contract Demand Charge[1]	$1,780,000	$1,580,000	$1,420,000

SC9-Rate 2 would be a considerably better mechanism than SC9-Rate 5 for incentivizing gas turbine availability. When facility electrical demand is more constant and predictable, it becomes easier for the utility to plan and design an optimal system configuration. When the facility imports less energy, the overall loading on electric T&D lines is reduced, extending the usable lifespan for equipment, and reducing capital expenses. As demonstrated in the case of One Bryant Park, instead of encouraging this beneficial uptime of cogeneration plants, ConEd's onerous standby tariff is financially punishing customers with reliable generation and discouraging optimized plant operations.

Sincerely,

Jeremy Schein
SourceOne, Inc.
jschein@s1inc.com

REBNY®
REAL ESTATE BOARD OF NEW YORK

Appendix C

Hudson Yards Microgrid
Standby Service and Offset Tariff Impact Analysis

Related Companies and Oxford Properties ("Related"), in partnership with Bernhard Energy ("Bernhard"), are developing a microgrid at Hudson Yards ("HY") to serve the five buildings of the Eastern Rail Yards ("ERY"). The major attributes of the microgrid are a 12 MW tri-generation plant and a thermal exchange loop through which thermal output from the tri-generation plant will be distributed to plants in each of the five ERY buildings. The tri-generation plant thermal output will reduce the need to run building chillers and boilers. The five ERY buildings amount to 7.7M SF of mixed use development, including residential condo, affordable rental, retail and commercial office space.

As a ground-up neighborhood development in the heart of Manhattan, Hudson Yards offers New York City, Con Ed, and the State of New York an unprecedented opportunity to design energy infrastructure from the ground up to achieve societal benefits of energy efficiency, resilience and smart grid management. Likewise, as a ground-up neighborhood development in the heart of Manhattan, the project involves extraordinary financial, logistical, design and construction, infrastructure interconnection and operational complexity that requires close collaboration with Con Ed, local government, and state energy regulators to succeed. With the help of Con Ed, the HY microgrid project was able to overcome a critical interconnection hurdle earlier this year. Now the project is facing an economic hurdle as it tries to attract the private investment necessary to see it through to implementation. In light of this issue, Related and Bernhard have compiled a number of observations concerning the application of Standby Service (Rate V) in the context of the Offset Tariff and its impact on project economics.

The Offset Tariff is an innovative tariff that Con Ed created to address the needs of campuses with existing grid infrastructure that desire to install large distributed generation assets. Hudson Yards will be the first ground up new construction campus to use the tariff and as such we hope that the tariff's application may be nuanced to recognize the inherent efficiencies of planned construction, and Hudson Yards in particular. We recognize and embrace the precedent that Con Ed's application of the Offset Tariff and Standby Rate to Hudson Yards will create for microgrids and distributed generation throughout New York City, and hopefully the United States. As such, we wish to work as partners with Con Ed to find opportunities to reduce the drag of the Standby Rate on the project economics, while also protecting the interests of all Con Ed stakeholders.

Background Information

The Eastern Rail Yards of Hudson Yards is comprised of five buildings:

- 10 Hudson Yards ("Tower C"): 50-story office tower
- 15 Hudson Yards ("Tower D"): 70-story residential (condominium /affordable rental) tower
- 20 Hudson Yards ("Retail"): 9-story building with retail and restaurants
- 30 Hudson Yards ("Tower A"): 70-story office tower (with two major tenants: A & B)
- 35 Hudson Yards ("Tower D"): 70-story tower with residential, hotel, and office space

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

Appendix C

Thermal utilities (hot water and chilled water) for the ERY buildings will be provided through a combination of distribution from the thermal exchange loop and central energy plant assets in each of the buildings. The four-pipe thermal exchange loop will distribute hot water and chilled water from the tri-generation plant and allow for limited inter-building exchange of thermal utilities.

Electricity for the ERY buildings will be provided through a combination of distribution from the tri-generation plant via the Offset Tariff and Standby Service for selected loads and normal utility grid service for non-selected loads. The figure below depicts the planned electrical configuration, along with a tabulation of the estimated annual consumption and production:

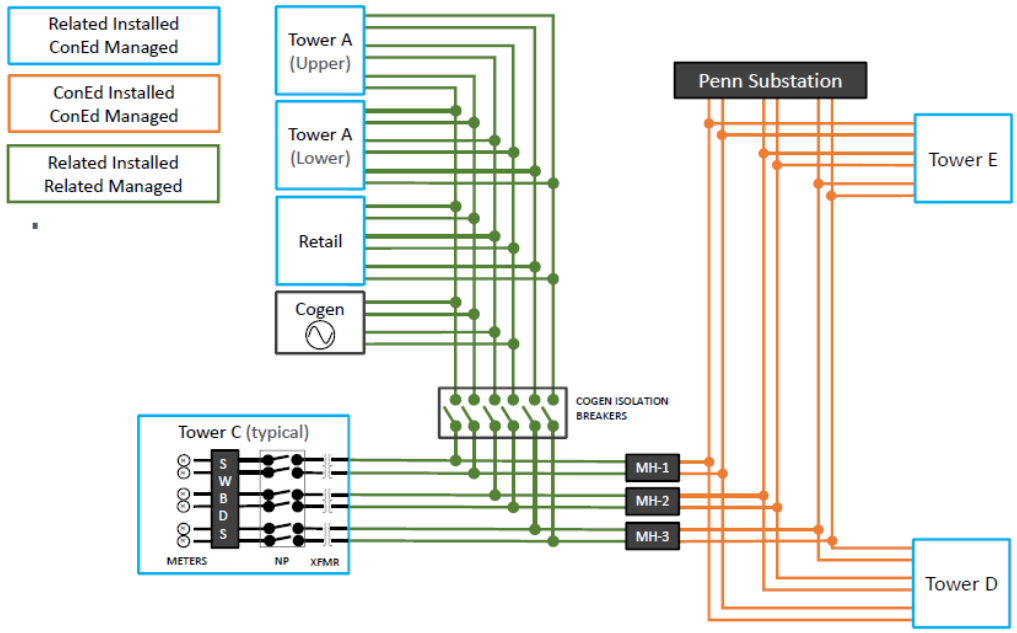


Figure 1: ERY Electrical distribution installation & management

	Peak Demand (MW)	Consumption (MWh/year)
Eastern Rail Yards	38.4	160,449
Offset Tariff Accounts [A(lower) – Retail – D – E]	22.1	91,630
Plant generation	12.0	74,615
Offset Tariff Accounts net of Plant generation	9.2	13,320

Table 1: ERY Electrical distribution installation & management

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

REBNY®
REAL ESTATE BOARD OF NEW YORK

Appendix C

Tariff Impacts

Eastern Rail Yards: All accounts

The buildings of the Eastern Rail yards would, without the tri-gen plant, take delivery under Rate II of either SC8 or SC9. Under this tariff, the buildings would in aggregate pay approximately **$13.6M** annually for delivery service. With the tri-gen plant, accounts selected for inclusion into the Offset Tariff will take delivery under Rate V of either SC8 or SC9. Under the combination of Rate V for selected accounts and Rate II for non-selected accounts, the buildings will pay approximately **$9.0M** delivery service.[1]

With the offset of electrical demand from electrical and thermal generation from the tri-gen plant, peak electrical demand is reduced by **45%** and annual utility electrical consumption is reduced by **58**% while the reduction in delivery service cost is only **33%**.

Eastern Rail Yards: Offset accounts

The accounts selected for inclusion into the Offset Tariff would otherwise take delivery under Rate II of either SC8 or SC9 and will thus take Standby Service under Rate V. Under Rate II (without the tri-gen plant), the accounts selected for inclusion into the Offset Tariff would pay approximately **$8.0M** for delivery service. Under Rate V (with the tri-gen plant), the same accounts will pay approximately **$4.6M** for delivery service.

With the offset of electrical demand from electrical and thermal generation from the tri-gen plant, peak electrical demand is reduced by **58%** and annual utility electrical consumption is reduced by **86%** while the reduction in delivery service cost is only **43%**.

Whether from the perspective of the entire ERY or just the selected Offset accounts, the reduction in delivery service cost, while significant, is nonetheless disproportionate to the reduction in delivered demand and energy.

Discussion Items

In order to understand the delivery service costs for the Offset accounts, the points below elaborate on the salient factors of the tariff. To identify and prioritize those factors, the table below breaks out the costs under the Rate V tariff into four categories and compares them to what delivery costs would otherwise look like under Rate II[2]:

	Rate V	Rate II	Difference
Demand Delivery	$3,735,533	$1,846,874	$1,888,659
Energy Delivery	—	$302,423	($302,423)
Additional Delivery Charges and Adjustments	$562,284	$10,637	$551,647
Customer charges	$113,123	$4,972	$108,152
TOTAL	$4,410,941	$2,164,906	$2,246,034

[1] This includes the reduction in delivery charges associated with the 1.2MW plant in Tower C (10HY), which is less than 15% of Tower C demand and thus exempt from Standby Service Rates pursuant to General Rule 20.3.1(a)

[2] Rate II assumes that demand and energy delivery costs are net of generator output

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

REBNY®
REAL ESTATE BOARD OF NEW YORK

Appendix C

Demand Delivery

- ### Contract Demand: Local Facilities

The most significant driver of the Standby Service (Rate V) cost is Demand Delivery. In particular, Contract Demand charges, which comprise **64%** of the **$3.7M** in Demand Delivery costs, are a significant cost factor. Con Edison establishes Contract Demand as the **maximum potential demand of each Standby Service account** without consideration of generator output under the rationale that the generator output does not reduce the use of local facilities.[3]

This rationale does not, however, reflect the details of the ERY electrical interconnection (as shown in Figure 1), which is comprised of facilities under blended ownership and management. In failing to account for these nuances, the tariff effectively overstates the scope of Con Ed's local facilities and recovers costs that are not incurred by the company, thus burdening the project's economics.

- ### Contract Demand: Generation diversity

A further rationale for setting contract demand without consideration of generator output is the fact that distributed generation projects can experience inadvertent outages and shift significant facility load to the utility electrical grid. The expected impact (i.e., size of generation asset x probability of failure) of these outages varies with the size and diversity of the generation assets. In the context of the ERY, the risk posed by 4 x 3MW generation units is significantly less than that that posed by a single 12MW generation unit. However, the tariff fails to account for this differential risk and treats the two configurations as equivalent. A more nuanced tariff would reflect the benefit that such generation diversity provides to the utility grid.

- ### Contract Demand: Demand basis

When Offset Tariff customers select offset accounts, they commit the selected accounts to taking utility electricity under Standby Service. The terms of this service are such that customers face an issue of balance: choose too few accounts and the generator will not be sufficiently utilized, choose too many and face significantly increased charges (particularly Contract Demand charges) that will erode project economics. As such, each customer must spend significant effort in assessing load and modeling combinations of loads in the context of the tariff in order to determine the most economic balance. This process may naturally lead the customer to select loads that do not allow for what would otherwise be full utilization of the generator.

To avoid this burdensome and sub-optimal outcome, it may be preferable to change the basis by which Contract Demand is set from facility load to generator output. Such an approach would:

— Simplify the selection of offset accounts, saving significant customer effort in modeling and assessing different load scenarios

— Enable the generator to be more fully utilized as contract demand charges would not increase with an increase in the number of offset accounts

[3] http://www.coned.com/dg/faq.asp "Allocation/Methodology #2"

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

Appendix C

— Enable more nuance in the negotiation of Contract Demand with ConEd based on the diversity of generation assets

— Reduce the cost and complexity to ConEd of managing offset accounts

- ### Coincident Demand

At Hudson Yards, the diversity of building types (i.e., residential, commercial, retail) within the campus will lead to a lower coincident demand between all buildings than the sum of the aggregated non-coincident peak demands of each building. However, the Offset tariff bills each building on its individual peak demand, regardless of when it is reached relative to other buildings. Because coincident demand will always be equal to or less than the sum of individual building peak demands, the tariff recovers charges for a demand that is often not born by the local facility. In the context of Hudson Yards, billing the Offset accounts based on coincident demand instead of aggregated non-coincident demand would save the project **$33K a year** in Contract Demand and As Used Daily Demand charges.

Additional Delivery Charges and Adjustments

In a similar fashion to Demand Delivery, the additional Delivery Charges and Adjustments (i.e., MAC adjustment, SBC, and RPS) are assessed with neither consideration of generator output nor the electrical interconnection scheme. Specifically, the charges are assessed on total kWh consumed, not total kWh actually delivered. This overlooks the fact that the project is generating a significant portion of ERY's power and distributing it across electrical infrastructure installed and managed by Related (refer to Figure 1). If the assessment were based net of generator output, the project's annual utility billing would be reduced by **$479K**. And while it is true that the Systems Benefits Charge (SBC) funds grant programs that subsidize Distributed Generation projects, such as NYSERDA's CHP Performance Program, it is noteworthy that the economics of this project would be improved if it could choose to forgo the approximately **$2M** in grant funding and have SBC alone charged net of generator output.

Customer Charges

While it understandable that the execution of billing and customer functions under the Rate V are more complex and thus more expensive than regular Rate II service, it is worth noting that the addition of **$2000**[4] per month per account between Rate V and Rate II customer charges drives an additional **$108K** in annual utility cost for the Offset Accounts.

Reference

For the reference purposes, the tables below summarize the projected demands, consumption and costs for the Eastern Rail Yards (for all accounts and selected Offset Tariff accounts) both with and without the impact of the microgrid project (Pre-CHP and Post-CHP respectively):

[4] Inclusive of $50 in Standby Service processing charge

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

REBNY®
REAL ESTATE BOARD OF NEW YORK

Appendix C

Table 2 [Eastern Rail Yards: All Accounts]

	Pre-CHP	Post-CHP	Reduction
Peak demand (kW)	38,442	21,140	45.0%
Annual consumption (kWh)	160,449,102	67,932,899	57.7%
Delivery costs ($)	13,583,264	9,040,242	33.4%

Table 3 [Eastern Rail Yards: Offset Accounts]

	Pre-CHP	Post-CHP	Reduction
Peak demand (kW)	22,135	9,207	58.4%
Annual consumption (kWh)	91,629,802	13,319,526	85.5%
Delivery costs ($)	7,768,162	4,410,941	43.2%

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York

Appendix D

Consumer Power Advocates

Columbia University Medical Center
Fordham University
Memorial Sloan-Kettering Cancer Center
Montefiore Medical Center
Mount Sinai Health System
NYU Langone Medical Center
New York University
New York Presbyterian Hospital

NYU Position on Standby Service
Original Sent to Con Edison: June 15, 2010
Updated: October 23, 2014

Background

NYU upgraded its cogeneration system and expanded the number of buildings served by that system. The new plant consists of two 5.5MW gas turbines and one 2.4MW steam turbine generator operating in parallel with six high tension (HT) Con Edison services. Power at 4KV is distributed to approximately 20 building loads via local step-down substations. These substations are also key- interlocked or connected via transfer switches to the existing Con Edison low tension (LT) services in these buildings.

NYU has had numerous discussions with Con Edison since August 2005 regarding the Contract Demands for the HT and LT services, and the design of the electrical distribution was based partly on those discussions.

Con Edison's position is that NYU is responsible for the Low Tension (Secondary) Contract Demand Charge for each building and the Contract Demand Charge for the load at High Tension (Primary). Each kW of load would then pay two Contract Demand Charges. In addition, as-used Demand Charges would be applied at the voltage rate where service is used.

NYU's position is that it should not have to pay two Contract Demand Charges on each kW of load.

Below is a summary of our position. A more detailed report is available.

NYU Position

Double Risk Argument - Con Edison cited a double risk argument suggesting that the risk being covered impacts the level of the Contract Demand Charge. We believe the As Used Demand Charge handles the degree of risk being covered.

Separate Facilities Argument - The interconnection costs for standby service at the primary voltage level were paid by NYU. When we asked Con Edison to specify what separate, unreimbursed, primary and secondary distribution facilities were needed to serve these separate NYU locations, none were provided.

NYU's Double Recovery - Standby rates were developed using a matrix which allocates costs to various voltage levels and demand classes. The method used by Con Edison to allocate costs results in NYU being charged a rate that recovers more than 100% of the applicable costs attributed to NYU.

NYU's Single Site Argument - In its December 17, 2007 order in Case 07-E-1033, regarding a tariff dispute between National Grid and Burrstone Energy Center LLC, the Commission clarified the scope of eligibility for standby service. The Commission ruled that the proposed cogeneration facility and all of the customers it was serving represented a single site. In this case, NYU is the owner of the cogenerator and the buildings served. Thus, NYU is a single standby customer and should not be subjected to two

535 Main Street, Allenhurst, NJ 07711
Tel 732-774-0005 Fax 732-774-0049

Appendix D

Contract Demand Charges on the same loads. The single site precedent is inconsistent with Con Edison's double imposition of Contract Demand Charges.

NYU's Fairness Argument - NYU began discussing its cogeneration upgrade with Con Edison in August 2005. As of January 2009, Con Edison's position was still that it would not charge two contract demand charges because Con Edison did not realize twice the expense nor require twice the system capacity. Therefore, NYU designed its internal distribution system at first contingency with this in mind. After the design was completed, Con Edison reversed its position. Had Con Edison set out its position on a timely basis, consideration would have been given to provide a second contingency design for the internal distribution, eliminating the need to retain the existing Low Tension connections to Con Edison.

Green Argument

Public policy favors clean, efficient cogeneration. As the NY Public Service Commission stated in the Burrstone Decision cited above. The cogeneration project is the cornerstone of NYU's Sustainability effort. The University has committed to reducing emissions by at least 30% as part of New York City's Mayoral Challenge of which the cogeneration project is the leading initiative. Con Edison's interpretation of the Contract Demand Charge discourages the implementation of clean and efficient cogeneration power.

The Real Estate Board of New York, Inc., 570 Lexington Avenue, New York, NY 10022 Tel. (212) 532-3120 FAX (212) 779-8774
Over 100 Years of Building and Serving New York